

An
Appraisal Report
of the
7M Cattle Feeders Inc.
Grow-Yard / Feedyard Facility on 410.0 Acres of Land
located at
2548 CR 15
Friona, Parmer County, Texas 79035
RIMs Project Number 23-000445-01-01

Effective Date
July 9, 2023

Requested By
Rabo AgriFinance, LLC
14767 North Outer 40 Road
Chesterfield, Missouri 63017

Prepared By
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SERVING THE AGRICULTURAL REAL ESTATE INDUSTRY SINCE 1990

September 15, 2023

Rabo AgriFinance, LLC
14767 North Outer 40 Road
Chesterfield, Missouri 63017

RE: 7M Cattle Feeders Inc.
Grow-Yard / Feedyard Facility on 410.0 Acres of Land
2548 CR 15
Friona, Parmer County, Texas 79035
RIMs Project Number 23-000445-01-01

The legal description is: 255.0 acres being all of Section 25 and 154.0 acres being a portion of Section 24 out of the Charles E. Harding's Subdivision Capitol League 473 and parts of Capitol Leagues 459, 460, 461, 472, and 474, Parmer County, Texas.

To Rabo AgriFinance LLC:

In accordance with your request, I have prepared an appraisal of the property referenced above. The appraisal problem to be solved in this report is to form an opinion of the market value of the fee simple interest in the subject property, as of the date of appraisal, as defined in the accompanying report. In addition to market value, the client has also requested a liquidation value of the subject property. The intended use of the appraisal is to establish marketability and potential loan and asset recovery thresholds. The intended users of this appraisal are Rabo AgriFinance and/or affiliates.

The subject property of this report is appraised "as is" with an effective date of July 9, 2023. The research and analysis contained herein was conducted during the months of July and August, 2023.

By reason of my investigation and analysis of data contained in this report, other information in my files, and my experience in the real estate and appraisal profession, it is my opinion that the market value, of the fee simple interest in the subject property, "as is", as of July 9, 2023, is:

Final Market Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$1,050,000
Value Opinion of Attached Feedyard Equipment	\$25,000
Value Opinion of Real Property	\$1,025,000

Liquidation Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$720,000

As stated in the appraisal, all of the subject 410.0 acres plus offsite wastewater easements and wastewater agreements are necessary to maintain the legal CAFO Permit for the grow-yard / feedyard and for the normal function and operation of the grow-yard / feedyard. It is noted that the subject grow-yard/ feedyard located on the 410.0 acres of owned land can not legally function as a livestock confined feeding operation without the additional offsite wastewater easements and agreements noted in the appraisal. Therefore, the value is subject to the continuation of the easements and agreements for the remainder of the economic life of the feedyard property.

This value opinion is subject to the assumptions and limiting conditions as set out herein. In my opinion, this report conforms to the Standards of Professional Practice of the Appraisal Institute, the American Society of Appraisers, and the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of The Appraisal Foundation, and to the extent that the available market data will allow.

It should be noted that, to my knowledge, no environmental hazard was known to be located on the property, as of the effective date of this appraisal. The value concluded in this appraisal report assumes that no hazardous building materials are in place in the building improvements and that no hazardous conditions affect the subject site.

I do not warrant that the improvements meet the specifications established by the Americans with Disabilities Act. Furthermore, as a result of my analysis, I have concluded that the property has no scientific, natural, cultural, or recreational value.

Critical Issues, Extraordinary Assumptions and Hypothetical Conditions:

Per 2020-2021 and 2022-2023 USPAP Requirements Page 22, Standard 2, (xiii), Lines 637-639, Clearly and Conspicuously: State all Extraordinary Assumptions and Hypothetical Conditions; and State that their use might have affected the assignment results.

Extraordinary Assumptions and Hypothetical Conditions have been addressed in this appraisal. Extraordinary Assumptions and Critical Issues have been made and stated in this report and their use could affect the assignment results if found to be inaccurate. The appraiser has relied on the most accurate information available in the special assumptions and conditions that are made.

An **Extraordinary Assumption** is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions and conclusions (example: a value in the future on the date a proposed project is expected to be completed).

A **Hypothetical Condition** is defined as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis (example: a value of a proposed project as of the effective date of the appraisal or the date the property was inspected).

The following Critical Issues are addressed and Extraordinary Assumptions are made:

A. Legally Permitted Use and Highest and Best Use of the Subject Feedyard

CAFO Permit

The subject 7M Cattle Feeders (Formerly HEC Feedyard TXG921218) is required to have a TCEQ Confined Animal Feeding Operation (CAFO) Permit for its legal operation and function. The subject does have a TCEQ TPDES Large CAFO General Permit TXG921550 for 115,000 Head. According to the TCEQ, the CAFO Permit expires on July 20, 2024. The last Notice of Intent (NOi) was filed with the TCEQ for a permit renewal on December 4, 2019. The Issue Date was December 10, 2019. The Coverage Effective Date started on July 11, 2019. The site Registration Number is RN 102094471. The Owner Number for 7M Cattle Feeders Inc. is CN605681741. The address is 7M Cattle Feeders Inc., 2548 CR 15, Friona, Texas 79035-7034, Parmer County, Texas. The CAFO Permit allows for 115,000 head of beef cattle to be confined and fed at the subject grow-yard / feedyard facility.

In 2019, prior to closing on the property, the buyer Brian McClain of 7M Cattle Feeders Inc., secured offsite easements and wastewater agreements on adjacent non-owned land to satisfy all requirements of the CAFO Permit renewal for the feedyard with the TCEQ. The offsite easements and wastewater agreements are necessary for the function of the subject feedyard / grow-yard and for maintaining the CAFO Permit and legal use of the property.

History and Legal Waste and Wastewater Management

The feedyard and land was purchased by a group of investors named Parmer County Land Holdings LLC from Plains Capital Bank on March 1, 2018. The investors sold off all of the additional farmland that was necessary for wastewater application for the normal function of the feedyard and for maintaining CAFO Permit for its legal status for confining and feeding cattle. The additional land also contained irrigation wells on it for additional water for the feedyard. This left a remainder of 410.0 acres of land which contained the feedyard and feed mill improvements and the lagoons. So all that was left was the 410.0 acres with the feedyard, feed mill, grain storage, and lagoons on it plus enough water to water a portion of the feedyard.

Parmer County Land Holdings LLC sold the 410.0 acre feedyard property to Brian McClain of 7M Cattle Feeders Inc. on August 2, 2019 for \$500,000. The feedyard was not functional when it was sold to 7M Cattle Feeders.

During the process of purchasing the subject feedyard 410.0 acre property, Brian McClain obtained long term easements and wastewater agreements on adjacent land necessary for the function of the feedyard and for maintaining the CAFO Permit.

Mr. McClain of 7M Cattle Feeders obtained (1) an offsite perpetual easement to an adjacent approved evaporative playa for wastewater management; (2) an offsite adjacent pipeline easement to an offsite wastewater agreement application area; (3) and two (2) offsite adjacent land tracts with wastewater agreements for wastewater application and management. All of the easements were not part of the \$500,000 sale price.

All of the stated 410.0 acres of owned land and offsite land together are necessary for the normal function of the feedyard / grow yard and to maintain to CAFO Permit. The offsite requirements include:

(1) An Offsite Playa Evaporative Easement located to the southeast of the feedyard / grow yard in Section 27, T1N, R3E, CSS, Parmer County, Texas. According to the environmental consultant for the subject feedyard, Enviro Ag Engineering of Amarillo, Texas, this easement is a perpetual easement that was secured by the original owners of the feedyard in 1967. The easement-deed was conveyed to High Plains Feedyard from Clarence Baxter on May 13, 1967 and was recorded in Volume 133, Page 56, in the Parmer County Deed Records. A second filing of the deed and name change occurred on May 17, 1988 from High Plains Feedyard to West Plains Feedyard. According to Enviro Ag, the easement is perpetual but several past purchasers of the subject feedyard did not go back and re-file the easement in their names. The offsite easement is used to release wastewater into an approved evaporative playa to dewater lagoons on the subject 410.0 acre feedyard tract. A copy of the easement was furnished to the appraiser by Enviro Ag Engineering. The appraiser assumes the easement to be valid and as stated by Enviro Ag Engineering. Please see the appraisal addendum for a copy of the easement and a plat showing the location of the easement.

(2) A 30' wide offsite water line easement to the south of the subject 410.0 acre feedyard tract across Section 36, Harding Subdivision, Parmer County, Texas. The water line easement is necessary for delivering wastewater from the lagoons on the subject 410.0 acre feedyard tract to a 163.37 acre wastewater application agreement site in the NW/4 of Section 1, Block C, Parmer County, Texas. The wastewater is applied to a quarter mile sprinkler located on the site. The water line easement agreement was originally secured between Lawrence J. Martin and Monfort Finance Company Inc. (Entity of Monfort Feeders) on June 17, 2004 and it was recorded in Volume 6, Page 363, Document 39791 in the Parmer County Deed Records. A copy of the easement was furnished to the appraiser by Enviro Ag Engineering. The appraiser assumes the easement to be valid and as stated by Enviro Ag Engineering. Please see the appraisal addendum for a copy of the easement and a plat showing the location of the easement.

(3a) An offsite 163.37 acre wastewater application agreement area in the NW/4 of Section 1, Block C, Parmer County, Texas. The wastewater from the feedyard is applied to a quarter mile sprinkler located on the 163.37 acre site which is south of the 410.0 acre feedyard tract. The agreement is between Jerrell and Karen Wright the offsite land owners and Brian McClain the subject feedyard buyer and future operator. A copy of the agreement was furnished to the appraiser by Brian McClain and Enviro Ag Engineering.

(3b) An offsite 281.0 acre wastewater application agreement area in Section 22, T1N, R3E, Parmer County, Texas (North Tract) and an offsite 160.0 acre wastewater application agreement area in Section 27, T1N, R3E, Parmer County, Texas (South Tract). Both offsite tracts join the 410.0 acre subject feedyard tract on the east side. The wastewater from the feedyard is applied to a quarter mile sprinkler located on the total 441.0 acres. The agreement is between Carthel Land and Cattle the offsite land owners and Brian McClain the subject feedyard buyer and future operator. The agreement was signed on June 19, 2019. A copy of the agreement was furnished to the appraiser by Brian McClain and Enviro Ag Engineering. The appraiser assumes the agreement to be valid and as stated by Brian McClain and Enviro Ag Engineering. Please see the appraisal addendum for a copy of the agreement and a plat showing the location of the agreement.

The appraiser assumes the agreements to be valid and as stated previously by Brian McClain and Enviro Ag Engineering. Please see the appraisal addendum for a copy of the agreement and a plat showing the location of the agreement.

Capacity and Water

The subject feedyard has a CAFO Permit for 115,000 head. The total pen capacity was originally for 72,000 head based on a 12 inch spacing and 140 to 180 square feet per animal pen space. Based on water well tests at the time the property was purchased by Mr. McClain the three (3) tested wells produced a total of 157 GPM. There were five (5) additional functioning wells that were not tested but were stated to be producing 200 GPM total. Therefore, when the 410.0 acre feedyard property was purchased by Mr. McClain the total available water was estimated at 357 GPM from eight (8) producing water wells.

The following calculations were made:

Feedyard Capacity Based on (3) Tested Wells = 15,072 Head

Feedyard Capacity Based on (3) Tested and (5) Untested Wells = 34,272 Head

Original Total Feedyard Pen and Bunk Capacity = 72,000 LF/Head at 140-180 SF Per Animal (The original capacity used water from the 410.0 acre tract and from the additional land that was sold off).

Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 27,454 Head at 170 SF Per Animal

Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 23,336 Head at 200 SF Per Animal

Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 15,000 Head at 311 SF Per Animal

Based on available water, facility size and use as a grow-yard or small feedyard with no feed mill, approximately 15,000 head would be the maximum capacity of the facility. The available water would support 15,000 head and the additional water would be available if one of the tested wells goes down. In order to feed more cattle at the facility than 15,000 head efficiently, the grow-yard / feedyard would need a functioning feed mill. Therefore, the maximum highest and best use of the subject property is a 15,000 head grow-yard.

The feed mill building and steam flake mills are not in a usable condition. Part of the ceiling has collapsed and the mills and electrical equipment have been exposed to rain, snow and other wet conditions for at least six years. Before McClain purchased the property, the entire facility had not been operated in at least three years. The buyer, McClain, never planned to use the feed mill or the south portion of the yard. Mr. McClain plans at the time he purchased the property was to scrap the feed mill building and sell the milling equipment, and boilers due to the cost in repairing everything. Mr. McClain also planned to only feed approximately 10,000 to 15,000 head at the feedyard changing its function from a feedyard to a grow-yard. The feedyard was older and required deferred maintenance repairs to put it back in operation, even as a grow-yard. The feedyard had also been foreclosed on in the past, marketed, and auctioned, with minimal interest and no buyer activity.

As stated in the appraisal, the subject grow-yard / feedyard facility has a total of approximately 72,000 linear feet of feed bunk. The north 32,365 linear feet of concrete feed bunk with attached pipe and cable pens is usable and valued in the appraisal. The south 39,635 linear feet of concrete feed bunk with attached pipe and cable pens is not usable and was not given any contributory value in the appraisal. The 32,365 linear feet of usable feed bunk has a total of 4,667,250 square feet of attached pen space. At 170 to 200 square feet per feedyard animal unit, approximately 23,336 to 27,454 head can be confined to the usable bunk and pens. However, based on the available onsite water on the property, the practical feeding capacity of the feedyard is limited to approximately 15,000 head. At 15,000 head, the bunk spacing would be approximately 26 inches per animal and 311 square feet per animal using the total 32,365 linear feet of bunk with attached pens. Only 14 inches per animal and 170 square feet per animal is necessary to confine 15,000 head. The super-adequate bunk and pen space was addressed in the Cost Approach section.

The subject is valued in the Sales Comparison Approach as a 15,000 head facility because of livestock water limitations. The capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard facility.

Use and Compliance

Based on the current highest and best use of the property, the appraiser has limited the capacity of the facility to 15,000 head which is a marketable and functional size for a large grow-yard and valued the property on the stated amount.

The appraiser has not given value to a large portion of the feedyard pens with attached feed bunk and attached feedyard equipment; the feed mill building and attached feed mill equipment; and the grain storage facility; based on their age and condition with no value, the livestock water limitations, and based on a low market demand for an older feedyard facility similar to the subject located in the subject area.

The feedyard / grow-yard, waste water retention ponds (RCS) and the wastewater application areas (LMUs) are assumed to be in compliance with Texas Commission on Environmental Quality CAFO guidelines. The contracted environmental consulting firm overseeing the feedyard / grow yard is Enviro Ag Engineering of Amarillo, Texas, at 806-353-6123.

There are no significant violations noted against the subject grow-yard / feedyard listed on the TCEQ website. According to Dillon Pool, the feedyard environmental consultant with Enviro-Ag, there are no pending violations against the subject feedyard. It is assumed that the subject grow-yard / feedyard is in compliance with all EPA, TCEQ, and Parmer County, Texas rules and regulations.

The appraised value is based on the CAFO Permit being renewed during renewal periods at its current stated capacity of 115,000 head of beef cattle or at a minimum of no less than 15,000 head. The appraised value is also subject to maintaining all solid waste, slurry, and wastewater land application areas plus waste agreements and permits necessary for the normal operation and function of the grow-yard / feedyard. This includes adjacent or non-contiguous land, owned or leased, tied to the CAFO Permit, used for solid waste, wastewater, and slurry application. This appraisal assumes that any off-site waste application land, required by and noted in the CAFO Permit, excluded from this analysis, will be available for solid waste, wastewater, and/or slurry application for the life of the subject grow-yard / feedyard facility.

Land and Water “As if Vacant”

The three (3) submersible wells located on the subject property that were tested produce a total of 157 GPM which is 0.54 GPM per irrigated acre based on 290.0 acres of irrigated land (as if vacant). The eight (8) total submersible wells located on the subject property, tested and non-tested, are estimated to produce a total of 357 GPM which is 1.23 GPM per irrigated acre based on 290.0 acres of irrigated land, if the property was vacant. As Is, As Improved as a grow-yard / feedyard site, there is no irrigated land on the property.

B. Retention Control Structures (Lagoons)

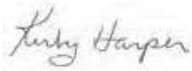
The appraiser has assumed in this appraisal report that there is no additional deferred maintenance associated with the lagoons (RCN - Retention Control Structures) including solids buildup and the cost in cleaning them out.

If it is determined by a qualified inspector, contractor or consultant that there is deferred lagoon maintenance or negative environmental conditions associated with the subject grow-yard / feedyard property, the appraiser will have to analyze and consider the additional deferred maintenance which could affect the market value opinion stated in this report. It is important to recognize significant deferred lagoon maintenance because it affects the overall value of the property and the marketing of the property during the time period it is for sale.

The following pages of this report and addenda contain the pertinent data gathered in the course of my investigation and sets forth the methods employed in completing the value opinion.

I thank you for the privilege of serving you and trust that you will find this report satisfactory.

Sincerely yours,



Kirby Harper, SRA, ASA-RP

Texas General State Certification No. TX-1331201-G

New Mexico General State Certification No. 03440-G

Colorado General State Certification No. CG-40042526

Expiration Date July 31, 2024

Expiration Date April 30, 2025

Expiration Date December 31, 2024

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****Maps and Plats in the Body of the Report are located in between Page Numbers**

ADDENDUM

1. Assumptions and Limiting Conditions
2. Definitions
3. Subject Information
4. Appraiser Qualifications

Summary of Salient Facts, Data and Conclusions

Property Appraised:

The property being appraised is the 7M Cattle Feeders Inc. Grow-Yard / Feedyard Facility on 410.0 acres of land. The property changed use from a 72,000 head feedyard to 15,000 head grow-yard between 2015-2016 and 2019. The property was operated as a 15,000 head grow-yard facility by 7M Cattle Feeders Inc. after it was purchased in 2019. The property was a bank foreclosure and was closed down from 2015-2016 to 2019. Prior to foreclosure in 2016, the property was owned by HEC Feedyard LLC. The property is located just northwest of Friona along the east side of CR 15 approximately 1.0 mile north of State FM 2397/2013, in Parmer County, Texas. The physical address of the facility is 2548 CR 15, Friona, Parmer County, Texas 79035.

