Harvesting New Opportunities: Growing Our Investment Footprint with Okanagan Cherries

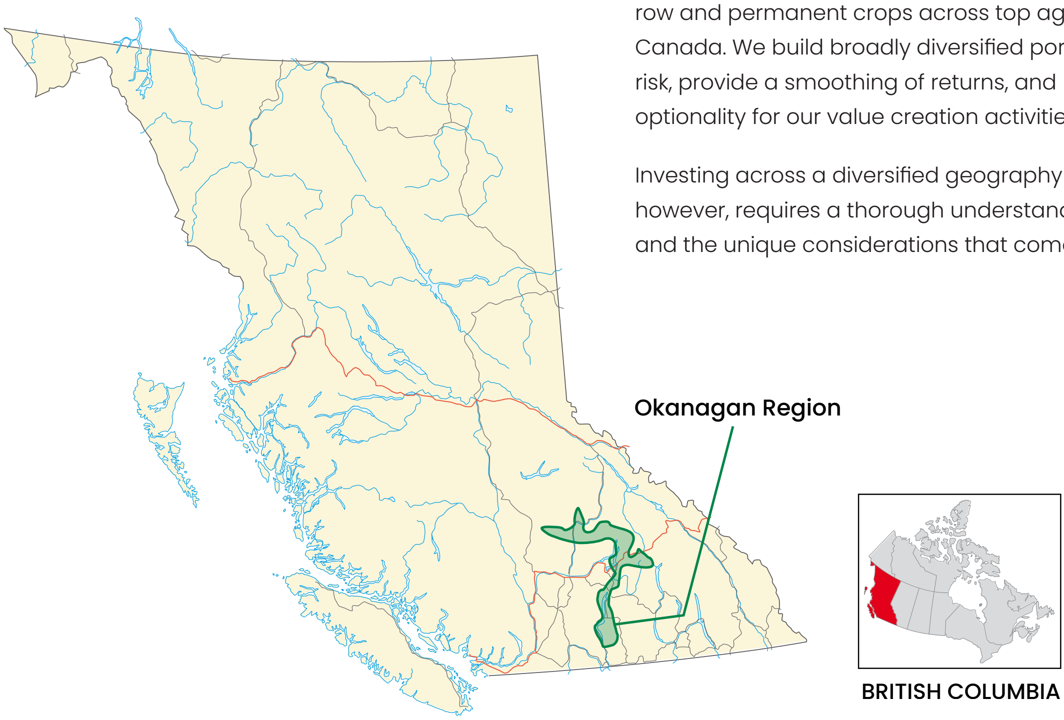
2024 has been an exciting year for Bonnefield, as we continue to support Canadian farmers by expanding our investment footprint into new geographies and agricultural regions. In this newsletter, we highlight one of our most recent investments in a cherry orchard in the Okanagan region of British Columbia, Canada, and provide an overview of the key considerations between row crop and permanent crop investments.

Crop Selection for Farmland Investment

Bonnefield's investment philosophy is to build a diversified portfolio of high-quality Canadian farmland and partner with operationally and financially strong operators. Similar to the Canadian agriculture landscape, our strategy is more heavily weighted towards traditional row crops and specialty crops, with modest exposure to permanent crops.

While many farmland investment managers in Canada and the United States specialize primarily in either row crops or permanent crops, Bonnefield offers our investors diversified exposure to both row and permanent crops across top agricultural regions in Canada. We build broadly diversified portfolios in order to mitigate risk, provide a smoothing of returns, and provide maximum optionality for our value creation activities.

Investing across a diversified geography and multiple crop types, however, requires a thorough understanding of each region, crop, and the unique considerations that come with them.



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Understanding the Difference in Risks – Permanent vs. Row Crops

Permanent crops, such as fruit trees like cherries and apples, and bush plants like blueberries and raspberries, are perennial plants that produce the same commodity year after year. In contrast, row crops like wheat or canola are planted and harvested annually, allowing producers to rotate the crop grown each year. Understanding the production, pricing and end markets, as well as the unique risks associated with permanent crops versus row crops is critical to evaluating a potential investment.

Compared with row crops, lands that produce permanent crops tend to be valued on a higher dollar-per-acre basis as a result of the higher prices and gross margins that permanent crops can generate. However, these higher prices come with a number of additional risks and potential costs. Firstly, permanent crops require significant upfront investment to establish the plant, with some plants taking several years to reach full production. Secondly, permanent crops also require a higher level of ongoing farm management, requiring specialized equipment and they can be more labour intensive compared with row crops. Finally, because permanent crops rely on the ongoing health of the plant to produce year after year, there are increased risks from disease, pests and adverse weather to a permanent crop operation versus that of row crops.

Bonnefield mitigates the risks related to permanent crops through diligent research, partnership with leading and established operators, and investing in a diversified portfolio of high-quality properties. Customizing the structures of our capital investment and leases are also important to ensure appropriate risk-adjusted returns.

Identifying an Opportunity in BC Cherries

Bonnefield is constantly monitoring macroeconomic and industry trends to identify attractive areas across Canada to invest. These opportunities typically come to us from Canadian farmers looking to grow or support their succession planning and feel that they can benefit from Bonnefield's capital solutions. Our recent investment in the Okanagan region of British Columbia highlights how we approach entering a new region.

Earlier this year, our team connected with a leading cherry producer in British Columbia. This family farming business was seeking to expand its partnerships, as it looked to improve its balance sheet following a recent business expansion.

Fun Facts About Cherries

- Unlike other fruit that continues to ripen once picked, cherries do not
- There are over 1,000 varieties of cherries globally, while only ~10 dominate the fresh markets
- Sweet cherries have a limited shelf life of ~14 days if kept in cold storage
- Cherry trees can be productive for over 40 years and still produce high yields
- Sweet cherries are hand harvested, with harvest carried out in early mornings when core temperature of the cherries are at their lowest and quality at its highest
- During ripening period, sweet cherries are sensitive to moisture – to combat this, operators often use helicopters to blow water droplets off the fresh fruit after a rain

The team conducted significant industry research and on-the-ground diligence into the tender fruit growing regions in British Columbia and determined that cherries grown in the Okanagan region were an attractive opportunity, partly due to the competitive advantage that the region has with its late growing season, creating a unique window where the region is the only supplier of fresh cherries to the global market for several weeks each fall. Alongside its comprehensive diligence into farm operations and operators, Bonnefield conducted a critical analysis of historical weather patterns to assess current weather trends in the regions.

Bonnefield collaborated closely with the operator to see how our capital solutions could support their growth and agreed to enter into a sale leaseback on 114 acres of cherry land. Our partner in this venture is one of Canada's largest sweet cherry producers, boasting a robust export presence. This collaboration not only strengthens exposure to a key agricultural region but also offers our investors added diversification and increased yields within their farmland portfolios.

We are excited about the growth potential and the value this new region brings, and continuing to deliver attractive, stable returns to our investors while supporting our farm partners to strengthen and grow their operations.

For information on the Bonnefield Farmland Funds, please reach out to investors@bonnefield.com

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About Bonnefield Financial

Bonnefield is a leading Canadian natural capital investment manager that invests in farmland and agribusinesses. We provide capital to progressive farmers and agribusiness operators through land-lease financing and non-controlling equity solutions. Bonnefield is dedicated to preserving farmland for farming and promoting sustainable production practices. The firm partners with growth-oriented farmers and agribusiness operators to help them grow, reduce debt, and finance retirement and succession. The firm's investors are individuals and institutional investors who are committed to the long-term future of Canadian agriculture. www.bonnefield.com