INVESTING IN AMERICA’S HEARTLAND

Perry Vieth, President
Ceres Partners, LLC

Firm Overview

- Investment objective
  - Best-in-class identification, purchase and ongoing management of quality US Midwest farmland
    - Create diversified portfolio of farmland
    - Achieve inflation-protected, uncorrelated returns
    - Target farmland with the ability to generate 6.5-8% current income

- Ceres Farms, LLC
  - Commingled investment fund with annual liquidity
  - Open to new investors
  - $74MM in assets under management
  - 64 farms / 15,500+ acres / Average per acre cost of ~$4,700

- Customized separate accounts tailored to specific income/return objectives
Farmland Investment – Favorable Fundamentals

Secular Increase in Demand for Grain Commodities
- Global Demographics Increases Demand for Food
- Growing Asian Middle Class Demands more Protein
  - 1 lb beef requires 7 lbs grain
- Environmental Demand for Biofuels: Ethanol and Biodiesel
- Declining Global Supply of Arable Land

Impact of Globalization
- U.S. has Comparative Advantage in Agriculture
- Declining Dollar Stimulates Agricultural Exports

Investment Trends
- Agriculture/Farmland Uncorrelated with Stocks
- Institutional Investors Shift Assets into Commodities and Hard Assets
Farmland Returns – 1992 to 2011

Persistent Positive Returns

- Current income plus long-term appreciation
- 11.0% average annual return

*National Council of Real Estate Investment Fiduciaries Farmland Index is a quarterly time series composite of total returns on a large pool of individual agricultural properties held by institutional investors for investment purposes only. www.ncreif.com
Source of Gain - Land Appreciation

Significant Component of Total Return

Chicago Fed reports 45-year average appreciation for 7th district (IA, IL, IN, MI, WI) is 6.5%. 
(see Table)

<table>
<thead>
<tr>
<th>State Ann. % change</th>
<th>Indiana</th>
<th>Illinois</th>
<th>Iowa</th>
<th>Wisconsin</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2011</td>
<td>21%</td>
<td>19%</td>
<td>20%</td>
<td>8%</td>
</tr>
<tr>
<td>June 2010</td>
<td>12%</td>
<td>11%</td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>June 2009</td>
<td>7%</td>
<td>2%</td>
<td>4%</td>
<td>-1%</td>
</tr>
<tr>
<td>June 2008</td>
<td>-1%</td>
<td>6%</td>
<td>4%</td>
<td>13%</td>
</tr>
<tr>
<td>June 2007</td>
<td>16%</td>
<td>15%</td>
<td>18%</td>
<td>11%</td>
</tr>
<tr>
<td>June 2006</td>
<td>6%</td>
<td>6%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>June 2005</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>June 2004</td>
<td>14%</td>
<td>13%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>June 2003</td>
<td>6%</td>
<td>9%</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>June 2002</td>
<td>8%</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>5 yr Avg.</td>
<td>11.0%</td>
<td>10.6%</td>
<td>12.8%</td>
<td>7.6%</td>
</tr>
<tr>
<td>10 yr Avg.</td>
<td>9.9%</td>
<td>9.8%</td>
<td>11.6%</td>
<td>8.4%</td>
</tr>
<tr>
<td>20 yr Avg.</td>
<td>8.1%</td>
<td>7.0%</td>
<td>7.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>45 yr Avg.</td>
<td>6.9%</td>
<td>6.2%</td>
<td>5.2%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Source: Seventh District farmland values: percentage change. IA data from 1977

Higher Returns with less Volatility (Jan 1992 to September 2011)

- Average Annual Return: Farmland 11.0%  S&P 500 5.2%
- Standard Deviation: Farmland 6.5%  S&P 500 16.5%

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Why Farmland? – Uncorrelated Returns