RIMs Project Number 23-000445-01-01

Property Type:

Efficient Facility Capacity

Commercial Cattle Grow-Yard / Feedyard on 410.0 Acres

Legal Capacity

15,000 Head Grow-Yard Rounded (Practical Capacity)

Type of Confinement Space

115,000 Head CAFO Permit

Type of Permit

Concrete Bunk and Apron and Attached Open Steel Pens

TPDES Large CAFO General Permit TXG921550 for 115,000 Head

Land Associated With Feedyard

410.0 Acres

Total Owned Land Area

410.0 Acres

Land Necessary for CAFO Permit

410.0 acres of land with the grow-yard / feedyard plus an offsite perpetual easement to an adjacent approved evaporative playa for wastewater management; an offsite adjacent pipeline easement to an offsite wastewater agreement application area; and two (2) offsite adjacent land tracts with wastewater agreements for wastewater application and management.

Location:

The subject property is located 2.75 miles northwest of Friona and 1.0 mile north of FM 2013, along the east side of CR 15, in a rural area of Parmer County, Texas. The physical address of the facility is 2548 CR 15, Friona, Parmer County, Texas 79035.

Interests Appraised:

Unencumbered fee simple.

Legal Description:	The legal description is: 255.0 acres being all of Section 25 and 154.0 acres being a portion of Section 24 out of the Charles E. Harding's Subdivision Capitol League 473 and parts of Capitol Leagues 459, 460, 461, 472, and 474, Parmer County, Texas.
Appraisal Problem To Be Solved:	The problem to be solved in the appraisal is to form an opinion of the "as is" market value of the fee simple interest of the subject property. In addition to market value, the client has also requested a liquidation value of the subject property.
Effective Date of Valuation:	July 9, 2023
Intended Use and User:	The intended use of the appraisal is to establish marketability and potential loan and asset recovery thresholds. The intended users of this appraisal are Rabo AgriFinance and-or affiliates.
Land Data:	
Size	410.0 Acres Total Owned Land As Is - 410.0 Acre Feedyard Site As if Vacant - Approximately 290.0 Acres Irrigated and 120.0 Acres Dry Corners As previously stated, there is 410.0 acres of owned land with the subject grow-yard / feedyard. In addition to the owned land, the feedyard has an offsite perpetual easement to an adjacent approved evaporative playa for wastewater management; an offsite adjacent pipeline easement to an offsite wastewater agreement application area; and two (2) offsite adjacent land tracts with wastewater agreements for wastewater application and management. All of the land together is necessary for the normal function of the feedyard / grow yard and to maintain to CAFO Permit.
Shape	The subject 410.0 acres is rectangular in shape.

Frontage

The subject property has frontage and access along Parmer CR 15. Parmer CR 15 runs for approximately 1.6 miles along the subject tract's western property line. CR 15 accesses FM 2397/2013, 1.0 mile south of the subject feedyard.

Zoning and Permitted Use:

The subject is located in Rural Parmer County, Texas. Rural Parmer County, Texas is not zoned, therefore, the subject tract is not restricted by zoning regulations.

The subject 7M Cattle Feeders (Formerly HEC Feedyard TXG921218) is required to have a TCEQ Confined Animal Feeding Operation (CAFO) Permit for its legal operation and function. The subject does have a TCEQ TPDES Large CAFO General Permit TXG921550 for 115,000 Head. According to the TCEQ, the CAFO Permit expires on July 20, 2024. The last Notice of Intent (NOI) was filed with the TCEQ for a permit renewal on December 4, 2019. The Issue Date was December 10, 2019. The Coverage Effective Date started on July 11, 2019. The site Registration Number is RN 102094471. The Owner Number for 7M Cattle Feeders Inc. is CN605681741. The address is 7M Cattle Feeders Inc., 2548 CR 15, Friona, Texas 79035-7034, Parmer County, Texas. The CAFO Permit allows for 115,000 head of beef cattle to be confined and fed at the subject grow-yard / feedyard facility.

7M Cattle Feeders also secured offsite easements and wastewater agreements on adjacent non-owned land to satisfy all requirements of the CAFO permit with the TCEQ. The offsite easements and wastewater agreements are necessary for the function of the subject grow-yard / feedyard and for maintaining the CAFO Permit and legal use of the property. Please see the Extraordinary Assumptions and Critical Issues in the Transmittal Letter and in the Assumptions and Limiting Conditions following the Appraiser Certification and the CAFO information in the Appraisal Addendum.

Topography and Flood Zone:

The subject tract is basically level, sloping slightly to the south. The elevation of the property ranges from 4,087 feet in the northwest corner of the property to 4,049 feet in the southeast corner. According to FEMA-FIRM Flood Hazard Maps, Rural Parmer County, Texas is not mapped for flood determinations.

Therefore, no flood information is available for the subject property. According to the attached soil map, there are no flooded or ponded soils associated with the subject 410.0 acre site. A current complete survey is required to determine exact flood main status.

Water and Utilities:

The available utilities in the area include Deaf Smith Electric Cooperative for electricity; Atmos Energy for natural gas; and twelve (12) onsite submersible water wells permitted with the High Plains Water District. Three (3) wells were tested in 2019 and they had a total output of 157 GPM at that time. There were five (5) additional functioning wells in 2019 that were producing a total of 200 GPM. The total output of the eight functional wells was estimated at 357 GPM. The remaining four (4) wells are not known to be in working order. The following information is known about the subject onsite well water.

Submersible well 79667 Permit Number 3964 is estimated to produce approximately 40 GPM; submersible well 79677 Permit Number 3974 was recently tested and it produced approximately 64 GPM; submersible well 79680 Permit Number 3977 was recently tested and it produced approximately 53 GPM; submersible well 79681 Permit Number 3978 was destroyed; submersible well 82449 Permit Number 40124 was not known to be working; submersible well 79188 Permit Number 3423 was recently tested and it produced approximately 40 GPM; submersible well 79072 Permit Number 3289 was not known to be working; submersible well 79544 Permit Number 3831 is estimated to produce approximately 40 GPM; submersible well 78540 Permit Number 2689 is estimated to produce approximately 40 GPM; submersible well 79189 Permit Number 3424 is estimated to produce approximately 40 GPM; submersible well 79719 Permit Number 4021 is estimated to produce approximately 40 GPM; and submersible well 83148 Permit Number 50106 is estimated to produce approximately 40 GPM. The three recently tested wells produced a total of 157 GPM. The additional five non-tested wells that possibly work produce a total of 200 GPM. The total possible GPM production was estimated at 357 GPM.

Based on available water, facility size and use as a grow-yard or small feedyard with no feed mill, approximately 15,000 head would be the maximum capacity of the facility. The available water would support 15,000 head and the additional water would be available if one of the tested wells goes down. In order to feed more cattle at the facility than 15,000 head efficiently, the grow-yard / feedyard would need a functioning feed mill. Therefore, the maximum highest and best use of the subject property is a 15,000 head grow-yard.

Improvement Data:

Feed Bunk and Pens

The subject feedyard is improved with approximately 72,000 linear feet of concrete bunk space, 426 steel pipe and cable feed pens, and 33 steel pipe and cable hospital and buller pens. The concrete feed bunk aprons range from 7 to 8 feet. The pens range from approximately 140 feet to 180 feet wide and each pen has a livestock drinker attached to a continuous flow water system. The feed pens are separated by all weather surfaced feed lanes for truck traffic and cattle traffic alleys used for moving cattle to and from shipping and processing areas and hospital facilities.

As stated in the appraisal, the subject grow-yard / feedyard facility has a total of approximately 72,000 linear feet of feed bunk with attached pens. The north 32,365 linear feet of concrete feed bunk with attached pipe and cable pens is usable and valued in the appraisal. The south 39,635 linear feet of concrete feed bunk with attached pipe and cable pens is not usable and was not given any contributory value in the appraisal. The 32,365 linear feet of usable feed bunk has a total of 4,667,250 square feet of attached pen space. At 170 to 200 square feet per feedyard animal unit, approximately 23,336 to 27,454 head can be confined to the usable bunk and pens. However, based on the available onsite water on the property, the practical feeding capacity of the feedyard is limited to approximately 15,000 head. At 15,000 head, the bunk spacing would be approximately 26 inches per animal and 311 square feet per animal using the total 32,365 linear feet of bunk with attached pens. Only 14 inches per animal and 170 square feet per animal is necessary to confine 15,000 head. The super-adequate bunk and pen space was addressed in the Cost Approach section.

The subject is valued in the Sales Comparison Approach as a 15,000 head facility because of livestock water limitations. The capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard facility.

Shipping, Receiving, Processing,
Hospitals, and Horse and Pen
Rider Barn

The feedyard has a north shipping and receiving facility with 12 x 70 pull-through cattle scales and a south shipping and receiving facility with 12 x 70 pull-through cattle scales. The shipping facilities are also improved with numerous shipping and sorting pens and double deck loading and unloading chutes. The feedyard has two (2) main processing barns with hydraulic working chutes and cattle snakes and seven (7) hospital barns with hydraulic working chutes and cattle snakes. The processing barns are located adjacent to the shipping and receiving facilities and the hospitals are scattered throughout the feed pens.

The south hospital barn 1 is 1 x 512 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; loafing shed 1 is 1 x 646 square foot steel construction building with a dirt floor and attached pens; hospital barn 2 is 1 x 419 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake; hospital barn 3 is 1 x 1,600 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; processing barn 4 is 1 x 3,000 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; hospital barn 5 is 1 x 826 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake; loafing shed 5 is 1 x 768 square foot steel construction building with a dirt floor and attached pens; storage building 6 is 1 x 780 square foot steel construction building with a dirt floor; hospital barn 7 is 1 x 256 square feet steel construction building with a reinforced concrete slab, Trojan hydraulic working chute, and attached cattle snake; loafing shed 7 is 1 x 1,760 square foot steel construction building with a dirt floor and attached pens;

Processing barn 8 is 1 x 3,600 square feet steel construction building with a reinforced concrete slab, Super Duty 4000 hydraulic working chute, and attached cattle snake; horse barn 9 is 1 x 15,712 square foot steel construction building with a dirt floor, open sides, and 20 internal steel horse pens with attached runs; saddle shed 9 is 1 x 836 square foot steel construction building with a concrete slab, internal saddle racks, and exterior man doors with locks; hospital barn 10 is 1 x 288 square feet steel construction building with a reinforced concrete slab, Trojan hydraulic working chute, and attached cattle snake; loafing shed 10 is 1 x 3,600 square foot steel construction building with a dirt floor and four attached pens; horse shed 11 is 1 x 2,740 square foot steel construction building with a dirt floor, 12 attached pens and runs, and a tack room; and hospital barn 12 north is 1 x 288 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake.

Shop and Quonset Barn

The feedyard is improved with 1 x 3,850 square foot steel construction shop building with reinforced concrete slab, 3 x work bays, 3 x overhead doors, 1 x man door, an oil change and service pit, parts storage, and an office. The feedyard is also improved with 1 x 750 square foot steel construction quonset building with reinforced concrete slab and overhead door.

Office Building and Truck Scales

The feedyard is improved with 1 x 5,811 square foot two-story wood frame and masonry veneer office building with a metal roof and reinforced concrete slab. The building has 13 offices, a reception area, scale area, work room, electrical room, conference room, employee work room, storage rooms, three restrooms, and a document vault. The bottom floor has approximately 4,678 square feet of area plus a 48 square foot entry area and the second floor is approximately 1,085 square feet. The building has central heat and air, hard tile and carpet floors, and textured and painted walls. There is a 12 x 70 concrete truck scale located adjacent to the office building on the south side. The scales are Fairbanks Moorse 120,000 pounds. The scale room and exterior of the office is also improved with a grain probe for checking grain moisture.

Feed Mill, Grain System, and Commodity Barns

The feedyard has 1 north 7,920 square foot steel and concrete construction 4-bay commodity and mixer barn with a mixer room, 4 x commodity bays; 1 x 2,625 square foot steel and concrete construction west mixer building with mixer room, electrical room, and control room; 1 x 3,000 square foot steel and concrete construction commodity barn with 3 x commodity bays for flake corn; 1 x 10,080 square foot concrete loading apron; 1 x 2,520 square foot steel and concrete construction east commodity barn with concrete feed bays; 1 x 1,500 square foot concrete east loading apron; 1 x 2,025 square foot steel construction east feed barn; 1 x 1,650 square foot steel construction grain receiving shed; 2 x concrete and steel dump pit receiving systems with 2 x 3,000 BPH elevator legs, 2 x distributors, and spouting; 6 x 13,000 bushel steel hopper-bottom grain bins (78,000 bushels total capacity) with attached elevator leg, distributor, spouting, and drags; 1 x north mixer leg with attached distributor, spouting, drags, and overhead finished feed bins with clamshell doors and truck loadout; 1 x west mixer leg with attached distributor, spouting, drags, and overhead finished feed bins with clamshell doors, supplemental bins, and truck loadout; and 1 x flake corn elevator leg with distributor, spouting, and drags; 2 x stationary scale hoppers with 2 x Roto-Mixers rated at 60 TPH; and 6 x steel liquid storage tanks consisting of 2 x fat tanks, 1 x finisher tank, 2 x whey tanks, and 1 glycerin tanks.

Feed Mill improvements and attached equipment in 2019 that reached the end of their economic and useful life include 1 x 4,150 square foot steel construction mill building; 1 x Holman 400 HP boiler (**Removed**); 1 x Williams and Davis 300 HP boiler; 1 x water softener system; 5 x 18" x 36" steam flake Panhandle Rolls 60 HPEM with spring tension and attached 20 foot stainless steel steam chests and soak tanks; 3 x 24" x 48" steam flake R&R Rolls with hydraulic tension and attached 25 foot stainless steel steam chests and soak tanks; and 1 x feed mill motor control center.

Attached Feedyard Equipment

As previously stated there are 9 x hydraulic cattle working chutes with attached snakes located in the processing and hospital barns; 1 x 12 x 70 x 120,000 pound Fairbanks Moose truck scale; 1 x 12 x 70 x 120,000 pound Fairbanks Moose cattle scale; 1 x 12 x 70 x 120,000 pound Southwestern Arizona cattle scale; 1 x grain probe system; 1 x 12,000 gallon diesel storage tank with pump; 1 x 1,800 gallon gasoline storage tank with pump; and 1 x 500 gallon propane tank.

Site Improvements

The site improvements include excavation work and construction of 2 x retention control structures (lagoons); excavation work for the building pads, 4 x silage pits, roads, and drainage; and exterior livestock fencing and gates. The NW silage pit is 115' x 500' x 14', the NE silage pit is 160' x 600' x 14', the SW silage pit is 120' x 540' x 14', and the SE silage pit is 120' x 350' x 14'. The excavation work for the feed pens and drainage is calculated separately. The water wells are considered to be a component of the land value.

Feedyard Improvements with Contributory Value

From all of the previously described Improvements and Attached Equipment located on the subject 410.0 acre site, only the north portion of the subject grow-yard / feedyard with 32,365 LF of bunk space with attached pens and livestock drinkers (23 single rows of pens on 12 double feed lanes); the north processing barn with attached Bowman Super Duty 4000 hydraulic working chute, snake, and tub; three (3) north hospitals with attached two (2) Trojan hydraulic working chutes and one (1) other hydraulic working chute, snakes, and tubs; the north Fairbanks Moose cattle scale and scale house; the main horse and pen rider barn with attached pens and runs; the shop building; the quonset barn; the three (3) commodity barns; one (1) feed barn; and site improvements have contributory value. The water system and wells are scattered throughout the property and were considered to be a component of the land value.

Based on the highest and best use of the property, the appraiser has limited the capacity of the facility to 15,000 head which is a marketable and functional size for a large grow-yard and valued the property on the stated amount. The appraiser has not given value to a large portion of the feed bunk and pens in the southern portion of the feedyard; the processing and hospital facilities in the southern portion of the feedyard; the shipping and receiving and cattle scales in the southern portion of the feedyard; the feed mill facility and attached equipment; the grain storage facility; and the office building with attached truck scales; based on their age and condition and based on the low market demand for an older feedyard facility similar to the subject located in the subject area.

Year Built:

According to older documents, the subject feedyard was constructed from 1968 to 1996 with some updating until around 2014 or 2015. The property was vacant and not in operation from 2015-2016 to 2019. The property was operated from 2019 to 2023 by Brian McClain of 7M Cattle Feeders. The property has been vacant since Mr. McClain passed in the first half of 2023. The overall effective age for calculation purposes in the Sales Comparison Approach was estimated to be 34 years.

Current Use:

The subject is currently vacant due to the owner passing. The property has a CAFO Permit for 115,000 head and a total feed bunk and pen capacity for approximately 72,000 head. Based on the age and condition of the improvements and the available water, the highest and best use of the property is a 15,000 head grow-yard. A large portion of the south feed bunk and pens; the south processing and hospital buildings and attached cattle handling equipment; the south cattle scales; the feed mill facility and attached feed mill equipment; the grain storage system; and the office building and adjacent truck scales; have no contributory value. Based on available water and the age and condition of the improvements, the appraiser has valued the facility as a 15,000 head grow-yard.

Highest and Best Use:

As Vacant

Based on the onsite submersible water wells and available water, the most likely use of the subject 410.0 acres of land, as if vacant, would be a mixed use irrigated farm with dry corners used for crop production.

As Improved

As previously stated, the property has a CAFO Permit for 115,000 head and a total feed bunk and pen capacity for approximately 72,000 head. Based on the age and condition of the improvements and the available water, the highest and best use of the property is a 15,000 head grow-yard.

As previously described, only the northern portion of the subject grow-yard / feedyard with 32,365 LF of bunk space with attached pens and livestock drinkers (23 single rows of pens on 12 double feed lanes); the north processing barn with attached Bowman Super Duty 4000 hydraulic working chute, snake, and tub; three (3) north hospitals with attached two (2) Trojan hydraulic working chutes and one (1) other hydraulic working chute, snakes, and tubs; the north Fairbanks Moose cattle scale and scale house; the main horse and pen rider barn with attached pens and runs; the shop building; the quonset barn; the three (3) commodity barns; one (1) feed barn; and site improvements; have contributory value. The water system and wells are scattered throughout the property and were considered to be a component of the land value.

A large portion of the south feed bunk and pens; the south processing and hospital buildings and attached cattle handling equipment; the south cattle scales; the feed mill facility and attached feed mill equipment; the grain storage system; and the office building and adjacent truck scales; have no contributory value. Based on available water and the age and condition of the improvements, the appraiser has valued the facility as a 15,000 head grow-yard.

Nuisances, Hazards and Detrimental Influences:

The value concluded in this appraisal report assumes that no hazardous building materials are in place in the building improvements and that no hazardous conditions affect the subject site.

