NCREIF FARMLAND INDEX POSTS ANOTHER QUARTER OF RECORD VALUE

The number of properties in the NFI increased by 9 in Q1 2023 bringing the total property count to 1,327, and the NFI's market value reached a new record of $15.9 billion. At the end of Q1 2023, the NFI was comprised of $9.8 billion (62%) of annual cropland and $6.1 billion (38%) of permanent cropland. Directly operated permanent crop properties represented $4.6 billion (29%) of the NFI, while leased cropland properties accounted for $1.5 billion (10%).

Regionally, the Pacific West (39%), Delta States (19%), and Corn Belt (13%) comprised over 70% of the NFI, collectively. The other 29% is represented by the Mountain (8%), Pacific Northwest (7%), Southeast (5%), Lake States (4%), Northern Plains (3%), Southern Plains (2%), Appalachian (1%), and Northeast (<1%).

In Q1 2023, the NFI reported strong quarterly performance, however performance was cooler than Q1 2022. Over the prior four quarters, the NFIs cumulative total return was 8.88%, resulting from an income return of 3.36% and appreciation of 5.39%. Annual cropland's rolling 4-quarter return was 13.27%, which was 116 basis points less than the Q1 2023 rolling 4-quarter return. Permanent cropland strengthened slightly, posting another positive quarter of total return, reporting a rolling 4-quarter total return of 2.30%.

Over the past four quarters, the annual cropland sub-index generated an income return of 3.72% and appreciation of 9.30%, resulting in a total return of 13.27% which was slightly lower than last quarter's annual return of 14.43%.

As of Q1 2023, the permanent cropland sub-index reported a rolling 4-quarter income return of 2.80% and appreciation of -0.49%, resulting in a total return of 2.30%. Q1 2023 is the lowest rolling 4-quarter ending in March total return since Q1 2002's return of -3.20%. The chart below demonstrates permanent crop returns have experienced periods of significantly higher and lower returns as compared to the annual cropland sub-index.

It is worth noting that the composition of the permanent cropland sub-index has evolved over time. In Q1 2006, nearly two-thirds of permanent cropland sub-index was concentrated in two crop types by market value: almonds at 42% and citrus at 19%. The permanent cropland sub-index is much more diversified with a broader representation from wine grapes (36%), pistachios (19%), and apples (6%) all significantly contributing to the index.

Among permanent cropland properties, apples accounted for the highest return over the prior 4 quarters at 8.04% while almonds accounted for the lowest return, -2.66%. The rolling 4-quarter performance of leased permanent cropland exceeded the performance of directly operated permanent crops by 421 basis points, with the outperformance primarily a result of higher income returns.

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