MACFARLAN CP
MACFARLAN CAPITAL PARTNERS

WHY FARMLAND?

LOW VOLATILITY & SAFETY

High levels of recent turmoil in the markets associated with online trading platforms and 'meme' stocks such as GameStop, AMC, Koss, etc. have highlighted concerns about market fundamentals and have investors guessing on inflation/deflation.

Farmland investments have proven to be a long-term safe-haven for investors, delivering solid returns while exhibiting unique value durability and income levels throughout economic downturns.

LOW CORRELATION

Farmland negatively correlates to other asset classes, meaning that land prices generally have increased as stocks and bonds have fallen and vice versa. This makes it a smart addition to any diversified investment portfolio.

INFLATION HEDGE

As a real asset that produces commodities like corn, grain, peanuts, sorghum, etc.

Farmland investments benefit from an inflationary environment which would drive up both acreage values and crop income. •

INVESTMENT THESIS SUMMARY

With the help of its carefully-selected operating partners, Macfarlan intends to aggregate a strategic portfolio of small to mid-sized high-yielding agricultural assets reaching a target size of ~50,000 acres, operate for targeted cash on cash return in excess of 6-8% and exit to an institutional investor achieving a projected 13-15% project level IRR over the anticipated hold period of 8-10 years. •

N O V E M B E R 2 0 2 1

Agriculture Investment Initiative

At present, the four major classes of commercial real estate are presenting real challenges to those of us trying to identify attractive investment opportunities. Office and Retail remain severely challenged by the complex, still-evolving changes in demand as many tenants shelve extension or expansion plans. Multifamily and Industrial have seen prices soar powered by low interest rates and massive amounts of equity available. To our surprise, very little distressed product has yet to shake loose as lenders are not itching to take back product and the federal government continues to pump more stimulus into the economy. One industry professional recently commented "office investment is a conundrum, everything but grocery-anchored retail is toxic, multifamily is over-priced and warehouse is wildly over-priced."

With a growing global population and shrinking U.S. farmland acreage, Macfarlan has developed increasing conviction over the past year that acquiring Sustainable Farmland and other Agricultural properties over the next 3-5 years will present investors with some of the most attractive risk-adjusted returns. Over the course of the past 50 years, through the Global Financial Crisis, Dotcom Bubble and 9/11, even back to the 1980's Recession and Inflation, US Farmland has demonstrated itself as an outperformer in volatile markets. Even in a global pandemic, growing global population continues to drive demand for high-quality food and a decreasing supply of land means that farmland will only become more essential over time.

During market uncertainty or recessions, investors look for essential attributes of safety, low volatility, positive returns and a disconnection to stocks - and Farmland as a tangible asset with intrinsic value, delivers on all fronts. See below the chart comparing NCREIF total return against the S&P 500 from the early 1990's through 2019.

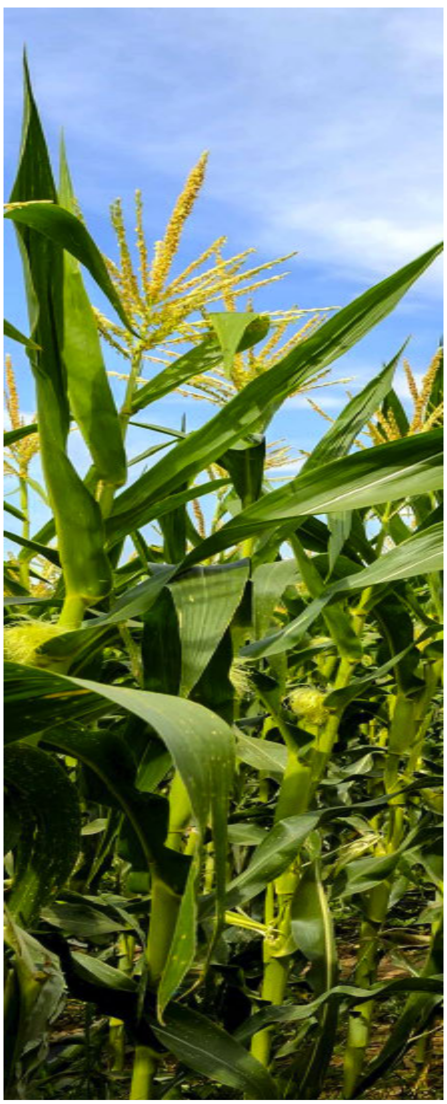
Farmland has been a reliable store of value & return through market cycles

Since 1991, farmland has outperformed all other asset classes besides the S&P. And uring the 2008 GFC – the most comparable event to the current pandemic crisis, most asset classes across the spectrum experienced impact to overall return and operating performance. However, this period was relatively profitable for the agricultural sector, resulting in higher farmland values.