**Natural, Recreational,
Cultural Or Scientific Value:** None

Marketing Time: 12 to 18 Months

Exposure Time: 12 to 18 Months

Annual Property Tax Estimate \$23,132.70

Value Indication by Approach			
Analysis and Approach	Subject	Value Type	Value Opinion
Cost Approach	410.0 Acres of Land Only	As if Vacant	\$650,000
Cost Approach	410.0 Acres of Land, Improvements and Attached Equipment	As Is	\$1,052,000
Sales Comparison Approach	410.0 Acres of Land, Improvements and Attached Equipment	As Is	\$1,050,000
Income Approach	410.0 Acres of Land, Improvements and Attached Equipment	As Is	\$1,062,000

Final Market Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$1,050,000
Value Opinion of Attached Feedyard Equipment	\$25,000
Value Opinion of Real Property	\$1,025,000

Liquidation Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$720,000

As stated in the appraisal, all of the subject 410.0 acres plus offsite wastewater easements and wastewater agreements are necessary to maintain the legal CAFO Permit for the grow-yard / feedyard and for the normal function and operation of the grow-yard / feedyard. It is noted that the subject grow-yard / feedyard located on the 410.0 acres of owned land can not legally function as a livestock confined feeding operation without the additional offsite wastewater easements and agreements noted in the appraisal. Therefore, the value is subject to the continuation of the easements and agreements for the remainder of the economic life of the feedyard property.

Appraisal Problem to be Solved

The problem to be solved in this appraisal is to support and form an opinion of **market value** of the fee simple estate of the subject property, subject to the assumptions and limiting conditions set forth in the appraisal. In addition to market value, the client has also requested a liquidation value of the subject property.

Identification of the Subject Property

RIMs Project Number 23-000445-01-01

The property being appraised is the **7M Cattle Feeders Inc. Grow-Yard / Feedyard Facility** on 410.0 acres of land. The property changed use from a 72,000 head feedyard to 15,000 head grow-yard between 2015-2016 and 2019. The property was operated as a 15,000 head grow-yard facility by 7M Cattle Feeders Inc. after it was purchased in 2019. The property was a bank foreclosure and was closed down from 2015-2016 to 2019. Prior to foreclosure in 2016, the property was owned by HEC Feedyard LLC. The property is located just northwest of Friona along the east side of CR 15 approximately 1.0 mile north of State FM 2397/2013, in Parmer County, Texas. The physical address of the facility is 2548 CR 15, Friona, Parmer County, Texas 79035.

Feed Bunk and Pens

The subject feedyard is improved with approximately 72,000 linear feet of concrete bunk space, 426 steel pipe and cable feed pens, and 33 steel pipe and cable hospital and buller pens. The concrete feed bunk aprons range from 7 to 8 feet. The pens range from approximately 140 feet to 180 feet wide and each pen has a livestock drinker attached to a continuous flow water system. The feed pens are separated by all weather surfaced feed lanes for truck traffic and cattle traffic alleys used for moving cattle to and from shipping and processing areas and hospital facilities.

As stated in the appraisal, the subject grow-yard / feedyard facility has a total of approximately 72,000 linear feet of feed bunk with attached pens. The north 32,365 linear feet of concrete feed bunk with attached pipe and cable pens is usable and valued in the appraisal. The south 39,635 linear feet of concrete feed bunk with attached pipe and cable pens is not usable and was not given any contributory value in the appraisal. The 32,365 linear feet of usable feed bunk has a total of 4,667,250 square feet of attached pen space. At 170 to 200 square feet per feedyard animal unit, approximately 23,336 to 27,454 head can be confined to the usable bunk and pens. However, based on the available onsite water on the property, the practical feeding capacity of the feedyard is limited to approximately 15,000 head. At 15,000 head, the bunk spacing would be approximately 26 inches per animal and 311 square feet per animal using the total 32,365 linear feet of bunk with attached pens. Only 14 inches per animal and 170 square feet per animal is necessary to confine 15,000 head. The super-adequate bunk and pen space was addressed in the Cost Approach section.

The subject is valued in the Sales Comparison Approach as a 15,000 head facility because of livestock water limitations. The capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard facility.

Shipping, Receiving, Processing, Hospitals, and Horse and Pen Rider Barn

The feedyard has a north shipping and receiving facility with 12 x 70 pull-through cattle scales and a south shipping and receiving facility with 12 x 70 pull-through cattle scales. The shipping facilities are also improved with numerous shipping and sorting pens and double deck loading and unloading chutes. The feedyard has two (2) main processing barns with hydraulic working chutes and cattle snakes and seven (7) hospital barns with hydraulic working chutes and cattle snakes. The processing barns are located adjacent to the shipping and receiving facilities and the hospitals are scattered throughout the feed pens.

The south hospital barn 1 is 1 x 512 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; loafing shed 1 is 1 x 646 square foot steel construction building with a dirt floor and attached pens; hospital barn 2 is 1 x 419 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake; hospital barn 3 is 1 x 1,600 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; processing barn 4 is 1 x 3,000 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; hospital barn 5 is 1 x 826 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake; loafing shed 5 is 1 x 768 square foot steel construction building with a dirt floor and attached pens; storage building 6 is 1 x 780 square foot steel construction building with a dirt floor; hospital barn 7 is 1 x 256 square feet steel construction building with a reinforced concrete slab, Trojan hydraulic working chute, and attached cattle snake; loafing shed 7 is 1 x 1,760 square foot steel construction building with a dirt floor and attached pens;

Processing barn 8 is 1 x 3,600 square feet steel construction building with a reinforced concrete slab, Super Duty 4000 hydraulic working chute, and attached cattle snake; horse barn 9 is 1 x 15,712 square foot steel construction building with a dirt floor, open sides, and 20 internal steel horse pens with attached runs; saddle shed 9 is 1 x 836 square foot steel construction building with a concrete slab, internal saddle racks, and exterior man doors with locks; hospital barn 10 is 1 x 288 square feet steel construction building with a reinforced concrete slab, Trojan hydraulic working chute, and attached cattle snake; loafing shed 10 is 1 x 3,600 square foot steel construction building with a dirt floor and four attached pens; horse shed 11 is 1 x 2,740 square foot steel construction building with a dirt floor, 12 attached pens and runs, and a tack room; and hospital barn 12 north is 1 x 288 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake.

Shop and Quonset Barn

The feedyard is improved with 1 x 3,850 square foot steel construction shop building with reinforced concrete slab, 3 x work bays, 3 x overhead doors, 1 x man door, an oil change and service pit, parts storage, and an office. The feedyard is also improved with 1 x 750 square foot steel construction quonset building with reinforced concrete slab and overhead door.

Office Building and Truck Scales

The feedyard is improved with 1 x 5,811 square foot two-story wood frame and masonry veneer office building with a metal roof and reinforced concrete slab. The building has 13 offices, a reception area, scale area, work room, electrical room, conference room, employee work room, storage rooms, three restrooms, and a document vault. The bottom floor has approximately 4,678 square feet of area plus a 48 square foot entry area and the second floor is approximately 1,085 square feet. The building has central heat and air, hard tile and carpet floors, and textured and painted walls. There is a 12 x 70 concrete truck scale located adjacent to the office building on the south side. The scales are Fairbanks Moorse 120,000 pounds. The scale room and exterior of the office is also improved with a grain probe for checking grain moisture.

Feed Mill, Grain System, and Commodity Barns

The feedyard has 1 north 7,920 square foot steel and concrete construction 4-bay commodity and mixer barn with a mixer room, 4 x commodity bays; 1 x 2,625 square foot steel and concrete construction west mixer building with mixer room, electrical room, and control room; 1 x 3,000 square foot steel and concrete construction commodity barn with 3 x commodity bays for flake corn; 1 x 10,080 square foot concrete loading apron; 1 x 2,520 square foot steel and concrete construction east commodity barn with concrete feed bays; 1 x 1,500 square foot concrete east loading apron; 1 x 2,025 square foot steel construction east feed barn; 1 x 1,650 square foot steel construction grain receiving shed; 2 x concrete and steel dump pit receiving systems with 2 x 3,000 BPH elevator legs, 2 x distributors, and spouting; 6 x 13,000 bushel steel hopper-bottom grain bins (78,000 bushels total capacity) with attached elevator leg, distributor, spouting, and drags; 1 x north mixer leg with attached distributor, spouting, drags, and overhead finished feed bins with clamshell doors and truck loadout; 1 x west mixer leg with attached distributor, spouting, drags, and overhead finished feed bins with clamshell doors, supplemental bins, and truck loadout; and 1 x flake corn elevator leg with distributor, spouting, and drags; 2 x stationary scale hoppers with 2 x Roto-Mixers rated at 60 TPH; and 6 x steel liquid storage tanks consisting of 2 x fat tanks, 1 x finisher tank, 2 x whey tanks, and 1 glycerin tanks.

Feed Mill improvements and attached equipment in 2019 that reached the end of their economic and useful life include 1 x 4,150 square foot steel construction mill building; 1 x Holman 400 HP boiler **(Removed)**; 1 x Williams and Davis 300 HP boiler; 1 x water softener system; 5 x 18" x 36" steam flake Panhandle Rolls 60 HPEM with spring tension and attached 20 foot stainless steel steam chests and soak tanks; 3 x 24" x 48" steam flake R&R Rolls with hydraulic tension and attached 25 foot stainless steel steam chests and soak tanks; and 1 x feed mill motor control center.

Attached Feedyard Equipment

As previously stated there are 9 x hydraulic cattle working chutes with attached snakes located in the processing and hospital barns; 1 x 12 x 70 x 120,000 pound Fairbanks Moose truck scale; 1 x 12 x 70 x 120,000 pound Fairbanks Moose cattle scale; 1 x 12 x 70 x 120,000 pound Southwestern Arizona cattle scale; 1 x grain probe system; 1 x 12,000 gallon diesel storage tank with pump; 1 x 1,800 gallon gasoline storage tank with pump; and 1 x 500 gallon propane tank.

Site Improvements

The site improvements include excavation work and construction of 2 x retention control structures (lagoons); excavation work for the building pads, 4 x silage pits, roads, and drainage; and exterior livestock fencing and gates. The NW silage pit is 115' x 500' x 14', the NE silage pit is 160' x 600' x 14', the SW silage pit is 120' x 540' x 14', and the SE silage pit is 120' x 350' x 14'. The excavation work for the feed pens and drainage is calculated separately. The water wells are considered to be a component of the land value.

Feedyard Improvements with Contributory Value

From all of the previously described Improvements and Attached Equipment located on the subject 410.0 acre site, only the north portion of the subject grow-yard / feedyard with 32,365 LF of bunk space with attached pens and livestock drinkers (23 single rows of pens on 12 double feed lanes); the north processing barn with attached Bowman Super Duty 4000 hydraulic working chute, snake, and tub; three (3) north hospitals with attached two (2) Trojan hydraulic working chutes and one (1) other hydraulic working chute, snakes, and tubs; the north Fairbanks Moose cattle scale and scale house; the main horse and pen rider barn with attached pens and runs; the shop building; the quonset barn; the three (3) commodity barns; one (1) feed barn; and site improvements have contributory value. The water system and wells are scattered throughout the property and were considered to be a component of the land value.

Based on the highest and best use of the property, the appraiser has limited the capacity of the facility to 15,000 head which is a marketable and functional size for a large grow-yard and valued the property on the stated amount.

The appraiser has not given value to a large portion of the feed bunk and pens in the southern portion of the feedyard; the processing and hospital facilities in the southern portion of the feedyard; the shipping and receiving and cattle scales in the southern portion of the feedyard; the feed mill facility and attached equipment; the grain storage facility; and the office building with attached truck scales; based on their age and condition and based on the low market demand for an older feedyard facility similar to the subject located in the subject area.

Subject Legal Description

The legal description is: 255.0 acres being all of Section 25 and 154.0 acres being a portion of Section 24 out of the Charles E. Harding's Subdivision Capitol League 473 and parts of Capitol Leagues 459, 460, 461, 472, and 474, Parmer County, Texas.

Subject 255.0 Acres in Section 25 - Parmer County Appraisal District Property ID 4639
Subject 154.0 Acres in Section 24 - Parmer County Appraisal District Property ID 4636

Effective Date of the Appraisal and Date of the Report

This appraisal has an effective date and an inspection date of July 9, 2023. The value is based on data and market conditions prevailing on that date. This appraisal report was written during the month of July and September, 2023, and was completed on September 15, 2023.

Intended Use and User of the Appraisal

The intended use of the appraisal is to establish marketability and potential loan and asset recovery thresholds. The intended users of this appraisal are Rabo AgriFinance and-or affiliates.

Property Rights Appraised

Real property includes the interests, benefits, and rights inherent in the ownership of physical real estate. In an appraisal, a particular set of real property interests—not the real estate—is what is valued. Real estate in and of itself has no value; the rights, or interests, in real estate are what have value.¹ In this particular appraisal, the property rights appraised consist of the fee simple interest in the subject. A fee simple interest is defined as: Absolute ownership unencumbered by any other interest or estate....subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.² My investigation revealed no significant limitations imposed on the fee simple interest.

¹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 4

² The Appraisal of Rural Property, Second Edition, Appraisal Institute and ASFMRA, 2000, page 47.

Subject Property History

The subject is currently taxed under the ownership of 7M Cattle Feeders Inc. The property sold from Parmer County Land Holdings LLC to 7M Cattle Feeders Inc. (Brian McClain) on August 2, 2019 and was recorded in Volume 158, Page 566, Document 61505, in the Parmer County, Texas Deed Records. The sale price of the property was \$575,000.

Prior to the ownership change from Parmer County Land Holdings LLC to 7M Cattle Feeders Inc: Brian McClain stated that he negotiated with the owners privately to purchase the property and it was not marketed and advertised for sale. Prior to the purchase agreement with Brian McClain of 7M Cattle Feeders Inc., Parmer County Land Holdings LLC purchased the subject property which included the 410.0 acre feedyard site plus additional adjacent irrigated land with dry corners. The additional land had already been sold off and the remaining portion of the property that was left was the 410.0 acre feedyard site only. The subject feedyard had a 115,000 head CAFO permit and a pen and bunk capacity for 72,000 head at the time of the sale. Prior to being purchased, the buyer, Brian McClain of 7M Cattle Feeders Inc. planned to change the use of the property from a large feedyard to a smaller grow-yard facility and only feed 10,000 to 15,000 head. Prior to changing ownership, the subject feedyard was vacant from 2015 to 2019 and it had a large amount of deferred maintenance with improvements that no longer contributed value plus the property had water and waste management issues. The feed mill building and mills were in poor condition and the estimate to repair the facility would have cost significantly more than what the whole property was worth to repair it and what it was selling for. The adjacent land that was used for wastewater application and necessary to keep the CAFO permit had been sold off, therefore, the new buyer, McClain, had to obtain offsite wastewater agreements to keep the CAFO Permit which was due to be renewed in July 2019. In addition there was not enough well water on the feedyard to confine and feed 72,000 head. There were approximately twelve (12) water wells on the property of which eight (8) were producing wells. Four (4) of the twelve (12) wells were estimated to be inoperable. Only three (3) wells had been recently tested. The three (3) wells that were tested produced enough water to confine and feed approximately 15,000 plus head. The remaining five (5) producing wells were estimated to produce approximately 40 GPM each, but they had not been tested. It was estimated at that time that the eight (8) wells together produced enough water on the feedyard to maximumly confine and feed 30,000 to 40,000 head. However, without an adequately operating feed mill, it was estimated that the maximum size of a marketable grow-yard would be around 15,000 head because there were very few grow-yards being operated without a mill that exceeded 15,000 head. At the time of sale, based on the age and condition of the improvements and the deferred maintenance on the subject feedyard, the land size, the wastewater and CAFO Permit and use, and the necessary offsite land for wastewater management and CAFO permit renewal, the new buyer, Brian McClain, purchased the property and converted it to a smaller 15,000 head grow-yard. The smaller grow-yard use was the highest and best use of the property.

The Parmer County Deed Records indicate that the subject feedyard changed ownership from Plains Capital Bank to Parmer County Land Holdings LLC on March 1, 2018. The change of ownership was recorded in Volume 144, Page 602, Document 59622 in the Parmer County Deed Records. The sale price was not disclosed. The sale of the property included 410.0 acre feedyard site plus additional adjacent farmland and grass land.

Prior to the previous ownership, the property changed ownership from HEC Feedyard LLC to Plains Capital Bank on June 29, 2016. The change of ownership was recorded in Volume 127, Page 616, Document 57512 in the Parmer County Deed Records. The change of ownership occurred due to a default on the loan. In addition to the ownership change, the property as a larger facility was auctioned in April 2016 but it did not sell.

Prior to the previous ownership, the property changed ownership from Texzona Friona LLC to HEC Feedyard LLC on May 17, 2011. The change of ownership was recorded in Volume 79, Page 671, Document 50964 in the Parmer County Deed Records. The sale price was not disclosed.

Prior to the previous ownership, the property changed ownership from Monfort Inc. to Texzona Friona LLC on July 1, 2004. The change of ownership was recorded in Volume 6, Page 621 in the Parmer County Deed Records. The sale price was not disclosed.

Prior to 2004, the property changed ownership four times between 1987 and 2004. According to area cattle feeders, the subject property, operated as a large feedyard facility, has had numerous problems over the years and numerous owners due to various problems including management, water and other issues. This further supported changing the highest and best use of the property from a larger feedyard to a smaller grow-yard facility.

As of the effective date of the appraisal, the property was not known to be listed for sale or under contract to be sold. No other known offers to purchase the property have been conveyed to the appraiser.

Prior Appraisal History

I have not performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of the assignment. An additional statement relating to the appraisal history of the subject property is located in the Certification of the report.

I appraised the subject property on June 6, 2019 for Rabo AgriFinance LLC. The intended use of the appraisal was for periodic valuation of the asset per policy. The intended users of this appraisal were Rabo AgriFinance and-or affiliates.

Market Value Defined

MARKET VALUE is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.³

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised, and acting in what he or she considers his or her own best interest;
- 3) A reasonable time is allowed for exposure in the open market;
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

³ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 59.
The Appraisal of Rural Property, 2nd Edition, Appraisal Institute and ASFMRA, 2000, Page 27.
USPAP Advisory Opinions 2012-2013 Edition, The Appraisal Foundation, Page A-72.
USPAP Definition of Market Value Page A-72 References Title XI FIRREA Definition.

Liquidation Value Defined

Liquidation Value is defined in The Dictionary of Real Estate Appraisal, Seventh Edition as:

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and the seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can be modified to provide for valuation with specified financing terms.

Scope of Work of the Appraisal

The scope of this appraisal provides for the preparation of a fully documented **Appraisal Report** in a manner consistent with the Standards of Professional Practice of the Appraisal Institute, the American Society of Appraisers, and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. In this particular assignment, the value opinion requested is market value of the fee simple interest in the property. The following steps of the investigative process are described below.

