The NCREIF Farmland Index (NFI) increased by 16 in Q2 2022 bringing the total property count to 1,300, and the NFI’s market value reached a new record of $14.6 billion. At the end of Q2 2022, the NFI was comprised of $8.9 billion (61%) of annual cropland and $5.7 billion (39%) of permanent cropland. Directly operated permanent crop properties represented 4.2 billion (29%) of the NFI, while leased cropland properties accounted for $10.3 billion (71%).

Regionally, the Pacific West (40%), Delta States (19%), and Corn Belt (12%) comprised over 70% of the NFI, collectively. The other 29% is represented by the Mountain (8%), Pacific Northwest (7%), Southeast (5%), Lake States (4%), Southern Plains (2%), Northern Plains (2%), Appalachian (1%), and Other (<1%).

In Q2 2022, the NFI reported strong quarterly performance, albeit slightly lower than in the same quarter one year ago. Over the prior four quarters, the NFI’s cumulative total return was 9.71%, resulting from an income return of 3.82% and appreciation of 5.89%. Annual cropland’s rolling 4-quarter return was 13.95%, a decline of approximately 17 basis points as compared to Q1 2022 due to declines in income and appreciation returns. Permanent cropland posted its third consecutive quarter of increasing total returns, reporting a rolling 4-quarter total return of 3.51%.

Over the past four quarters, the annual cropland sub-index generated an income return of 3.59% and appreciation of 10.10%, resulting in a total return of 13.95%. This result was approximately 2x the rolling 4-quarter total return as of Q2 2021 (6.57%) but down slightly from the previous quarter’s rolling 4-quarter return (14.12%).

As of Q2 2022, the permanent cropland sub-index reported a rolling 4-quarter income return of 4.17% and appreciation of –0.63%, resulting in a total return of 3.51%. Recent returns produced by the permanent cropland sub-index are near 20-year lows. It is noteworthy that since 2000, almonds had the lowest return, -3.05%. The rolling 4-quarter return for almonds, apples, pistachios, and wine grapes have comprised over 50% of the permanent cropland sub-index on average. Permanent crop returns have experienced periods of significantly higher and lower returns as compared to the annual cropland sub-index.

Pistachios once again accounted for the highest return over the prior 4 quarters at 8.54% while almonds accounted for the lowest return, -3.05%. The rolling 4-quarter returns for almonds, apples, pistachios, wine grapes, and citrus all lagged their 5-year and 10-year returns. Wine grapes generated their highest rolling 4-quarter return in over 11 quarters, a positive for an industry that has been struggling with oversupply and declining consumer demand over the past few years. The rolling 4-quarter performance of leased permanent cropland exceeded the performance of directly operated permanents by over 300 basis points, outperforming in terms of income and appreciation.

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