Low correlation with traditional asset classes

NCREIF Farm Index vs. Traditional Asset Classes

- EAFE: 0.15
- MSCI Emerging Mkt.: 0.11
- S&P 500: 0.08
- US Long Treasury: -0.01
- T Bill: 0.06
- GSCI: -0.18

Ceres Partners
Why Farmland? – Risk vs. Return

High Returns with Lower Risk

- Farmland’s Sharpe ratio exceeds other asset classes

*Risk & return data Jan 1992 – Sept 2011 except TIPS, MSCI US REIT and Ceres Farms start 4/97, 7/05 and 1/08, respectively
Why Farmland? – Increased Portfolio Efficiency

Farmland enhancement to traditional asset allocation

### Traditional Asset Allocation

- 40% Long Treasury Bonds
- 40% S&P 500
- 20% MSCI EAFE

### Asset Allocation with Farmland

- 35% Long Treasury Bonds
- 35% S&P 500
- 15% MSCI EAFE
- 15% Farmland

### Risk vs. Return 1992-2011

- Portfolio with Farmland
- Traditional

### Summary Statistics

<table>
<thead>
<tr>
<th>Summary Statistics</th>
<th>Portfolio with Farmland</th>
<th>Traditional Portfolio</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return</td>
<td>7.66%</td>
<td>7.03%</td>
<td>0.63%</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>7.77%</td>
<td>9.14%</td>
<td>-1.37%</td>
</tr>
<tr>
<td>Highest Return</td>
<td>23.20%</td>
<td>25.17%</td>
<td>-1.97%</td>
</tr>
<tr>
<td>Lowest Return</td>
<td>-13.37%</td>
<td>-19.43%</td>
<td>6.05%</td>
</tr>
</tbody>
</table>
Is There a Farmland Bubble?

Generally no…but it depends on a farm’s purchase price

<table>
<thead>
<tr>
<th>Farm Breakeven Analysis</th>
<th>Average Productivity Soils</th>
<th>High Productivity Soils</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>163bu/ac Rotated Corn</td>
<td>196bu/ac Rotated Corn</td>
</tr>
<tr>
<td>180 Tillable Acres: Corn % / Soybean %</td>
<td>67% / 33%</td>
<td>67% / 33%</td>
</tr>
<tr>
<td>Commodity price per bu: Corn / Soybeans</td>
<td>$6.00 / $12.25</td>
<td>$6.00 / $12.25</td>
</tr>
<tr>
<td>Crop Revenue: Corn</td>
<td>$117,000</td>
<td>$141,000</td>
</tr>
<tr>
<td>Crop Revenue: Soybeans</td>
<td>$36,000</td>
<td>$43,000</td>
</tr>
<tr>
<td>Government Payments &amp; Non-Crop Revenue</td>
<td>$3,600</td>
<td>$4,500</td>
</tr>
<tr>
<td><strong>Total Farm Revenue</strong></td>
<td><strong>$157,000</strong></td>
<td><strong>$189,000</strong></td>
</tr>
<tr>
<td>Variable Expenses - Corn*</td>
<td>$50,000</td>
<td>$52,000</td>
</tr>
<tr>
<td>Variable Expenses - Soybeans*</td>
<td>$13,000</td>
<td>$13,000</td>
</tr>
<tr>
<td>Fixed Expenses excluding Land*</td>
<td>$20,000</td>
<td>$21,000</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td><strong>$82,000</strong></td>
<td><strong>$85,000</strong></td>
</tr>
<tr>
<td><strong>Net Crop Income</strong></td>
<td><strong>$74,000</strong></td>
<td><strong>$103,000</strong></td>
</tr>
<tr>
<td>Breakeven before labor and land</td>
<td>$413 per acre</td>
<td>$575 per acre</td>
</tr>
<tr>
<td>Allowance for farm labor and profit</td>
<td>$100 per acre</td>
<td>$100 per acre</td>
</tr>
<tr>
<td>Breakeven funds available for land rent</td>
<td>$313 per acre</td>
<td>$475 per acre</td>
</tr>
</tbody>
</table>