1. RIMs Project Number 23-000445-01-01

The property being appraised is the **7M Cattle Feeders Inc. Grow-Yard / Feedyard Facility** on 410.0 acres of land. The property changed use from a 72,000 head feedyard to 15,000 head grow-yard between 2015-2016 and 2019. The property was operated as a 15,000 head grow-yard facility by 7M Cattle Feeders Inc. after it was purchased in 2019. The property was a bank foreclosure and was closed down from 2015-2016 to 2019. Prior to foreclosure in 2016, the property was owned by HEC Feedyard LLC. The property is located just northwest of Friona along the east side of CR 15 approximately 1.0 mile north of State FM 2397/2013, in Parmer County, Texas. The physical address of the facility is 2548 CR 15, Friona, Parmer County, Texas 79035.

Please see the prior Property Identification Section and the Site and Improvement Analysis Sections of the appraisal for further detail.

2. The legal description is: 255.0 acres being all of Section 25 and 154.0 acres being a portion of Section 24 out of the Charles E. Harding's Subdivision Capitol League 473 and parts of Capitol Leagues 459, 460, 461, 472, and 474, Parmer County, Texas.

Subject 255.0 Acres in Section 25 - Parmer County Appraisal District Property ID 4639
Subject 154.0 Acres in Section 24 - Parmer County Appraisal District Property ID 4636

3. The intended use of the appraisal is to establish marketability and potential loan and asset recovery thresholds.
4. The intended users of this appraisal are Rabo AgriFinance and-or affiliates.
5. The type of value indicated in the report is market value.
6. General data collection and analysis - This involved research into national, regional and local economic influences on the property being appraised.

7. The primary sources used to develop the area and neighborhood analysis was the U.S. Census Bureau; the State Employment Commission; and the Texas State Government offices. A physical inspection of the neighborhood and market area was also conducted to determine predominate land uses, occupancy levels and development trends.
8. Specific data collection and analysis - Similar to the above, more detailed information was assembled and confirmed with respect to the subject and comparable properties. The following specific sources were utilized.

Richard Bretz, Eslabon Properties, Feedyard Broker, Amarillo, Texas
Trans Pecos Real Estate, Inc. In-House Data Base of Feedyard Sales
Parmer County Appraisal District and Parmer County Clerk
Deaf Smith County Appraisal District and County Clerk
Hutchinson County Appraisal District and County Clerk
Donley County Appraisal District and County Clerk
Wheeler County Appraisal District and County Clerk
Hodgeman County Appraiser and County Clerk
Texas Cattle Feeders Association
Bill Beam, ARA, Appraiser, Abilene, Texas
Russell Patrick, MAI, AgTexas Farm Credit Staff Appraiser
Enviro-Ag Engineering
Agridata, Inc. Mapping Software
Google Earth Mapping Software
Past Information from 2017 and 2019 Appraisals of the Subject Property
Past Information from Brian McClain - the Subject Property Owner
Gary Teague, Feedyard Owner and Manager
West Texas Millrights, Inc., Hereford, Texas
R&R Machine Works, Dalhart, Texas
Max Jantz Excavating, Montezuma, Kansas
Gearn Industries, Inc.
High Plains Water District, Lubbock, Texas

9. The investigative process utilized in the preparation of this report included use of the appraiser's personal database, an in-house source of confirmed sales and rentals; commercial and agricultural real estate brokers; area property owners; and property management companies. Sales and rentals that were most comparable to the subject were selected. All of the comparable sales and rentals used in the appraisal were inspected either physically or by plats and photographs. A review of these sales and rentals was conducted and the data such as price, terms, market conditions, conditions of the properties and income and expense were verified with either the principals, brokers or management companies. Deed records pertaining to the comparable sales were cross checked at the County Clerk's Offices of each County Courthouse. The results of this research are further discussed in the applicable sections of this report.

10. Site and improvements description and analysis - The subject was physically inspected and measured and the property and street scenes were photographed. The legal descriptions and tax information were checked at the Parmer County Courthouse and the Parmer County Appraisal District.
11. Highest and best use analysis - Based on the data gathered, a conclusion was reached concerning the land as if vacant and as improved.
12. Land value opinion - Comparable vacant land sales were located, adjusted for dissimilarities with the subject site, and utilized to form an opinion of market value for the subject site as if vacant and put to its highest and best use.
13. Application of the three approaches - The three traditional approaches to value were completed; the Cost Approach, the Sales Comparison Approach and the Income Approach.
14. Reconciling the values - Reconciling the values indicated by these three approaches is necessary to provide the final indication of value for the property appraised.
15. Report the defined value - The appraisal report conveys the results of the investigation and analysis performed in the appraisal process.

Appraiser Competency

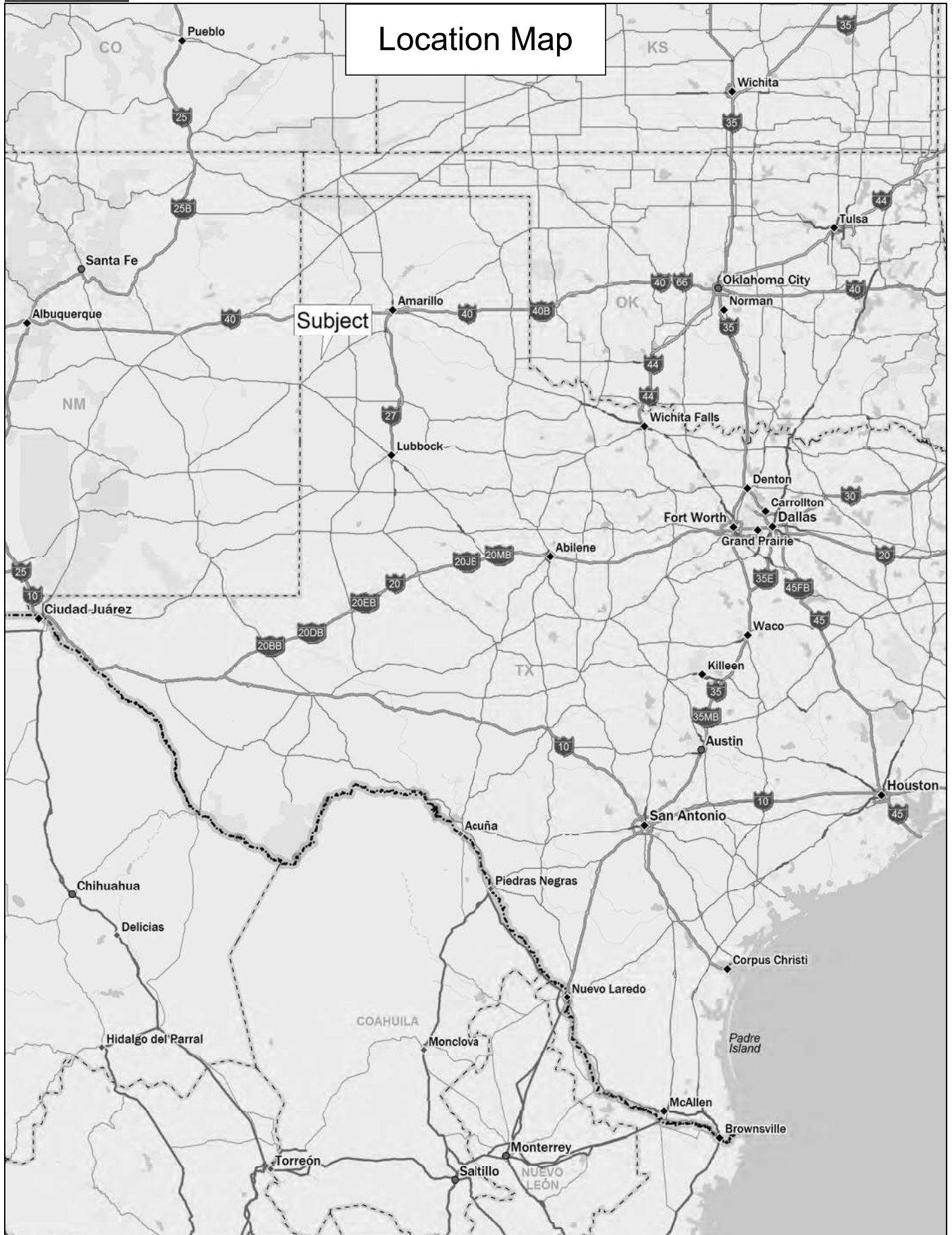
According to USPAP 2020-2021 and 2022-2023, an appraiser must determine, prior to agreeing to perform an assignment, that he or she can perform the assignment competently. Competency requires: (1) the ability to properly identify the problem to be addressed; (2) the knowledge and experience to complete the assignment competently; and (3) recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment. Competency may apply to factors such as, but limited to, an appraiser's familiarity with a specific type of property or asset, a market, a geographic area, and intended use, specific laws and regulations, or an analytical method.

Kirby Harper is a Designated **SRA** Member of the Appraisal Institute. Mr. Harper is an Accredited Senior Appraiser (**ASA**) with the American Society of Appraisers. Mr. Harper is a Designated Member with a Real Property **Rural** Principal, a Real Property **Urban** Principal, and a Real Property **Residential** Principal. Mr. Harper is a General State Certified Real Estate Appraiser with the State of Texas, Certificate No. **TX-1331201-G**, a General Certified Real Estate Appraiser with the State of New Mexico Certificate No. **03440-G**, and a General Certified Real Estate Appraiser with the State of Colorado Certificate No. **CG-40042526**. Mr. Harper is a Texas Real Estate Broker, License Number 0399634 and a Qualifying New Mexico Real Estate Broker, License Number 19375.

Mr. Harper has held temporary and full certifications in Texas and other states for the appraisal of dairy facilities, feedyards, farms and ranches. The appraiser has appraised numerous agricultural, as well as, industrial and commercial properties within the States of Texas, New Mexico, Colorado, Wyoming, Nebraska, Mississippi, Florida, Georgia, Idaho, Oregon, Oklahoma and Kansas during the past thirty-three (33) years. The appraiser specializes in dairies, feedyards, ranches and farms. The appraiser was self employed in the **farming and ranching** business for several years prior to becoming an appraiser. The appraiser is considered to have the professional competency to appraise the subject property.

Location Map

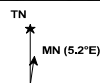
Subject



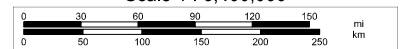
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Scale 1 : 6,400,000



1" = 101.01 mi

Data Zoom 5-0

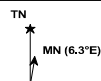
Location Map



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Scale 1 : 1,600,000



1" = 25.25 mi

Data Zoom 7-0

Market Area Analysis

Market Area Analysis

Market areas are defined by a combination of factors—e.g., physical features, the demographic and socioeconomic characteristics of the residents or tenants, the condition of the improvements (age, upkeep, ownership, and vacancy rates), and land use trends.⁴

“A *market area* is the geographic or locational delineation of the market for a specific category of real estate, i.e., the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchasers and users.

A *neighborhood* is a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

A *district* is a type of market area characterized by homogeneous land use, e.g., apartment, commercial, industrial, agricultural.”⁵

Value Influences in Real Estate Markets

The four forces that influence value (i.e., social, economic, governmental, and environmental forces) interact in the marketplace, creating unique combinations of factors. Careful study of general data related to a real estate market’s character is a prerequisite to the more formal application of market analysis, highest and best use analysis, and the approaches to value.⁶

Social, economic, governmental, and environmental forces influence property values in the vicinity of a subject property. As a result, they affect the value of that property. Therefore, to conduct a thorough analysis, the appraiser must delineate the boundaries of the area of influence. Although physical boundaries may be drawn, the most important boundaries are those that identify factors influencing property values.

⁴ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 166.

⁵ The Appraisal of Real Estate, 13th Edition, Appraisal Institute, 2008, Pages 54 and 55.

⁶ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 166.

Parmer County, Texas Area Analysis

Social Forces Influencing Value

Population

The following is historical population information for Parmer County, Texas. The county population decreased by 3.95 percent from 2000 to 2023.

Population		
Year	Parmer County	County Seat, Farwell
2000	10,016	1,359
2010	10,269	1,364
2011	10,260	1,366
2012	10,156	1,348
2013	9,961	1,321
2014	9,934	1,315
2015	9,800	1,319
2016	9,818	1,317
2017	9,842	1,315
2018	9,719	1,328
2019	9,605	1,291
2020	10,432	1,387
2021	10,253	1,350
2022	9,620	1,390
2023 July	9,778	1,372

The 2020 population for Parmer County, Texas is 10,432; the 2020 population for Farwell is 1,387; the 2020 population for Bovina is 1,901; and the 2020 population for Friona is 4,186.

The 2021 population for Parmer County, Texas is 10,253; the 2021 population for Farwell is 1,350; the 2021 population for Bovina is 1,861; and the 2020 population for Friona is 4,106.

The 2023 population for Parmer County, Texas is 9,778; the 2023 population for Farwell is 1,372; the 2023 population for Bovina is 1,515; and the 2023 population for Friona is 4,283.

Economic Forces Influencing Value

The 2017 Parmer County, Texas median household income was \$44,930; the average household income was \$62,969; and the per capita income was \$20,913.

The 2018 Parmer County, Texas median household income was \$44,973; the average household income was \$61,592; and the per capita income was \$20,416.

The 2020 Parmer County, Texas median household income was \$57,697; the average household income was \$72,091; and the per capita income was \$23,830.

The 2021 Parmer County, Texas median household income was \$57,416; the average household income was \$71,260; and the per capita income was \$23,815.

The 2023 Parmer County, Texas median household income was \$69,261; the average household income was \$88,120; and the per capita income was \$30,000.

The 2017 Farwell, Texas median household income was \$45,398; the average household income was \$58,942; and the per capita income was \$22,704.

The 2018 Farwell, Texas median household income was \$43,026; the average household income was \$57,632; and the per capita income was \$22,212.

The 2020 Farwell, Texas median household income was \$56,981; the average household income was \$68,127; and the per capita income was \$26,371.

The 2021 Farwell, Texas median household income was \$54,966; the average household income was \$65,820; and the per capita income was \$25,458.

The 2023 Farwell, Texas median household income was \$56,292; the average household income was \$76,374; and the per capita income was \$28,019.

The 2017 Bovina, Texas median household income was \$41,581; the average household income was \$50,937; and the per capita income was \$15,532.

The 2018 Bovina, Texas median household income was \$41,287; the average household income was \$50,910; and the per capita income was \$15,552.

The 2020 Bovina, Texas median household income was \$48,594; the average household income was \$58,743; and the per capita income was \$17,993.

The 2021 Bovina, Texas median household income was \$40,955; the average household income was \$58,649; and the per capita income was \$18,192.

The 2023 Bovina, Texas median household income was \$45,407 the average household income was \$67,347; and the per capita income was \$24,094.

The 2017 Friona, Texas median household income was \$43,439; the average household income was \$59,388; and the per capita income was \$19,359.

The 2018 Friona, Texas median household income was \$43,539 the average household income was \$58,012; and the per capita income was \$18,842.

The 2020 Friona, Texas median household income was \$56,769 the average household income was \$68,012; and the per capita income was \$21,963.

The 2021 Friona, Texas median household income was \$54,236 the average household income was \$66,266; and the per capita income was \$21,586.

The 2023 Friona, Texas median household income was \$71,176 the average household income was \$87,707; and the per capita income was \$28,335.

The historical unemployment rates for Parmer County follow.

Unemployment Rate	
Year	Parmer County
2010	4.40%
2011	4.40%
2012	4.10%
2013	3.80%
2014	3.00%
2015	2.50%
2016	2.50%
2017	2.30%
May 2018	2.20%
December 2019	2.00%
July 2020	2.70%
November 2021	2.70%
June 2023	2.80%

The dominant economic force in Parmer County has historically been and continues to be agribusiness, farming and ranching. There are many agricultural related jobs available in Parmer County. Non-agricultural employment for the area can be found in Farwell, Texas; Bovina, Texas; Hereford, Texas; Muleshoe, Texas; and Clovis, New Mexico. Financial Institutions for the area include Security State Bank in Farwell, and Muleshoe State Bank in Muleshoe and Farwell.

Governmental Forces Influencing Value

Government

Farwell, the county seat for Parmer County, has a General State Type Law, County Judge and Commissioners' Court. Law enforcement in Parmer County is provided by the Parmer County Sheriff's Department and the Texas Department of Public Safety.

Farwell ISD has 243 elementary kids, 111 junior high kids, and 143 high school kids. Higher education includes Eastern New Mexico University in Portales; West Texas A&M in Canyon; Texas Tech in Lubbock; and Amarillo College in Amarillo.

Utilities and services in Friona include AmeriGas, Premier Services, and Atmos Energy Corporation. Utilities and services in Bovina include AmeriGas and Premier Services. Utilities and services in Lazbuddie include AmeriGas and Premier Services.

Utilities and services in Farwell include CenturyLink Communications, Atmos Energy, Xcel Energy, Farmers Electric Cooperative, Inc., AmeriGas, Roosevelt County Electric Cooperative, Inc, New Mexico Gas Company, Hydro Physics, J&H Services, Inc., and Vis-Com, Inc.

Environmental Forces Influencing Value

Location

Parmer County is located on the western border of the High Plains of the Texas Panhandle and is bordered by Deaf Smith County to the north, Castro County to the east, Lamb County to the southeast, Bailey County to the south, and Curry County, New Mexico, to the west. Cities and towns located in the county are Bovina, Farwell (the county seat), Friona, and Lazbuddie. Farwell, the county seat, is on the Texas-New Mexico border, fifteen miles southwest of the center of the county and eighty-five miles southwest of Amarillo. The county was named for Martin Parmer, an early settler and veteran of the Texas Revolution.

The region including Parmer County has remained rather isolated throughout its history. It is possible that the Jose Mares expedition from Santa Fe to San Antonio crossed the northeastern corner of the county in 1787, but for the most part the region remained under the control of native populations.

Apaches occupied the Panhandle-Plains until they were pushed out around 1700 by the Kiowas and Comanches, who ruled the Texas High Plains between 1700 and the end of the Red River War in 1874. After their defeat and removal to Indian Territory, the Parmer County region was opened for white settlement.

In 1876 Parmer County was established by the Texas legislature from lands formerly assigned to the Bexar District. No settlement occurred in the county until 1882. In January of the year the Capitol Syndicate agreed to build a new State Capitol in return for 3,000,000 acres of land in West Texas.

Parmer County lay entirely within the lands granted to the Chicago Syndicate for its huge XIT Ranch. For the rest of the century Parmer County remained unorganized and unpopulated, except for the XIT cowboys. The 1890 population of seven grew only to thirty-four by 1900, and ranching dominated the region.