Additionally, financial yields from farmland are inherently tied to food prices, which have not been negatively impacted during previous pandemics. Over this period, Farmland returns were up nearly 30% while equity and real estate both fell by double digits.

WARREN BUFFETT

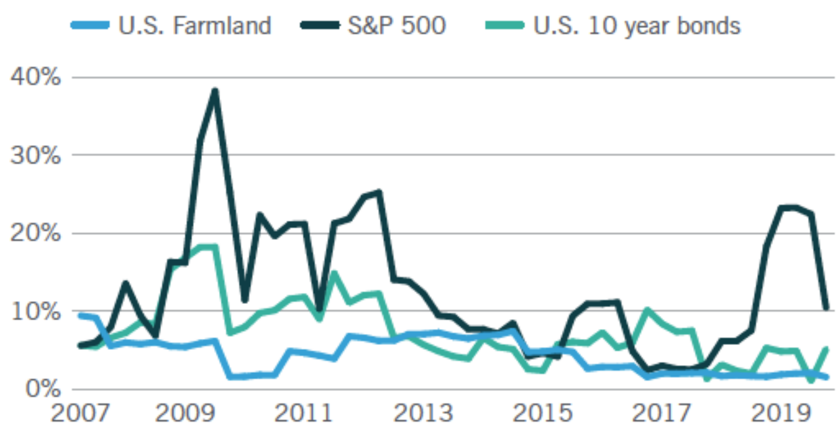
"My own preference -- and you knew this was coming, is our third category: investment in productive assets, whether businesses, farms, or real estate. Ideally, these assets should have the ability in inflationary times to deliver output that will retain its purchasing-power value while requiring a minimum of new capital investment. ***Farms, real estate****, and many businesses …meet that double-barreled test. Certain other companies, think of our regulated utilities, for example, fail it because inflation places heavy capital requirements on them. To earn more, their owners must invest more. Even so, these investments will remain superior to nonproductive or currency-based assets."*



Historically, farmland has seemed fragmented, confusing and costly to enter for investors. However, with the average age of farmers in the US approaching 60, unprecedented amounts of land are beginning to exchange hands. Bill Gates has targeted Washington and Oregon, quietly spending $690M in the past few years on 242,000 acres of farmland.

While Gates and other high net worth and institutional investors tend to target more permanent crop and larger-scale (10k acres and up) farms, Macfarlan has targeted smaller to midsize family legacy assets in the Texas Panhandle for lease partnerships and acquisitions. Leveraging the firm's deep connections and long-running family relationships in the area has already yielded solid deal flow as we're currently evaluating four investment opportunities that fit our targeted returns.

Annualized volatility of select assets vs. average U.S. Farmland



Source: Bloomberg, LTM data to 12 August 2019, NCREIF, LTM data to 31 Dec 2019

Macfarlan is uniquely positioned to capitalize on this investment initiative thanks to its breadth of experience (over $635M and 3.57M SF) in the single tenant net lease space which mirrors most farmland lease structures. Additionally, in this relationship-centric business climate, Macfarlan has deep family roots in the Texas Panhandle through Gore Creek Capital Partners (Wales Madden Family Office) and Macfarlan Family Partners Family Office which have owned and leased farms and ranches for over fifty years.

With the help of its carefully-selected operating partners, Macfarlan intends to aggregate a strategic portfolio of small to mid-sized high-yielding agricultural assets reaching a target size of ~50,000 acres, operate for targeted cash flow yield in excess of 6-8% and exit to an institutional investor achieving a projected 13-15% project level IRR over the anticipated hold period of 8-10 years.

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THE WALL STREET JOURNAL.

U.S. Farmers Are Planting More Row Crops Than Ever

Planters wager that rallies in crop prices are just getting started

COMMODITIES

By Kirk Maltais + Follow

Updated February 25, 2021 06:25 p.m. EST

Soybean prices have risen sharply over the past eight months. A farmer worked a soybean farm in Wyanet, Ill., in September.

U.S. farmers are expected to plant a record amount of acres this year to take advantage of high agricultural prices after years of tough market conditions.

The U.S. Department of Agriculture projects that farmers will plant 182 million acres of corn and soybeans in 2021. That is an all-time high and up roughly eight million acres from last year—driven by a jump in soybean acreage, which is expected to rise nearly seven million acres from last year.

"If realized, this would approach the highest planted soybean area figure on record," said Mac Marshall, vice president of market intelligence for the United Soybean Board. That record dates back to 2017, when farmers planted 90.2 million acres of soybeans, according to USDA data.

Behind the increase lies a sharp rise in soybean prices over the past eight months—67% since June 1, with the most-active contract on the Chicago Board of Trade trading at $14.07 per bushel on Thursday, a level unseen since July 2014.

