

Agreement.” In addition, we will continue to rely upon our Agricultural Sub-Adviser, pursuant to an amended and restated Sub-Advisory Agreement that is described in more detail under “Our Business and Properties—Investment Focus and Process—Underwriting Criteria and Due Diligence Process—Agricultural Sub-Adviser.”

Factors That May Affect Our Operating Results and Asset Value

Our operating results and the value of our farms are affected by a number of broad economic or fundamental factors, including global supply and demand trends and crop prices, as well as other more localized or property specific factors, including rental rates and lease structures, our ability to control expenses, weather events, including droughts, seasonality and the portion of our portfolio invested in development farms. For a discussion of economic conditions and the outlook regarding the farming industry, particularly with respect to the United States, see “Industry Overview and Market Opportunity.”

Demand for Farmland and Agricultural Crops

The most significant driver of our operating results and portfolio value is, and we believe will continue to be, global demand for U.S. agricultural crops, which in turn is driven by global demographic and economic trends such as population growth and the increasing size and wealth of the middle class in emerging markets and, to a lesser extent, a trend toward increased reliance on alternative energy sources. Increasing demand for U.S. agricultural crops generally results in the support of and, over the long-term, increase in the value of U.S. farmland and increases in rental rates for those farms. Further, we believe that the U.S. has strong agricultural advantages in its topography and geographic position, with its varied climatic regions allowing for the production of a wide variety of agricultural crops and its central position between industrial centers in Asia, Europe, Canada and South America making it a favorable location for trading. Additionally, unlike many developing nations, the U.S. is a politically stable nation with well-developed infrastructure, including established railways and ports for transportation and export of crops, and has the financial resources (such as investor capital and government support through crop insurance) to sustain its agriculture industry. These factors, among others, provide the U.S. a comparative advantage even when it is not the lowest-cost producer and should help sustain demand for U.S. agricultural crops over the long term.

The U.S. Census Bureau forecasts that the global population will grow by more than 381 million people over the next five years and by more than one billion people by 2028. We believe that population size is the primary driver of global demand for agricultural crops and further believe that higher prices for agricultural crops should translate into both higher rental rates for farmland as well as continued growth in the value of farmland, such as our farms, over the long-term.

Another significant demand driver is the increasing size and wealth of the middle class in emerging markets. To the extent that the middle class in emerging markets continues to expand, diets are expected to improve and diversify through increased caloric intake, greater spending on higher quality food and through greater consumption of protein (from both crops and livestock). These improvements to diets and nutrition in emerging markets drive increased demand for commodity row crops used as feedstock and for permanent crops, like nuts, which are an alternate source of protein. We also expect that increased consumer spending power in emerging markets will result in households allocating a larger percentage of their income to food products that may be considered discretionary, including wine and different nut types, which will result in an increased demand for certain of our permanent crops.

Additionally, the overall trend toward reducing the global “carbon footprint” has increased demand for alternative energy sources, which, in the long term, could impact our rental revenues and our results of operations. Key alternative energy commodities include corn, used in ethanol, and soybeans, used in biodiesel fuel. The current high levels of U.S. ethanol production are anticipated to