According to the United States agricultural census for 1900, the XIT, the only ranch in the area at the time, extended across 150,000 acres of Parmer County land. The census reported 13,675 cattle in the county that year; only 350 acres were considered to be improved, and no crops were reported. While the area was solely devoted to cattle in 1900, developments that would reshape the area had already begun to occur.

In 1898 the Pecos and Northern Texas Railway Company began construction of a ninety-five mile branch line from Amarillo to the Texas-New Mexico border. On this line, which was eventually to run from Amarillo to the Santa Fe line in Belen, New Mexico, grew several communities in Parmer County. In 1904 the Capitol Syndicate launched a campaign to sell the holdings of the XIT Ranch to land speculators, smaller ranchers, and farmers. Between 1904 and 1910 farmers steadily arrived to establish new operations and by 1910 there were 161 farms and ranches in the county.

Transportation

As the farm economy of the county expanded, a transportation network emerged to handle the crops and to link the county to the outside world. In 1913 the Pecos and Northern Texas Railway built a branch line from Farwell to Lubbock to complement its earlier line to Amarillo.

Major roads in the county are U.S. Highway 60, which traverses the county from the northeast corner to the southwest corner and connects the county to Amarillo in the northeast and to Clovis, New Mexico to the west; U.S. Highway 84, which traverses the southwest portion of the county and connects the county to Clovis, New Mexico to the west and to Lubbock to the southeast; State Highway 86 which traverses the county from east to west and connects to U.S. Highway 60 in the western portion of the county and connects Interstate Highway 27 to the east midway between Amarillo to Lubbock; State Highway 214 which traverses the center of the county from north to south. The closest commercial airport serving the county is located in Clovis, New Mexico, 8 miles to the west.

Agriculture, Climate, and Vegetation

Parmer County consists of 885 square miles, of which 882 square miles is land and 3 square miles is water. The level plains of Parmer County are surfaced by sandy, clay, and loam soils. These soils support some native grasses but currently the land is largely cultivated and produces abundant corn, sugar beets, and potatoes, as well as sorghums, cotton, wheat, hay, and soybeans. The elevation ranges from 3,800 to 4,202 feet above sea level, and the county is bisected from northwest to southeast by Running Water Draw, an intermittent but flood-prone creek. Lesser dry arroyos, such as Catfish Draw and Frio Draw, also serve to break the level plains in some areas. The average annual rainfall in Parmer County is 17.50 inches. The average annual minimum temperature is 21 degrees in January, and the average maximum is 92 degrees in July. The average annual growing season is 183 days per year.

The agricultural growth of the years between 1904 and 1920 set the stage for greater expansion that occurred in the county between 1920 and 1930. A tremendous amount of range land was put into production, and the population grew accordingly. The 1930 the county had 818 farms and ranches and 10,000 acres was planted in sorghum, 11,000 acres in corn, 2,500 acres in wheat, and 4,500 acres in cotton. Poultry raising was also becoming a significant part of the county economy; more than 62,000 chickens were reported in the county in 1930, and local farmers sold 255,000 dozen eggs that year.

Though cattle ranching was declining in its relative importance to the local economy, there were almost 15,375 cattle reported in Parmer County in 1930. Reflecting the trend toward an increase in farm land, the population more than doubled during the 1920's; by 1930 it was 5,869.

There were 915 farms in the county by 1940 with over 109,000 acres planted in wheat and 15,000 acres planted in cotton. In the 1950's rapid growth was encouraged by a dramatic increase in irrigated farming as irrigation wells were drilled in to the Ogallala aquifer.

USDA NASS - Parmer County, Texas / Survey Date July 2023									
Commodity	Year	Planted Acres	Harvested Acres	Yield	Yield Type	Production	Production Type	Dollars Per Acre	Head
Corn Irrigated	2015	81,600	40,300	161.30	bushels	6,500,000	bushels		
Corn Dryland	2015	6,000	5,100	37.30	bushels	190,000	bushels		
Corn for Grain Total	2015	87,600	45,400	147.40	bushels	6,690,000	bushels		
All Corn	2022	36,800	5,270	89.60	bushels	472,000	bushels		
Cotton Irrigated	2016	22,300	15,300	1,202.00	lbs.	38,300	480 lb. bales		

Cotton Dryland	2016	9,800	8,110	746.00	lbs.	12,600	480 lb. bales		
Cotton Total	2016	32,100	23,410	1,044.00	lbs.	50,900	480 lb. bales		
Cotton Total	2017	71,500	56,900	1,016.00	lbs.	120,400	480 lb. bales		
Cotton Total	2019	70,400	43,700	672.00	lbs.	61,200	480 lb. bales		
Cotton All	2022	78,300	14,100	841.00	lbs.	24,700	480 lb. bales		
Sorghum Total	2017	25,500	19,450	69.70	bushels	1,355,000	bushels		
Sorghum Total	2019	27,000	15,400	40.90	bushels	630,000	bushels		
Sorghum Total	2020	30,200	14,500	52.60	bushels	763,000	bushels		
Winter Wheat Total	2017	148,000	62,000	27.10	bushels	1,678,000	bushels		
Winter Wheat Total	2019	153,000	57,000	24.70	bushels	1,407,000	bushels		
Winter Wheat Total	2020	182,500	58,400	28.20	bushels	1,647,000	bushels		
Irrigated Cropland Cash Rent	2017							\$100.00	
Irrigated Cropland Cash Rent	2019							\$105.00	
Irrigated Cropland Cash Rent	2020							\$103.00	
Irrigated Cropland Cash Rent	2021							\$127.00	
Irrigated Cropland Cash Rent	2023							\$100.00	
Dryland1 Cropland Cash Rent	2017							\$27.50	
Dryland Cropland Cash Rent	2019							\$27.50	
Dryland Cropland Cash Rent	2020							\$27.00	
Dryland Cropland Cash Rent	2021							\$30.00	

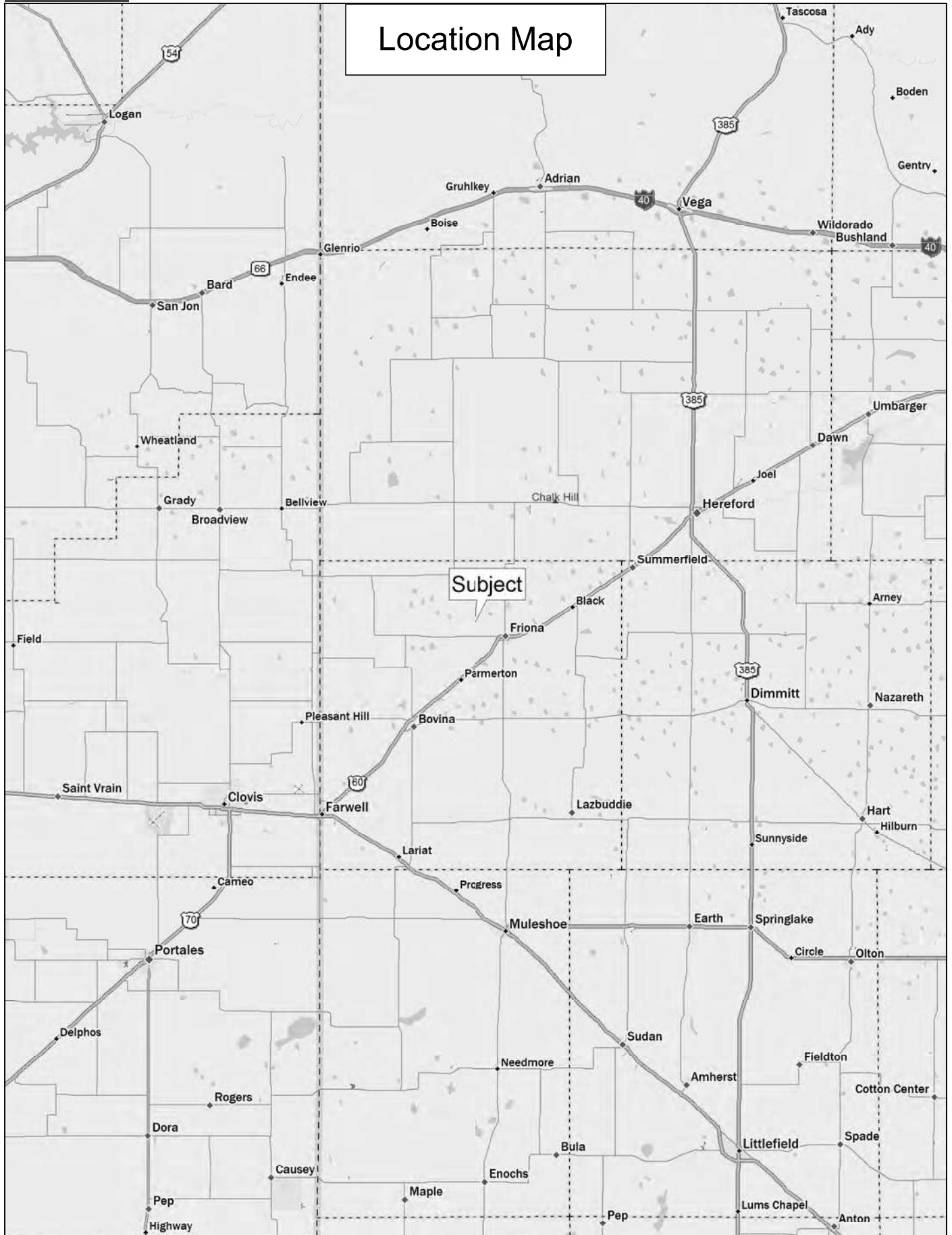
Dryland Cropland Cash Rent	2023							\$32.50	
Pasture Cash Rent	2017							\$10.50	
Pasture Cash Rent	2020							\$10.50	
Pasture Cash Rent	2021							\$12.00	
Pasture Cash Rent	2023							\$13.50	
All Cattle	2018								465,000
All Cattle	2019								345,000
All Cattle	2020								345,000
All Cattle	2023								335,000
Beef Cows	2018								6,000
Beef Cows	2019								7,700
Beef Cows	2020								7,600
Beef Cows	2021								7,700
Beef Cows	2023								7,100
Milk Cows	2018								34,500
Milk Cows	2019								47,500
Milk Cows	2020								50,000
Milk Cows	2021								53,000
Milk Cows	2023								56,000
USDA, National Agricultural Statistical Service (NASS), Texas Field Office (www.nass.usda.gov/tx) (July 2023)									
2023 - Appraiser Comment: Typical irrigated cropland cash rents range from \$70 to \$185 per acre depending on irrigation water delivery. Typical dryland cropland cash rents range from \$30 to \$50 per acre depending on land productivity. Other types of agricultural leases are thirds and fourths share basis which is typical for the area.									

The county's primary source of income is its agricultural economy. The primary products and sources of income are from feeder cattle, corn and dairies.

Summary

In conclusion, the economy of this area is based heavily upon agribusiness, farming and ranching, dairy operations, and the cattle feeding industry. The agriculture industry provides economic growth and stability to Parmer County and the immediate area. Based on the history of growth and development in Parmer County, the economy will continue to flourish into foreseeable future.

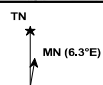
Location Map



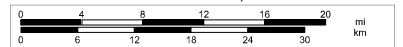
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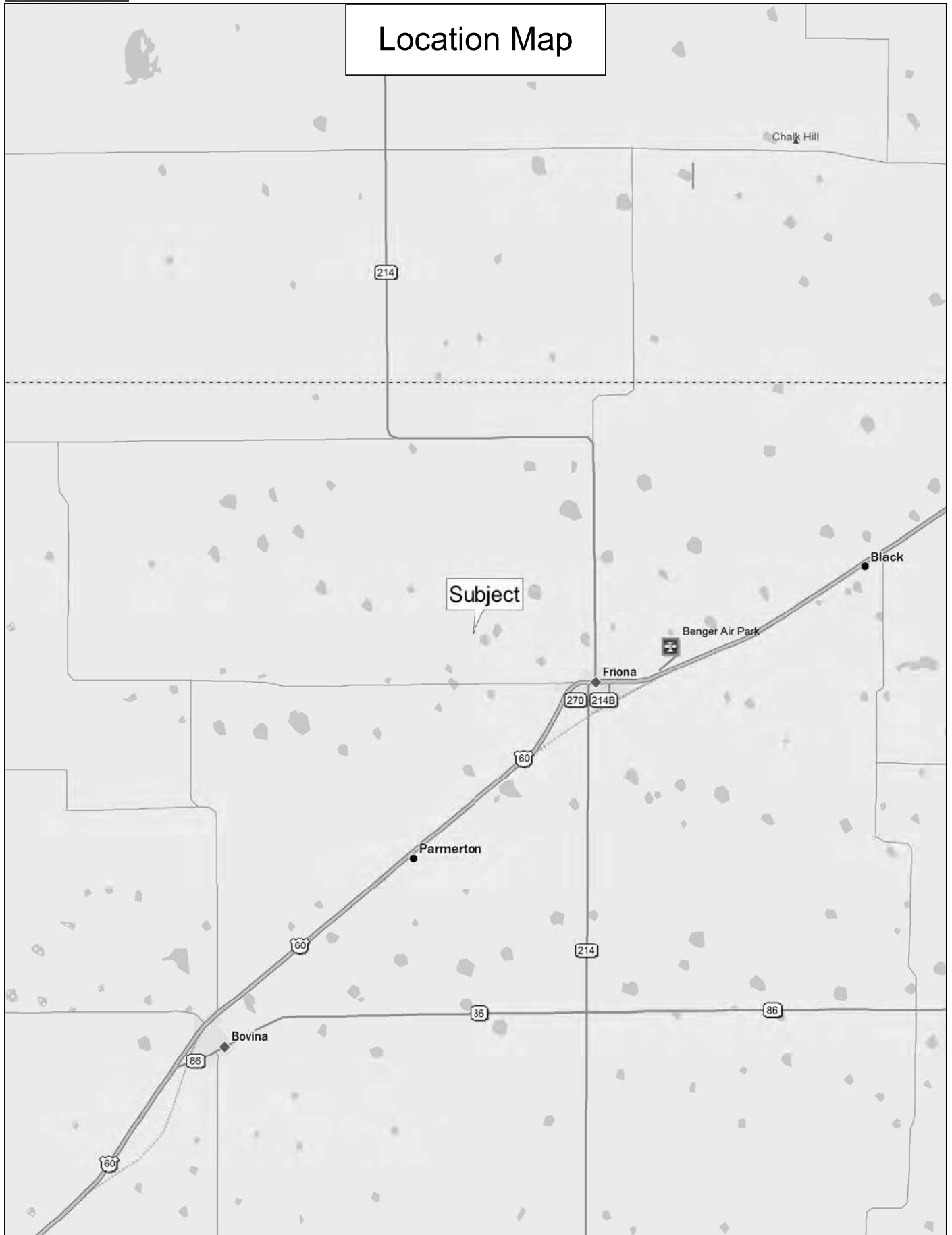
Scale 1 : 800,000



1" = 12.63 mi

Data Zoom 8-0

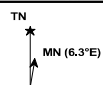
Location Map



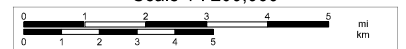
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Scale 1 : 200,000



1" = 3.16 mi

Data Zoom 10-0

Site Data and Analysis

Land and Site Description

In valuing any type of property, the appraiser must describe and analyze the site. Site description consists of comprehensive factual data, information on land use restrictions, a legal description, other title and record data, and information on pertinent physical characteristics. Site analysis goes further. It is a careful study of factual data in relation to the market area characteristics that create, enhance, or detract from the utility and marketability of specific land or a given site as compared with other sites that it competes with.

One primary objective of site analysis is to gather data that will indicate the highest and best use of the site as though vacant so that land value for a specific use can be estimated. Whether a site or raw land is being valued, the appraiser must determine and evaluate its highest and best use. When the highest and best use of land is for agriculture, the appraiser usually analyzes and values the land using sales comparison. If the land is to be developed for urban use, the appraiser may use a more sophisticated technique such as subdivision development analysis.⁷

The following is a summary of the subject's site features and other relevant influencing factors. Data in this section was obtained from a personal site inspection and data gathered from the owners, the client and local government agencies.

Zoning, CAFO Permit, and Use Information

Rural Parmer County is not zoned. The subject is located in Rural Parmer County outside of any city zoning restrictions, therefore, the subject property is not affected by zoning restrictions.

CAFO Permit

The subject 7M Cattle Feeders (Formerly HEC Feedyard TXG921218) is required to have a TCEQ Confined Animal Feeding Operation (CAFO) Permit for its legal operation and function. The subject does have a TCEQ TPDES Large CAFO General Permit TXG921550 for 115,000 Head. According to the TCEQ, the CAFO Permit expires on July 20, 2024. The last Notice of Intent (NOI) was filed with the TCEQ for a permit renewal on December 4, 2019. The Issue Date was December 10, 2019. The Coverage Effective Date started on July 11, 2019. The site Registration Number is RN 102094471. The Owner Number for 7M Cattle Feeders Inc. is CN605681741. The address is 7M Cattle Feeders Inc., 2548 CR 15, Friona, Texas 79035-7034, Parmer County, Texas. The CAFO Permit allows for 115,000 head of beef cattle to be confined and fed at the subject grow-yard / feedyard facility.

⁷ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 190.

In 2019, prior to closing on the property, the buyer Brian McClain of 7M Cattle Feeders Inc., secured offsite easements and wastewater agreements on adjacent non-owned land to satisfy all requirements of the CAFO Permit renewal for the feedyard with the TCEQ. The offsite easements and wastewater agreements are necessary for the function of the subject feedyard / grow-yard and for maintaining the CAFO Permit and legal use of the property.

History and Legal Waste and Wastewater Management

The feedyard and land was purchased by a group of investors named Parmer County Land Holdings LLC from Plains Capital Bank on March 1, 2018. The investors sold off all of the additional farmland that was necessary for wastewater application for the normal function of the feedyard and for maintaining CAFO Permit for its legal status for confining and feeding cattle. The additional land also contained irrigation wells on it for additional water for the feedyard. This left a remainder of 410.0 acres of land which contained the feedyard and feed mill improvements and the lagoons. So all that was left was the 410.0 acres with the feedyard, feed mill, grain storage, and lagoons on it plus enough water to water a portion of the feedyard.

Parmer County Land Holdings LLC sold the 410.0 acre feedyard property to Brian McClain of 7M Cattle Feeders Inc. on August 2, 2019 for \$500,000. The feedyard was not functional when it was sold to 7M Cattle Feeders.

During the process of purchasing the subject feedyard 410.0 acre property, Brian McClain obtained long term easements and wastewater agreements on adjacent land necessary for the function of the feedyard and for maintaining the CAFO Permit.