Prices have been lifted by surging demand for U.S. soybeans in China, where the country continues to rebuild a hog herd that was decimated by African swine fever in 2019. As of last week, Chinese buyers had purchased 35.9 million tons of U.S. soybeans since the start of September—up nearly 24 million tons from the same period a year earlier.

"The Chinese are buying even as prices are rising," said Seth Meyer, chief economist for the USDA, at a press conference during the USDA's Agricultural Outlook Forum last week. Dr. Meyer said that he expects China's demand for U.S. products to stay strong throughout 2021.

For Tim Bardole, who farms 2,500 acres of soybeans and corn in Rippey, Iowa, the choice to plant more soybean acres this spring is both economic and practical. Mr. Bardole says that 60% to 65% of his acreage will be soybeans this year, higher than usual after a derecho—a fast-moving summer wind storm capable of hurricane-force winds—hit Iowa and caused around $500,000 of damage to his farm, forcing him to destroy 600 corn acres.

"It'd be too risky to try and grow corn again," said Mr. Bardole. "We really don't have much choice after the derecho."

High soybean prices are a hopeful sign for farmers after some tough years. In 2020, 552 chapter 12 bankruptcy cases—a chapter of the bankruptcy code designed for farmers—were filed, down 7% from the previous year but still the third-highest total in the past decade, according to data from the American Farm Bureau Federation.

Net farm cash receipts, the money made by selling crops, are expected to rise 5.5% or $20.4 billion in 2021, according to the Federal Reserve Bank of Kansas City.

"The ag economy has entered this year with one of the strongest financial outlooks in years," said Nathan Kauffman, vice president of the bank, at last week's USDA forum.

A 45% drop in the amount of money sent to farmers in the form of government aid, however, will lower net farm income by 5.8% in 2021, according to the bank. And the USDA cautions that its outlook for stronger crop acreage in 2021 is predicated largely on favorable weather condi-

THE WALL STREET JOURNAL.

Surging Grain Prices Fuel Surprise Farm Recovery

Higher commodity prices are benefiting grain farmers but could lead to higher prices at the grocery store

BUSINESS

By Jesse Newman + Follow
January 22, 2021 08:37 a.m. EST

Soybeans are seeing a rise in price as dry weather and strong export demand drain U.S. stockpiles.

A crop glut that battered American farmers is subsiding, fueling an unexpected recovery in the U.S. Farm Belt following a yearslong agricultural recession.

Prices for corn, soybeans and wheat have soared to their highest levels in more than six years as dry weather and strong export demand from China drain U.S. stockpiles.

The rising commodity prices are rippling through the food chain, helping drive a sharp increase in U.S. farm income and lifting the prospects for a swath of rural businesses, from grain traders to equipment manufacturers and fertilizer suppliers.

At the same time, the revival in the grain sector is boosting costs and pressuring profit margins for producers of food and fuel that soak up vast quantities of U.S. corn and soybeans each year, and likely will drive increases in food prices for consumers, some food executives say.

It is a dramatic reversal from recent years in which bumper harvests swelled U.S. grain supplies, pushing prices lower and slashing farmers' incomes. A wave of bankruptcies swept Midwestern farms, followed by trade disputes and the coronavirus pandemic, which deepened farmers' struggles.

Now, China's push to increase pork production and fulfill recent trade commitments are propelling huge volumes of U.S. crops overseas. American food processors and manufacturers also are racing to ensure they have adequate grain and oilseed supplies to meet burgeoning consumer demand. Inventories of corn, soybeans and wheat are on track this season to hit their lowest in at least six years, according to U.S. Agriculture Department forecasts.

"There's euphoria over [grain] prices," said Illinois farmer David Brown, on a trip to his local grain elevator to sell soybeans. "There's a feeling out there saying 'game on, we're back.'"

Large harvests or a slowdown in U.S. crop shipments to China could dampen the rally in grain markets, though industry analysts say rebuilding domestic stockpiles to comfortable levels could potentially keep prices high for up to two years.

Higher crop prices combined with record federal aid from the Trump administration pushed farmers' incomes last year to their highest since 2013 even after the pandemic upended the U.S. farm sector, according to a USDA forecast. U.S. farm income will top $119 billion in 2020, the USDA said, the second-highest in nominal terms.

Farmers emboldened by the turnaround could sow crops this spring over the largest area since 2014, some agricultural economists and analysts say, planting corn and soybeans on millions of acres kept out of production by regional wet weather the past two seasons.

Businesses across the agricultural supply chain stand to benefit, as newly flush farmers who have delayed purchases spring for new tractors or higher-yielding seeds. The activity could boost profits for farm-equipment maker Deere & Co. and seed and pesticide suppliers such as Corteva Inc.

"Farmers are going to be bidding for farm ground, replacing combines and talking about ways to put another 10 bushels per acre into their bins," said Michael Swanson, agricultural economist at Wells Fargo & Co., a major