*Source: 2012 Purdue Crop Cost & Return Guide. Includes 10% operator efficiency adjustment for variable costs related to operators of over 3,000 acres.
Portfolio Allocation to Agriculture

Many opportunities for investment exposure to Agriculture

- Indirect exposure through Ag company stocks and bonds, ETFs and sector-focused mutual funds

- Direct ownership of farmland
  - Begin with Core holding of US Midwest Corn Belt
  - Then diversify within the US, crops and geographic regions
  - Add non-US holdings to create diversified global portfolio with risk-return efficiency

- Ag infrastructure and processing investments
Portfolio Construction

Core holdings within a diverse farmland portfolio

Geographic Diversity

- Australia
- New Zealand
- South America
- Eastern Europe
- Sub-Saharan Africa

Production Diversity

- Permanent Crops
- Owner-Operator Model
- Transformational/Conversion
- Dairy Livestock
- Poultry

US Corn Belt

- Row crops: Grains & Specialty Vegetables
Understanding Risks & Rewards

Location, crops and lease structure matter

Less Risk       Global Production              More Risk

Prime US
N America       Australia New Zealand
Marginal US
N America       Developed Brazil
Argentina       Transitional Brazil
S America       Eastern Europe
Sub-Saharan
Africa

Less Risk       Crop Potential              More Risk

Irrigated Row
Crops           Dry Row
Crops           Specialty
Crops           Permanent
Crops

Less Risk       Lease Structure              More Risk

Cash Rent       Cash Rent plus Flex        Bushel Rent
Crop Share
Land Acquisition – Macro Factors

Key factors to be analyzed prior to land purchase

- Assess sovereign risk
  - Seek jurisdictions where land ownership rights are sacrosanct
  - Established legal system in place
  - Avoid unfavorable tax regimes and overly intrusive governments

- Infrastructure in place
  - Ability to market and deliver crops
  - Availability of inputs

- Favorable climate
  - Lengthy, warm growing seasons
  - Adequate rainfall
  - Fertile soils
Land Acquisition - Farm Factors

Key factors to be analyzed prior to land purchase

- Soil & Water
  - Portfolio should consist of a mix of dark, mineral rich soils and better draining lighter soils
  - Sloping ground could lead to soil erosion
  - Water rights and no/low water restrictions

- Production history
  - Strong crop yield records

- Competitive rent neighborhood
  - Strong tenants will compete to farm

- Crop markets nearby
  - Grain elevators and end-users – dairies, livestock, poultry, ethanol/biodiesel

- Environmental evaluation
  - No hazardous materials or track record of pollution
Partner Identification – Achieve Higher Returns

Partner with strong tenants

- Team-up with the most efficient farmers who enhance the value of land
- Seek well-capitalized tenants that employ the latest technologies
- Identify vertically-integrated farmers
- Seek tenants that maximize revenue potential of the farm
- Avoid “old school” farmers who pay low rents in order to insure success

Successful tenants are the best source of new farmland opportunities
Risk Management

**Best achieved via successful investment strategy**

- Make it on the buy-side – do not overpay on farm purchase
- Focus on farms with strong cash flow
- Diversify rent structure based on farm potential
  - Market based cash rent--most collected upfront
  - Flex rent - base rent plus bonus tied to grain prices
  - Crop Share on farms with greatest potential and least risk
- Buy farms with multiple sources of return
  - Rent producing structures such as grain bins
  - Building sites
  - Additional revenue from hunting, mineral rights, billboards, wind power
7 Reasons to Invest in Farmland

- Advantageous risk-adjusted total returns
- Favorable long-term fundamentals
- Positive correlation with inflation
- Low or negative correlations to traditional asset classes
- Strong and stable income returns
- Finite supply
- Transparency of investment

Why Invest in Farmland?

“I’d rather have all the farmland in the U.S. than all the world’s gold.”
- Warren Buffett, CNBC 3/2/11