Mr. McClain of 7M Cattle Feeders obtained (1) an offsite perpetual easement to an adjacent approved evaporative playa for wastewater management; (2) an offsite adjacent pipeline easement to an offsite wastewater agreement application area; (3) and two (2) offsite adjacent land tracts with wastewater agreements for wastewater application and management. All of the easements were not part of the \$500,000 sale price.

All of the stated 410.0 acres of owned land and offsite land together are necessary for the normal function of the feedyard / grow yard and to maintain to CAFO Permit. The offsite requirements include:

(1) An Offsite Playa Evaporative Easement located to the southeast of the feedyard / grow yard in Section 27, T1N, R3E, CSS, Parmer County, Texas. According to the environmental consultant for the subject feedyard, Enviro Ag Engineering of Amarillo, Texas, this easement is a perpetual easement that was secured by the original owners of the feedyard in 1967. The easement-deed was conveyed to High Plains Feedyard from Clarence Baxter on May 13, 1967 and was recorded in Volume 133, Page 56, in the Parmer County Deed Records. A second filing of the deed and name change occurred on May 17, 1988 from High Plains Feedyard to West Plains Feedyard.

According to Enviro Ag, the easement is perpetual but several past purchasers of the subject feedyard did not go back and re-file the easement in their names. The offsite easement is used to release wastewater into an approved evaporative playa to dewater lagoons on the subject 410.0 acre feedyard tract. A copy of the easement was furnished to the appraiser by Enviro Ag Engineering. The appraiser assumes the easement to be valid and as stated by Enviro Ag Engineering. Please see the appraisal addendum for a copy of the easement and a plat showing the location of the easement.

(2) A 30' wide offsite water line easement to the south of the subject 410.0 acre feedyard tract across Section 36, Harding Subdivision, Parmer County, Texas. The water line easement is necessary for delivering wastewater from the lagoons on the subject 410.0 acre feedyard tract to a 163.37 acre wastewater application agreement site in the NW/4 of Section 1, Block C, Parmer County, Texas. The wastewater is applied to a quarter mile sprinkler located on the site. The water line easement agreement was originally secured between Lawrence J. Martin and Monfort Finance Company Inc. (Entity of Monfort Feeders) on June 17, 2004 and it was recorded in Volume 6, Page 363, Document 39791 in the Parmer County Deed Records. A copy of the easement was furnished to the appraiser by Enviro Ag Engineering. The appraiser assumes the easement to be valid and as stated by Enviro Ag Engineering. Please see the appraisal addendum for a copy of the easement and a plat showing the location of the easement.

(3a) An offsite 163.37 acre wastewater application agreement area in the NW/4 of Section 1, Block C, Parmer County, Texas. The wastewater from the feedyard is applied to a quarter mile sprinkler located on the 163.37 acre site which is south of the 410.0 acre feedyard tract. The agreement is between Jerrell and Karen Wright the offsite land owners and Brian McClain the subject feedyard buyer and future operator. A copy of the agreement was furnished to the appraiser by Brian McClain and Enviro Ag Engineering.

(3b) An offsite 281.0 acre wastewater application agreement area in Section 22, T1N, R3E, Parmer County, Texas (North Tract) and an offsite 160.0 acre wastewater application agreement area in Section 27, T1N, R3E, Parmer County, Texas (South Tract). Both offsite tracts join the 410.0 acre subject feedyard tract on the east side. The wastewater from the feedyard is applied to a quarter mile sprinkler located on the total 441.0 acres. The agreement is between Carthel Land and Cattle the offsite land owners and Brian McClain the subject feedyard buyer and future operator. The agreement was signed on June 19, 2019. A copy of the agreement was furnished to the appraiser by Brian McClain and Enviro Ag Engineering. The appraiser assumes the agreement to be valid and as stated by Brian McClain and Enviro Ag Engineering. Please see the appraisal addendum for a copy of the agreement and a plat showing the location of the agreement.

The appraiser assumes the agreements to be valid and as stated by Brian McClain and Enviro Ag Engineering. Please see the appraisal addendum for a copy of the agreement and a plat showing the location of the agreement.

Capacity and Water

The subject feedyard has a CAFO Permit for 115,000 head. The total pen capacity was originally for 72,000 head based on a 12 inch spacing and 140 to 180 square feet per animal pen space. Based on water well tests at the time the property was purchased by Mr. McClain the three (3) tested wells produced a total of 157 GPM. There were five (5) additional functioning wells that were not tested but were stated to be producing 200 GPM total. Therefore, when the 410.0 acre feedyard property was purchased by Mr. McClain the total available water was estimated at 357 GPM from eight (8) producing water wells. The following calculations were made:

Feedyard Capacity Based on (3) Tested Wells = 15,072 Head

Feedyard Capacity Based on (3) Tested and (5) Untested Wells = 34,272 Head

Original Total Feedyard Pen and Bunk Capacity = 72,000 LF/Head at 140-180 SF Per Animal (The original capacity used water from the 410.0 acre tract and from the additional land that was sold off).

Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 27,454 Head at 170 SF Per Animal

Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 23,336 Head at 200 SF Per Animal

Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 15,000 Head at 311 SF Per Animal

Based on available water, facility size and use as a grow-yard or small feedyard with no feed mill, approximately 15,000 head would be the maximum capacity of the facility. The available water would support 15,000 head and the additional water would be available if one of the tested wells goes down. In order to feed more cattle at the facility than 15,000 head efficiently, the grow-yard / feedyard would need a functioning feed mill. Therefore, the maximum highest and best use of the subject property is a 15,000 head grow-yard.

The feed mill building and steam flake mills are not in a usable condition. Part of the ceiling has collapsed and the mills and electrical equipment have been exposed to rain, snow and other wet conditions for at least six years. Before McClain purchased the property, the entire facility had not been operated in at least three years. The buyer, McClain, never planned to use the feed mill or the south portion of the yard. Mr. McClain plans at the time he purchased the property was to scrap the feed mill building and sell the milling equipment, and boilers due to the cost in repairing everything. Mr. McClain also planned to only feed approximately 10,000 to 15,000 head at the feedyard changing its function from a feedyard to a grow-yard. The feedyard was older and required deferred maintenance repairs to put it back in operation, even as a grow-yard. The feedyard had also been foreclosed on in the past, marketed, and auctioned, with minimal interest and no buyer activity.

As stated in the appraisal, the subject grow-yard / feedyard facility has a total of approximately 72,000 linear feet of feed bunk. The north 32,365 linear feet of concrete feed bunk with attached pipe and cable pens is usable and valued in the appraisal. The south 39,635 linear feet of concrete feed bunk with attached pipe and cable pens is not usable and was not given any contributory value in the appraisal. The 32,365 linear feet of usable feed bunk has a total of 4,667,250 square feet of attached pen space.

At 170 to 200 square feet per feedyard animal unit, approximately 23,336 to 27,454 head can be confined to the usable bunk and pens. However, based on the available onsite water on the property, the practical feeding capacity of the feedyard is limited to approximately 15,000 head. At 15,000 head, the bunk spacing would be approximately 26 inches per animal and 311 square feet per animal using the total 32,365 linear feet of bunk with attached pens. Only 14 inches per animal and 170 square feet per animal is necessary to confine 15,000 head. The super-adequate bunk and pen space was addressed in the Cost Approach section. The subject is valued in the Sales Comparison Approach as a 15,000 head facility because of livestock water limitations. The capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard facility.

Use and Compliance

Based on the current highest and best use of the property, the appraiser has limited the capacity of the facility to 15,000 head which is a marketable and functional size for a large grow-yard and valued the property on the stated amount.

The appraiser has not given value to a large portion of the feedyard pens with attached feed bunk and attached feedyard equipment; the feed mill building and attached feed mill equipment; and the grain storage facility; based on their age and condition with no value, the livestock water limitations, and based on a low market demand for an older feedyard facility similar to the subject located in the subject area.

The feedyard / grow-yard, waste water retention ponds (RCS) and the wastewater application areas (LMUs) are assumed to be in compliance with Texas Commission on Environmental Quality CAFO guidelines. The contracted environmental consulting firm overseeing the feedyard / grow yard is Enviro Ag Engineering of Amarillo, Texas, at 806-353-6123.

There are no significant violations noted against the subject grow-yard / feedyard listed on the TCEQ website. According to Dillon Pool, the feedyard environmental consultant with Enviro-Ag, there are no pending violations against the subject feedyard. It is assumed that the subject grow-yard / feedyard is in compliance with all EPA, TCEQ, and Parmer County, Texas rules and regulations.

The appraised value is based on the CAFO Permit being renewed during renewal periods at its current stated capacity of 115,000 head of beef cattle or at a minimum of no less than 15,000 head. The appraised value is also subject to maintaining all solid waste, slurry, and wastewater land application areas plus waste agreements and permits necessary for the normal operation and function of the grow-yard / feedyard. This includes adjacent or non-contiguous land, owned or leased, tied to the CAFO Permit, used for solid waste, wastewater, and slurry application. This appraisal assumes that any off-site waste application land, required by and noted in the CAFO Permit, excluded from this analysis, will be available for solid waste, wastewater, and/or slurry application for the life of the subject grow-yard / feedyard facility.

Land and Water “As if Vacant”

The three (3) submersible wells located on the subject property that were tested produce a total of 157 GPM which is 0.54 GPM per irrigated acre based on 290.0 acres of irrigated land (as if vacant). The eight (8) total submersible wells located on the subject property, tested and non-tested, are estimated to produce a total of 357 GPM which is 1.23 GPM per irrigated acre based on 290.0 acres of irrigated land, if the property was vacant. As Is, As Improved as a grow-yard / feedyard site, there is no irrigated land on the property.

Easements, Encroachments and Restrictions

Easements - There are no known easements considered to have a major detriment to the site. It should be noted, however, that if a current survey map, or a registered surveyor determines that adverse easements do exist, these factors may impact the market value and/or the marketability of the subject property. Therefore, it is assumed that no adverse easements exist, which would adversely affect the marketability or desirability of the site.

Encroachments - The physical inspection of the property did not reveal any adverse encroachments. Also, there are no known deed restrictions which would be detrimental to value. In order to verify these findings, a survey by a licensed surveyor and a title opinion by a reputable title company are recommended.

Deed Restrictions - No formal study of deed restrictions was conducted. However, it is recommended that a lawyer or title company be consulted regarding any deed restrictions associated with subject site.

Physical Characteristics

Identity, Location, Frontage, and Access

The property being appraised is the **7M Cattle Feeders Inc. Grow-Yard / Feedyard Facility** on 410.0 acres of land. The property changed use from a 72,000 head feedyard to 15,000 head grow-yard between 2015-2016 and 2019. The property was operated as a 15,000 head grow-yard facility by 7M Cattle Feeders Inc. after it was purchased in 2019. The property was a bank foreclosure and was closed down from 2015-2016 to 2019. Prior to foreclosure in 2016, the property was owned by HEC Feedyard LLC.

The subject property is located 2.75 miles northwest of Friona and 1.0 mile north of FM 2013 / FM 2397/2013, along the east side of CR 15, in a rural area of Parmer County, Texas. The physical address of the facility is 2548 CR 15, Friona, Parmer County, Texas 79035.

Size, Shape and Use

The subject property is a total of 410.0 acres of land. All of the subject 410.0 acres of land is currently developed with the subject feedyard facility. If the site was vacant, there could be approximately 290.0 acres of irrigated cropland land and 120.0 acres of dry corners.

There are twelve (12) submersible wells located on the subject property. Three (3) wells were tested in 2019. These wells produced a total of 157 GPM which is 0.54 GPM per irrigated acre based on 290.0 acres of irrigated land. In addition to the three (3) tested wells, there were five (5) non-tested wells that produced a total of 200 GPM in 2019 and four non-tested wells that were known to be non-functional. All total, the eight (8) producing submersible wells located on the subject property, are estimated to produce a total of 357 GPM which is 1.23 GPM per irrigated acre based on 290.0 acres of irrigated land.

Subject Land Mix - As Is and As if Vacant			
Subject Land - As Is (Approximate)		Subject Land - As if Vacant (Approximate)	
Subject Land	Acres	Subject Land	Acres
Irrigated Land	0.000	Irrigated Land	290.000
Dry Corners	0.000	Dry Corners	120.000
Pasture / Grass	0.000	Pasture / Grass	0.000
Feedyard, Building Sites, and Lagoons	410.000	Feedyard, Building Sites, and Lagoons	0.000
Roads and Waste	0.000	Roads and Waste	0.000
Total	410.000	Total	410.000

Topography and Flood Plain

The subject tract is primarily level sloping slightly to the south. The elevation of the property ranges from 4087 feet in the northwest corner of the property to 4,049 feet in the southeast corner. According to FEMA-FIRM Flood Hazard Maps, Rural Parmer County, Texas is not mapped for flood determinations. Therefore, no flood information is available for the subject property. According to the attached soil map, there are no flooded or ponded soils associated with the subject 410.0 acre site. A current complete survey is required to determine exact flood main status.

Soils

According to Agridata, Inc., the soils located on the subject site are primarily clay loam type soils. The following soils and water acreage are located on the subject site. Overall, the soils appear to be average for the area.

OcA, Olton clay loam, 0-1 percent slopes, 312.14 acres
OcB, Olton clay loam, 1-3 percent slopes, 42.6 acres
M-W, Water, 27.95 acres
PuA, Pullman clay loam, 0-1 percent slopes, 11.01 acres
AcB, Acuff loam, 1-3 percent slopes, 7.31 acres

Utilities and Water

Utilities, Water and Water Production

The available utilities in the area include Deaf Smith Electric Cooperative for electricity; Atmos Energy for natural gas; and twelve (12) on-site submersible water wells permitted with the High Plains Water District.

Three (3) of the twelve (12) water wells were tested in 2019. These three (3) wells produced a total of 157 GPM. In addition to the three (3) tested wells, there were five (5) non-tested wells that produced a total of 200 GPM in 2019 and four (4) non-tested wells that were known to be non-functional. All total, the eight (8) producing submersible wells located on the subject property, are estimated to produce a total of 357 GPM.

The feedyard is improved with two (2) 50,000 gallon water storage tanks and three (3) 15,000 gallon water storage tanks for a total water storage capacity of 145,000 gallons. The following information is known about the subject onsite well water.

Submersible well 79667 Permit Number 3964 is estimated to produce approximately 40 GPM; submersible well 79677 Permit Number 3974 was recently tested and it produced approximately 64 GPM; submersible well 79680 Permit Number 3977 was recently tested and it produced approximately 53 GPM; submersible well 79681 Permit Number 3978 was destroyed; submersible well 82449 Permit Number 40124 was not known to be working; submersible well 79188 Permit Number 3423 was recently tested and it produced approximately 40 GPM; submersible well 79072 Permit Number 3289 was not known to be working; submersible well 79544 Permit Number 3831 is estimated to produce approximately 40 GPM; submersible well 78540 Permit Number 2689 is estimated to produce approximately 40 GPM; submersible well 79189 Permit Number 3424 is estimated to produce approximately 40 GPM; submersible well 79719 Permit Number 4021 is estimated to produce approximately 40 GPM; and submersible well 83148 Permit Number 50106 is estimated to produce approximately 40 GPM.

Please see the following chart.

Subject Water Wells - 410.0 Acre Feedyard Tract						
Section	District Number	Permit Number	Permit Status	Documents	Recently Tested	Current GPM Estimate
24	79667	3694	Current	Yes	No	40
24	79677	3974	Current	Yes	Yes	64
24	79680	3977	Current	Yes	Yes	53
24	79681	3978	Current Destroyed	Yes	Yes	0
25	82449	40124	Current	None	No	0
25	79188	3423	Current	Yes	Yes	40
25	79072	3289	Abandoned	Yes	No	0
25	79544	3831	Current	Yes	No	40
25	78540	2689	Current	Yes Mill and Office	No	40
25	79189	3424	Current	Yes	No	40
24	79719	4021	Current	Yes	No	40
25	83148	50106	Current	None	No	0
Total						357
Total Tested						157
The above water well information was obtained from the Brian McClain the feedyard owner, Tony Beauchamp well tester, and from the High Plains Water District in 2019						

Water As Is for Cattle Feeding

The eight (8) producing water wells located on the subject tract produce a total of 357 Gallons Per Minute GPM. Therefore, 357 GPM x 60 minutes = 21,420 Gallons Per Hour x 24 Hours = 514,080 Gallons Per 24 Hours.

Historical data shows that most feedyards require a minimum of approximately 12 gallons of water per day per animal. Some feedyards use slightly less than 12 gallons and some use slightly more than 12 gallons. A safe use requirement per animal would be 15 gallons per day per animal.

The following calculations are made:

3 Tested Wells = 157 GPM
157 GPM x 60 Minutes = 9,420 Gallons
9,420 Gallons x 24 Hours = 226,080 Gallons in 24 Hours
226,080 Gallons of Water / 15 Gallons of Water Per Animal = 15,072 Head
Subject Feedyard Capacity = 15,072 Head

3 Tested Wells Plus 5 Untested Wells (8 Total Wells) = 357 GPM
357 GPM x 60 Minutes = 21,420 Gallons Per Hour
21,420 Gallons x 24 Hours = 514,080 Gallons in 24 Hours
514,080 Gallons of Water / 15 Gallons of Water Per Animal = 34,272 Head
Subject Feedyard Capacity = 34,272 Head

Feedyard Capacity Based on Tested Wells = 15,072 Head
Feedyard Capacity Based on Tested and Untested Wells = 34,272 Head
Original Total Feedyard Pen and Bunk Capacity = 72,000 LF/Head at 140-180 SF Per Animal
Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 27,454 Head at 170 SF Per Animal
Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 23,336 Head at 200 SF Per Animal
Usable Feedyard Pen and Bunk Capacity = 32,365 LF / 15,000 Head at 311 SF Per Animal

Based on available water, facility size and use as a grow-yard or small feedyard with no feed mill, approximately 15,000 head would be the maximum capacity of the facility. The available water would support 15,000 head and the additional water would be available if one of the wells goes down. In order to feed more cattle at the facility than 15,000 head efficiently, the grow-yard / feedyard would need a functioning feed mill. Therefore, the maximum highest and best use of the subject property is a 15,000 head grow-yard.

Water for Irrigation Purposes As if Vacant

Three (3) of the twelve (12) water wells were tested in 2019. These three (3) wells produced a total of 157 GPM which is 0.54 GPM per irrigated acre based on 290.0 acres of irrigated land, as if vacant. In addition to the three (3) tested wells, there were five (5) non-tested wells that produced a total of 200 GPM in 2019 and four (4) non-tested wells that were known to be non-functional. All total, the eight (8) producing submersible wells located on the subject property, are estimated to produce a total of 357 GPM which is 1.23 GPM per irrigated acre based on 290.0 acres of irrigated land, as if vacant.

