MILL CREEK

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Weekly Market Commentary

Tariffs: Not So Corn-cerning Yet

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Last week, we had the opportunity to attend the Global AgInvesting conference in New York, one of the largest annual gatherings of agricultural stakeholders. The event was well attended, and, despite the uncertainty driven by tariffs, the mood was upbeat and cautiously optimistic about the year ahead. To some extent, the Trump 1.0 trade war was much more agriculturally focused, with China imposing duties on a wide range of products including soybeans, pork, beef, dairy, fruits, vegetables, etc. This time around, there is a broader mandate, and many farmers believe the administration will once again compensate them for lost revenue. As a reminder, farmers received more than $22 billion of subsidies in 2019 for this reason.

The market appears aligned with this expectation. Corn futures for December 2025 settlement held steady at roughly $4.50 per bushel immediately following Liberation Day and currently trade slightly above that level. However, the impact of tariffs on farm economics will vary depending on the specific crops grown. Horticultural crops (berries, bananas, avocado, etc.) have seen increased demand in recent years. These crops are primarily imported and are difficult to cultivate domestically at scale. On the other hand, pistachios are largely grown in the US and nearly one third of production is exported to China.

Additionally, the crops mentioned thus far are classified as 'permanent crops' because they are grown for multiple years without needing to be replanted each season. Due to the capital-intensive process involved, it's not feasible for farmers to switch them for other plants once they have reached the fruit-bearing stage. On the other hand, row crops (corn, soybeans, wheat) are replanted each season, providing farmers with the flexibility to rotate crops and adjust their planting decisions based on market conditions. Depending on the direction of tariff policy, we may see farmers shift from growing soybeans (35% of which are exported) to corn, which has more diverse end markets and exports account for only 10% of production.

We continue to hold a constructive view on farmland assets with most of our exposure in row crops diversified across the continental United States. Farmers are generally resilient in the face of short-term disruptions and unpredictable growing conditions, and we believe they will successfully move through this latest policy change. In our opinion, attractive long-term fundamentals include 1) a fixed supply of arable land, 2) rising GDP per capita and 3) an emphasis on food security as a national security matter, make a strong case for continued appreciation of land values over time.

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