Surrounding Uses

Properties located within the immediate subject area include farming and ranching operations, commercial cattle feedyard operations, dairy operations, grain elevator operations, feed mill and cattle feed manufacturing facilities, horse training facilities, and scattered rural homesites. The City of Friona is located approximately 2.75 miles to the southeast of the subject property. The subject use does conform to the surrounding properties.

Environmental Hazards

The appraiser was not provided with an environmental study of the site with regards to possible hazardous materials. Appraisers are not experts in the field of environmental hazards or ground contamination; therefore, should any questions concerning environmental hazards or material arise, it is suggested that the client call on an expert in this field to provide further analysis and inspection. The value opinion in this appraisal assumes that there are no environmental problems which would adversely affect the marketability of the property.

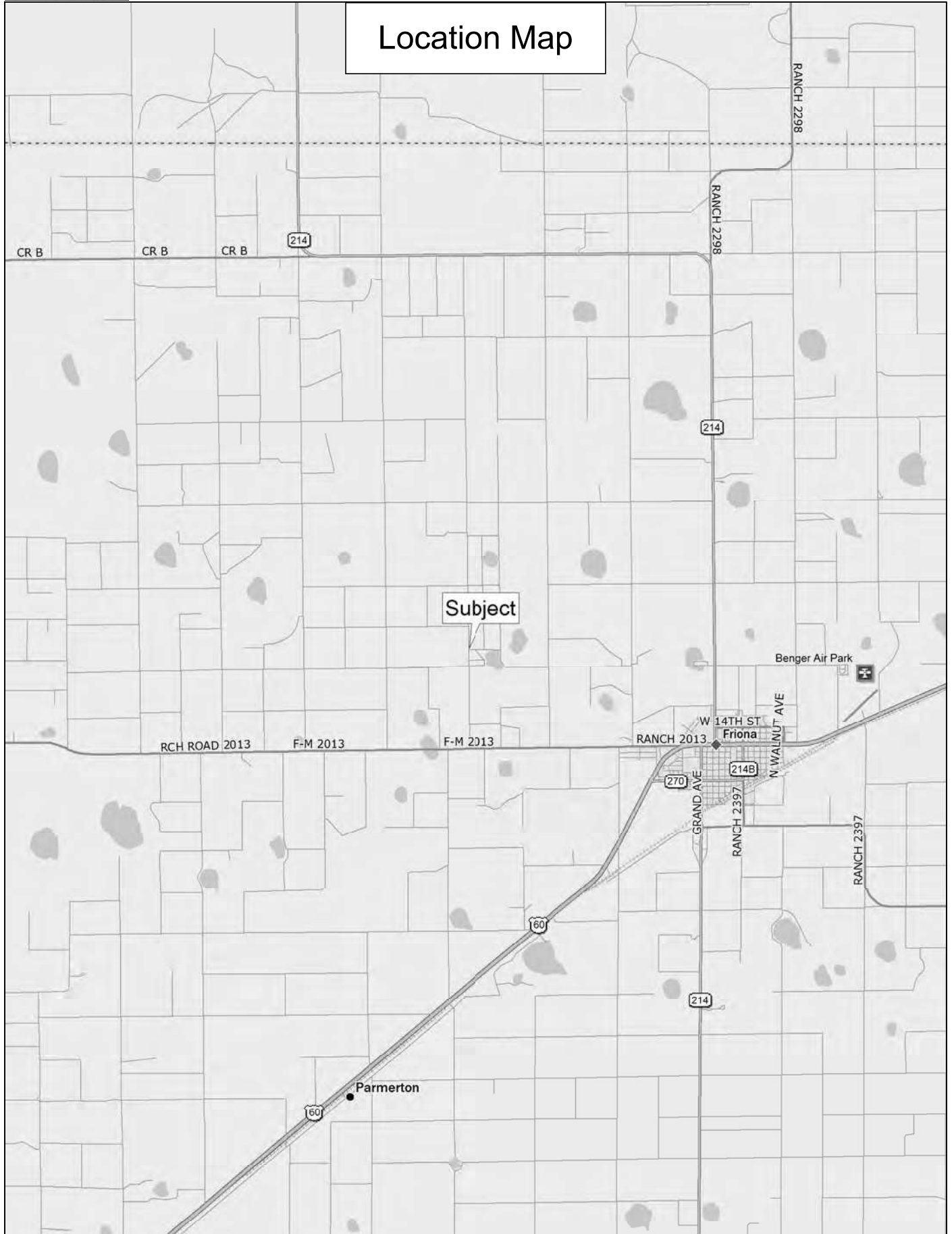
Please see the Transmittal Letter and the Assumptions and Limiting Conditions for CAFO Permit information and additional environmental concerns for the legal usage of the property.

Summary and Conclusions

The subject site is a total of 410.0 acres. The subject site is located in an area of similar agricultural uses. The subject site is similar in size, shape, topography and productivity to other sites in the area. As previously stated, all of the subject 410.0 acres plus offsite wastewater easements and wastewater agreements are necessary to maintain the legal CAFO Permit for the grow-yard / feedyard and for the normal function and operation of the grow-yard / feedyard. It is noted that the subject grow-yard / feedyard located on the 410.0 acres of owned land can not legally function as a livestock confined feeding operation without the additional offsite wastewater easements and agreements noted in the appraisal. Therefore, the value is subject to the continuation of the easements and agreements for the remainder of the economic life of the feedyard property.

The subject has all necessary rural utilities which are adequate for its present use. Based on soil information, the property has typical soils for the area. The subject site and Rural Parmer County are not mapped for flood hazard determinations. A current complete survey is required for exact flood status. The subject site is basically level with a slight slope to the southeast. The regional location of the subject grow-yard / feedyard facility is considered to be good with more than adequate supplies of local feed grains, a dry climate, and a reasonable proximity to major livestock processing facilities. Accessibility to the subject property is good with ingress and egress from Parmer CR 15. Given the size and use, the subject site is considered relatively consistent with the immediate area and provides average to good functional utility.

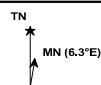
Location Map



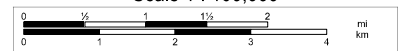
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Scale 1 : 100,000



Location Map

Subject

Black Lake

F-M 2013

Twin Lakes
Twin Lakes

F-M 2013

RCH ROAD 2013

RANCH 2013

270

214B

60

GRAND AVE

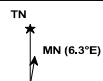
214

60

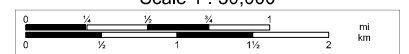
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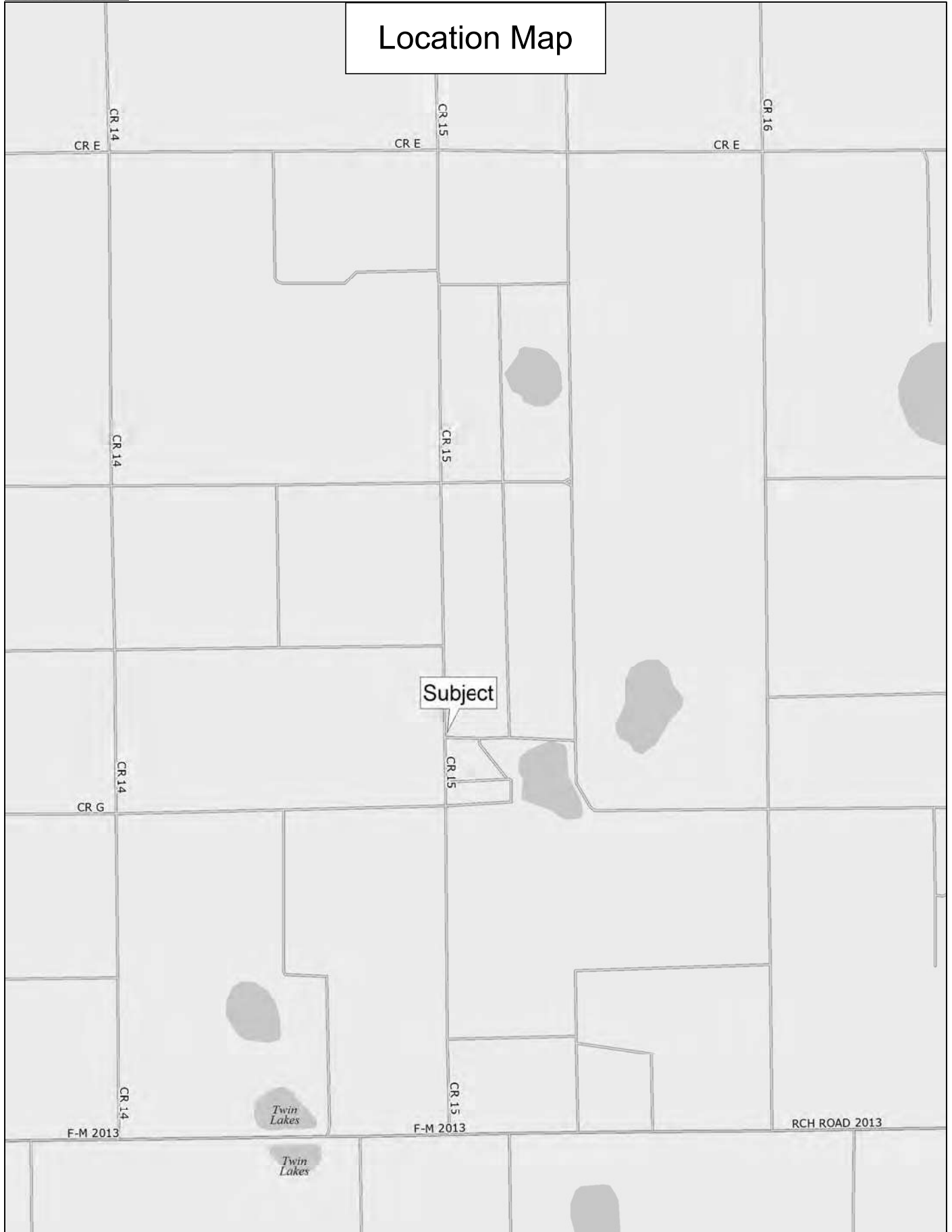
Scale 1 : 50,000



1" = 4,166.7 ft

Data Zoom 12-0

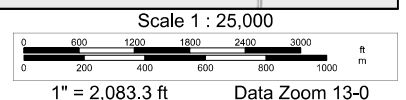
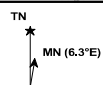
Location Map



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Description of the Improvements

Description of the Improvements in the Appraisal of Real Estate

An important part of every appraisal is the description of the type, quality, and condition of the building or buildings on the site and the analysis of the structure's design. The process of analyzing the building improvements encompasses three interrelated tasks:

- site visit
- building description
- description and analysis of architectural style and functional utility

In the valuation process, the appraiser gathers much of the information needed to describe and analyze the improvements by personally visiting the site of the real estate. Careless or inadequate inspection of the physical characteristics and features of the subject and comparable properties can create difficulties for an appraiser in later phases of the appraisal. For example, if a structural problem is overlooked, the conclusions of the three approaches to value could be meaningless. The goal of the site visit is identifying the site and building characteristics that create value.

Accurate building descriptions are essential to all valuation assignments even in cases where the existing improvements do not represent the property's highest and best use. In the description and analysis of the site and improvements, the appraiser should address all pertinent property strengths and weaknesses, expand on any problem areas, and interpret the significance of the data to lay a foundation for the discussion of highest and best use. The appraiser needs a thorough understanding of the physical characteristics of the subject property to identify and select suitable comparables. A thorough building description helps the appraiser identify the extent and quality of building improvements, calculate their cost, and identify physical deterioration and functional obsolescence.

Therefore, the accuracy of building descriptions directly affects the opinion of value produced by applying the three approaches to value. If the scope of work of the assignment does not require a site visit, the site and building description may not be accurate, so the appraisal report must clearly and conspicuously disclose the extraordinary assumption that the site and building characteristics are as described even though the appraiser has not confirmed that information through a site visit.

Architectural style and functional utility are interrelated, and their combined effect on property value must be analyzed by appraisers. Architectural style is the character of a building's form and ornamentation. Functional utility is the ability of a property or building to be useful and to perform the function for which it is intended, according to current market tastes and standards.

Functional utility also relates to the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. Both architectural style and functional utility influence the lives of individuals by providing or withholding beauty, comfort, security, convenience, light, and air. They may also encourage reasonable maintenance expenditures, preserve valuable traditions, or indicate the need for change.

Considerations of style and functional utility are integral to an appraisal because they relate directly to the utility and desirability of the property in the marketplace. They are noted along with other physical characteristics during the site visit. By using comparable data, an appraiser can analyze how style and function influence a property's market value. Style and functional utility are examined in terms of (1) the use for which a particular improvement was designed, (2) its actual or contemplated use, and (3) its most productive use. These three uses may or may not be the same. The ultimate goals of the analysis of the improvements are:

- proper identification of the important building components for the appraisal analysis, i.e., what site and building characteristics create value
- sound judgment of the quality and condition of improvements and components
- convincing support for conclusions in market analysis, highest and best use analysis, and the application of the approaches to value⁸

Grow-Yard / Feedyard and Land Improvements

The property being appraised is the **7M Cattle Feeders Inc. Grow-Yard / Feedyard Facility** on 410.0 acres of land. The property changed use from a 72,000 head feedyard to 15,000 head grow-yard between 2015-2016 and 2019. The property was operated as a 15,000 head grow-yard facility by 7M Cattle Feeders Inc. after it was purchased in 2019. The property was a bank foreclosure and was closed down from 2015-2016 to 2019. Prior to foreclosure in 2016, the property was owned by HEC Feedyard LLC. The property is located just northwest of Friona along the east side of CR 15 approximately 1.0 mile north of State FM 2397/2013, in Parmer County, Texas. The physical address of the facility is 2548 CR 15, Friona, Parmer County, Texas 79035.

Grow-Yard / Feedyard Feed Bunk and Pen Space

The subject grow-yard / feedyard has a CAFO Permit for 115,000 head. The subject feedyard is improved with approximately 72,000 linear feet of concrete bunk space, 426 steel pipe and cable feed pens, and 33 steel pipe and cable hospital and buller pens. The concrete feed bunk aprons range from 7 to 8 feet. The pens range from approximately 140 feet to 180 feet wide and each pen has a livestock drinker attached to a continuous flow water system. The feed pens are separated by all weather surfaced feed lanes for truck traffic and cattle traffic alleys used for moving cattle to and from shipping and processing areas and hospital facilities.

⁸ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Pages 219-220.

As stated in the appraisal, the subject grow-yard / feedyard facility has a total of approximately 72,000 linear feet of feed bunk with attached pens. The north 32,365 linear feet of concrete feed bunk with attached pipe and cable pens is usable and valued in the appraisal. The south 39,635 linear feet of concrete feed bunk with attached pipe and cable pens is not usable and was not given any contributory value in the appraisal. The 32,365 linear feet of usable feed bunk has a total of 4,667,250 square feet of attached pen space. At 170 to 200 square feet per feedyard animal unit, approximately 23,336 to 27,454 head can be confined to the usable bunk and pens. However, based on the available onsite water on the property, the practical feeding capacity of the feedyard is limited to approximately 15,000 head. At 15,000 head, the bunk spacing would be approximately 26 inches per animal and 311 square feet per animal using the total 32,365 linear feet of bunk with attached pens. Only 14 inches per animal and 170 square feet per animal is necessary to confine 15,000 head. The super-adequate bunk and pen space was addressed in the Cost Approach section.

The subject is valued in the Sales Comparison Approach as a 15,000 head facility because of livestock water limitations. The capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard facility.

Please see the following calculations.

Feed Bunk and Pen Space						
Feed Bunk Rows - North to South	West Bunk and Pen Linear Feet	West Pen Row Width	Total Square Feet	East Bunk and Pen Linear Feet	East Pen Row Width	Total Square Feet
1	995	140	139,300	950	140	133,000
2	995	150	149,250	950	150	142,500
3	995	140	139,300	755	140	105,700
4	995	140	139,300	0	0	0
5	995	140	139,300	0	0	0
6	995	140	139,300	0	0	0
7	995	140	139,300	0	0	0
8	995	140	139,300	0	0	0
9	995	140	139,300	0	0	0
10	995	140	139,300	0	0	0
11	995	140	139,300	0	0	0
12	995	140	139,300	0	0	0
13	995	140	139,300	0	0	0
14	995	150	149,250	950	150	142,500
15	540	140	75,600	950	140	133,000

16	540	140	75,600	950	140	133,000
17	540	140	75,600	950	140	133,000
18	540	140	75,600	950	140	133,000
19	540	140	75,600	950	140	133,000
20	600	140	84,000	945	140	132,300
21	1,000	150	150,000	945	150	141,750
22	1,000	160	160,000	945	160	151,200
23	1,000	160	160,000	945	160	151,200
Total	20,230		2,902,100	12,135		1,765,150
	Linear Feet of Bunk			Pen Square Footage		
Total	32,365			4,667,250		
Total Pen SF	4,667,250					
SF Per AU	170					
Total Capacity	27,454					
SF Per AU	200					
Total Capacity	23,336					
Total Practical Capacity	15,000					
SF Per AU	311					
Total LF	32,365					
Total LF x 12"	388,380					
Total Capacity Based on 170 SF Per Animal Unit	27,454					
Total Inches / Total Capacity of 27,454 Head	14.14657					
Times Total Practical Capacity of 15,000 Head	15,000					
Required Inches for Practical Capacity of 15,000 Head	212,199					

Divided by 12"	12	
Required LF for Practical Capacity of 15,000 Head at 170 SF Per Animal Unit	17,683	
Total Linear Feet of Bunk	32,365	
Difference in Total Feed Bunk LF and Practical Feedbunk LF	14,682	
Excess Super Adequate Feed Bunk LF	14,682	
RCN Per LF	\$260	
Super Adequate Feed Bunk x RCN	\$3,817,264	
Feed Bunk and Pen RCN Only	\$8,414,900	
Super Adequate Feed Bunk and Pen RCN %	45.36%	

Shipping, Receiving, Processing, Hospitals, Loafing Sheds, and Horse and Pen Rider Barn

The feedyard has a north shipping and receiving facility with 12 x 70 pull-through cattle scales and a south shipping and receiving facility with 12 x 70 pull-through cattle scales. The shipping facilities are also improved with numerous shipping and sorting pens and double deck loading and unloading chutes. The feedyard has two (2) main processing barns with hydraulic working chutes and cattle snakes and seven (7) hospital barns with hydraulic working chutes and cattle snakes. The processing barns are located adjacent to the shipping and receiving facilities and the hospitals are scattered throughout the feed pens.

The south hospital barn 1 is 1 x 512 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; loafing shed 1 is 1 x 646 square foot steel construction building with a dirt floor and attached pens; hospital barn 2 is 1 x 419 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake; hospital barn 3 is 1 x 1,600 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; processing barn 4 is 1 x 3,000 square feet steel construction building with a reinforced concrete slab, W&W hydraulic working chute, and attached cattle snake; hospital barn 5 is 1 x 826 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake; loafing shed 5 is 1 x 768 square foot steel construction building with a dirt floor and attached pens; storage building 6 is 1 x 780 square foot steel construction building with a dirt floor; hospital barn 7 is 1 x 256 square feet steel construction building with a reinforced concrete slab, Trojan hydraulic working chute, and attached cattle snake; loafing shed 7 is 1 x 1,760 square foot steel construction building with a dirt floor and attached pens;

Processing barn 8 is 1 x 3,600 square feet steel construction building with a reinforced concrete slab, Super Duty 4000 hydraulic working chute, and attached cattle snake; horse barn 9 is 1 x 15,712 square foot steel construction building with a dirt floor, open sides, and 20 internal steel horse pens with attached runs; saddle shed 9 is 1 x 836 square foot steel construction building with a concrete slab, internal saddle racks, and exterior man doors with locks; hospital barn 10 is 1 x 288 square feet steel construction building with a reinforced concrete slab, Trojan hydraulic working chute, and attached cattle snake; loafing shed 10 is 1 x 3,600 square foot steel construction building with a dirt floor and four attached pens; horse shed 11 is 1 x 2,740 square foot steel construction building with a dirt floor, 12 attached pens and runs, and a tack room; and hospital barn 12 north is 1 x 288 square feet steel construction building with a reinforced concrete slab, hydraulic working chute, and attached cattle snake.

Shop Building and Quonset Barn

The feedyard is improved with 1 x 3,850 square foot steel construction shop building with reinforced concrete slab, 3 x work bays, 3 x overhead doors, 1 x man door, an oil change and service pit, parts storage, and an office. The feedyard is also improved with 1 x 750 square foot steel construction quonset building with reinforced concrete slab and overhead door.

Office Building and Truck Scales

The feedyard is improved with 1 x 5,811 square foot two-story wood frame and masonry veneer office building with a metal roof and reinforced concrete slab. The building has 13 offices, a reception area, scale area, work room, electrical room, conference room, employee work room, storage rooms, three restrooms, and a document vault. The bottom floor has approximately 4,678 square feet of area plus a 48 square foot entry area and the second floor is approximately 1,085 square feet. The building has central heat and air, hard tile and carpet floors, and textured and painted walls.

There is a 12 x 70 concrete truck scale located adjacent to the office building on the south side. The scales are Fairbanks Moorse 120,000 pounds. The scale room and exterior of the office is also improved with a grain probe for checking grain moisture.

Feed Mill, Grain Storage and Commodity Barns

The feedyard has 1 north 7,920 square foot steel and concrete construction 4-bay commodity and mixer barn with a mixer room, 4 x commodity bays; 1 x 2,625 square foot steel and concrete construction west mixer building with mixer room, electrical room, and control room; 1 x 3,000 square foot steel and concrete construction commodity barn with 3 x commodity bays for flake corn; 1 x 10,080 square foot concrete loading apron; 1 x 2,520 square foot steel and concrete construction east commodity barn with concrete feed bays; 1 x 1,500 square foot concrete east loading apron; 1 x 2,025 square foot steel construction east feed barn; 1 x 1,650 square foot steel construction grain receiving shed; 2 x concrete and steel dump pit receiving systems with 2 x 3,000 BPH elevator legs, 2 x distributors, and spouting; 6 x 13,000 bushel steel hopper-bottom grain bins (78,000 bushels total capacity) with attached elevator leg, distributor, spouting, and drags; 1 x north mixer leg with attached distributor, spouting, drags, and overhead finished feed bins with clamshell doors and truck loadout; 1 x west mixer leg with attached distributor, spouting, drags, and overhead finished feed bins with clamshell doors, supplemental bins, and truck loadout; and 1 x flake corn elevator leg with distributor, spouting, and drags; 2 x stationary scale hoppers with 2 x Roto-Mixers rated at 60 TPH; and 6 x steel liquid storage tanks consisting of 2 x fat tanks, 1 x finisher tank, 2 x whey tanks, and 1 glycerin tanks.

Feed Mill improvements and attached equipment in 2019 that reached the end of their economic and useful life include 1 x 4,150 square foot steel construction mill building; 1 x Holman 400 HP boiler (**Removed**); 1 x Williams and Davis 300 HP boiler; 1 x water softener system; 5 x 18" x 36" steam flake Panhandle Rolls 60 HPEM with spring tension and attached 20 foot stainless steel steam chests and soak tanks; 3 x 24" x 48" steam flake R&R Rolls with hydraulic tension and attached 25 foot stainless steel steam chests and soak tanks; and 1 x feed mill motor control center.

Attached Feedyard Equipment

As previously stated there are 9 x hydraulic cattle working chutes with attached snakes located in the processing and hospital barns; 1 x 12 x 70 x 120,000 pound Fairbanks Moorse truck scale; 1 x 12 x 70 x 120,000 pound Fairbanks Moorse cattle scale; 1 x 12 x 70 x 120,000 pound Southwestern Arizona cattle scale; 1 x grain probe system; 1 x 12,000 gallon diesel storage tank with pump; 1 x 1,800 gallon gasoline storage tank with pump; and 1 x 500 gallon propane tank.

Site Improvements

The site improvements include excavation work and construction of 2 x retention control structures (lagoons); excavation work for the building pads, 4 x silage pits, roads, and drainage; and exterior livestock fencing and gates. The NW silage pit is 115' x 500' x 14', the NE silage pit is 160' x 600' x 14', the SW silage pit is 120' x 540' x 14', and the SE silage pit is 120' x 350' x 14'. The excavation work for the feed pens and drainage is calculated separately. The water wells are considered to be a component of the land value.

Improvements and Attached Equipment With and Without Contributory Value

From all of the previously described Improvements and Attached Equipment located on the subject 410.0 acre site, only the north portion of the subject grow-yard / feedyard with 32,365 LF of bunk space with attached pens and livestock drinkers (23 single rows of pens on 12 double feed lanes); the north processing barn with attached Bowman Super Duty 4000 hydraulic working chute, snake, and tub; three (3) north hospitals with attached two (2) Trojan hydraulic working chutes and one (1) other hydraulic working chute, snakes, and tubs; the north Fairbanks Moose cattle scale and scale house; the main horse and pen rider barn with attached pens and runs; the shop building; the quonset barn; the three (3) commodity barns; one (1) feed barn; and site improvements have contributory value. The water system and wells are scattered throughout the property and were considered to be a component of the land value.

Based on the highest and best use of the property, the appraiser has limited the capacity of the facility to 15,000 head which is a marketable and functional size for a large grow-yard and valued the property on the stated amount.

The appraiser has not given value to a large portion of the feed bunk and pens in the southern portion of the feedyard; the processing and hospital facilities in the southern portion of the feedyard; the shipping and receiving and cattle scales in the southern portion of the feedyard; the feed mill facility and attached equipment; the grain storage facility; and the office building with attached truck scales; based on their age and condition and based on the low market demand for an older feedyard facility similar to the subject located in the subject area.

Hazardous Materials

Although no asbestos or other hazardous materials were noted during the inspection of the property, the appraiser is not a Certified Asbestos Inspector or engineer and has no expertise in these areas. Therefore, the value provided assumes that no hazardous building materials will be in place in the building improvements and that no hazardous conditions affect the subject site. It is suggested that the subject property, as with all properties, be inspected by a licensed person knowledgeable in detecting any hazardous building components or conditions before any transfer of ownership is made to limit the potential liability of the client/current property owner.

Quality Of Construction

The quality of construction of the materials is considered to be good overall. Using Marshall and Swift, the improvements would range from Good Cost Class S to Good Cost Class C. The quality of the structures was also based on comparisons to other feedyard structures in the subject market area and competing areas. The overall quality is considered to be good.

Actual Age and Property Condition

Actual age, which is sometimes called historical age or chronological age, is the number of years that have elapsed since building construction was completed.⁹

According to older documents, the subject feedyard was constructed from 1968 to 1996 with some updating until around 2014 or 2015. The property was vacant and not in operation from 2015-2016 to 2019. The property was operated from 2019 to 2023 by Brian McClain of 7M Cattle Feeders. The property has been vacant since Mr. McClain passed in the first half of 2023.

Effective Age and Economic Life

Effective age is the age indicated by the condition and utility of a structure, and an estimate of effective age is based on an appraiser's judgment and interpretation of market perceptions. Even in the same market, similar buildings do not necessarily depreciate at the same rate. The maintenance standards of owners or occupants can influence the pace of building depreciation.

If one building is better maintained than other buildings in its market area, the effective age of that building may be less than its actual age. If a building is poorly maintained, its effective age may be greater than its actual age. If a building has received typical maintenance, its effective age and actual age may be the same.¹⁰

Economic life is defined as "The period over which improvements to real property contribute to property value".¹¹ Generally, economic life and physical life vary, with the economic life of a structure being of shorter duration. The lives of the buildings and improvements are difficult to measure. From a physical standpoint the buildings, with renovation to the short-lived items, could last for 50 years or more. However, economic changes in the market have an effect on the improvement's ability to contribute to the property value. Therefore, the life of a property is usually measured in economic rather than physical terms.

⁹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Pages 600.

¹⁰ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Pages 600.

¹¹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Pages 600.

Remaining economic life is the estimated period over which existing improvements are expected to continue to contribute economically to property value.¹²

Total economic life estimates were obtained from the sales of feedyard and grow-yard properties and observations of existing feedyard and grow-yard structures. The economic life of the subject improvements was estimated to be 40 years.

According to older documents, the subject feedyard was constructed from 1968 to 1996 with some updating until around 2014 or 2015. The property was vacant and not in operation from 2015-2016 to 2019. The property was operated from 2019 to 2023 by Brian McClain of 7M Cattle Feeders. The property has been vacant since Mr. McClain passed in the first half of 2023.

The total economic life of the feedyard improvements was estimated at 40 years. The effective ages ranged from 20 to 35 years. The remaining economic lives ranged from 5 to 20 years.

The total economic life of the feedyard attached hydraulic working chutes and scales were estimated at 30 years. The effective ages ranged from 22 to 23 years. The remaining economic lives ranged from 7 to 8 years.

The overall **composite** effective age for calculation purposes in the Sales Comparison Approach was estimated to be 34 years.

As the area surrounding the subject is agricultural in nature, the existing improvements are compatible with the surrounding properties. There are several feedyards, grow-yards, dairies, irrigated farms, and ranches located within a reasonable proximity to the subject in Parmer County, Texas, adjoining counties, and throughout the Texas High Plains and Panhandle Area.

Functional Obsolescence

The subject property improvements and attached equipment were designed to be used for feeding and growing commercial beef cattle. The property is currently being used as a commercial beef cattle grow-yard / feedyard. The improvements and attached equipment that are valued in the appraisal have been stated in this analysis and they are in fair to average condition. There is apparent super-adequate functional obsolescence noted in the pens and bunk. There are more pens and bunk on the feedyard than there is enough water to service. There is only enough water on the property to service 15,000 head of cattle adequately. The additional pen space and bunk were considered to be super-adequate and required an adjustment under functional obsolescence.

¹² The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Pages 604.

Natural, Recreational, Cultural or Scientific Value

Appraisal practice requires consideration of natural, recreational, cultural or scientific value. The criteria are as follows:

Natural Value	Properties of special significance are identified as properties with or adjacent to national landmarks, national wilderness areas, national or state parks, national or state wildlife refuges, areas identified by the U. S. Fish and Wildlife Service as "Critical Habitats" or other special natural features that include wetlands, ocean and lake shores, caves, dunes, coastal barrier islands and estuaries.
Cultural Value	Properties of cultural special significance are based on criteria established by the National Register of Historic Places.
Recreational Value	Properties of recreational special significance are identified as any property that is within or adjacent to existing public recreation areas or adjacent to rivers, oceans, or lake shores.
Scientific Value	Properties of scientific special significance are properties valued for scientific value or archaeological importance.

After consideration of the above criteria, it is concluded that the subject property does not have natural, recreational, cultural or scientific value.

Improvement Summary

The subject grow-yard / feedyard improvements consist of several structures plus attached equipment which are an important part of the subject grow-yard / feedyard operation. The improvements were constructed and the equipment was installed from 1968 to 1996 and others in 2014-2015. The construction and materials of the improvements are mostly average to good quality and their condition ranges from poor to average.

The improvements and attached equipment are considered to be in conformity, both physically and legally. Therefore, the property is suitable for its existing use and future use as a commercial beef cattle grow-yard / feedyard operation with associated on 410.0 acres of land.

******The offsite easements and wastewater agreements are necessary for the function of the subject grow-yard / feedyard and for maintaining the CAFO Permit and legal use of the grow-yard / feedyard property.

Property Tax Analysis

The property is located within the assessing authority of Parmer County, Texas. The Parmer County Appraisal District estimates market values for all properties in the county, and these values are utilized by all taxing authorities as a basis for assessing taxes.

The 2023 assessed value of the property, the levy, and the identification numbers assigned to the subject property are listed in the chart below.

2023 Subject Property Taxes							
Parcel ID No.	Property Type DCAD	Land Acres	Market Value	Taxable Value	Rate	Per \$100	Total Property Tax Estimate
4638	Real Property	154.000	\$138,600	\$138,600	1.89948600	0.01899486	\$2,632.69
4639	Real Property	255.000	\$1,079,240	\$1,079,240	1.89948600	0.01899486	\$20,500.01
Total	Real Property	409.000	\$1,217,840	\$1,217,840			\$23,132.70

Real Estate Tax Summary

The assessed value of the subject property, based upon conclusions and the final value opinion herein, is considered to be above its market value, as defined within this report. Prudent management would attempt to have the assessed value changed as the tax burden is currently maximized. The Parmer County Appraisal District is currently assessing similar properties in a consistent manner equal to the current assessed value on the subject property. As of the date of the appraisal, there were no known delinquent property taxes.

Grow-Yard / Feedyard Industry Analysis

Types of Cattle Feeding Operations

Cattle feeding operations can be classified into three general categories: 1) Large-scale feeding operations, 2) backgrounders/stockers, and 3) farmer-feeders.

Large-scale feeding operations feed large numbers of cattle, 5,000 head or more; some exceed 100,000 head capacity. These feedlots are typically located in regions that are environmentally conducive to cattle production with less extreme climates and low levels of annual precipitation. This allows for continuous operation year round and turning over the population of cattle twice to 2.5 times per year. Moderate climates are less stressful for cattle and promote efficient feed use. Large-scale feeding operations can be located distant from cattle and feed sources, leading to reliance on long distance transportation to provide many necessary inputs for operation. Many operations in this category are present in the States of Texas, Nebraska, Kansas, and Colorado.

Backgrounder/stocker feeding operations utilize a combination of pasture-based (grass, winter wheat), crop residues (corn stalks, wheat stubble), and dry lots to prepare weaned calves to be raised in a feedlot. Backgrounders/ stockers take newly weaned calves and adjust them to eating feed from a bunk until they reach feeder weight (650-900 pounds). This may involve the calves spending some or all of their time on pasture. Both systems prepare calves to drink from man-made water sources. These operations vary tremendously in size, location, and intensity of management. Numbers of cattle on feed can vary from a few head to several thousand. These operations are generally located in between sources of cattle and feedlots where forage is plentiful. Backgrounder/stocker operations consequently can be found near almost any significant source of calves. In many cases, backgrounders have working relationships with the feedlots that will eventually finish the cattle from their backgrounder operations.

Farmer-feeders are generally smaller feedlots that are located near sources of feed, either their own or readily available to purchase. These operations often take advantage of their own source of cattle and locally grown feedstuffs to gain an economic advantage over large-scale feedlots that must transport feed. Farmer-feeders tend to be seasonal operations when there is less time competition with other activities like crop management. They either raise their own cattle or purchase weaned calves in the fall. These operations are more common in Midwestern and Plains states such as Illinois, Indiana, Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin. Since these feedlots operate primarily in the fall and winter months, climatic conditions require management tools to deal with adverse conditions such as extreme temperatures and high levels of precipitation.¹³

¹³ USDA Beef Feedlot Industry Manual Page 4

Commercial Cattle Feedyard Definition and Use

A commercial feedlot or feedyard is a feedlot whose primary enterprise is to feed cattle and market them for slaughter.

Grow-Yard Definition and Use

An operation that grows or backgrounds cattle for a period of time before they enter the feedlot for finishing. May be used to wean calves because the operations generally have a higher ratio of employees to cattle and can give sick calves extra attention.

Backgrounded cattle are steers and heifers that are fed a warm up or conditioning ration are normally fed to approximately 700 pounds, and then sold as feeders or shipped to another feedlot to be finished for the slaughter market.

Custom Feedyard Industry

Custom feedyards, sometimes called “commercial” feedyards, have grown in size and numbers in high plains cattle feeding country. These feedyards offer unique services to cattlemen. They furnish room and board for your cattle, much like a hotel. Because most custom feedyards are fairly large and efficient, they can provide these services at less cost than feeding your cattle at home.

There are many feedyards throughout the United States. Most cattle are fed in the high plains country of the United States including Texas, New Mexico, Oklahoma, Colorado, Wyoming, Kansas, and Nebraska. These areas dominate the cattle feeding industry because of the available feed and the dry climate. The dry climate has proven to be a necessary element in feeding cattle and milking cattle. Cattle are known to gain more weight in these dry climate areas.

Incoming Cattle

Upon arrival, cattle typically are weighed, ear tagged for positive identification, treated for internal and external parasites, given vitamins, growth stimulants, and vaccinated against various diseases as needed.

Scientific Ration

Cattle are fed two or three times daily with a feed ration that typically has been formulated by a consulting nutritionist and processed in an on-site or off-site feed mill. A trained bunk reader checks the feeder cattle to see how much they have consumed each day and adjusts the next feeding accordingly. The idea is to give the cattle all the feed they will eat but have no leftovers. That allows for fresh feed each feeding, which assures the cattle will eat and gain to the maximum of their ability.

Animal Health

Each day, trained pen riders check each animal. Sick animals are taken to a hospital pen and doctored, usually under the supervision of a consulting veterinarian. Records are usually kept on sick animals- their ear tag number, the date of treatment, and the kind of treatment.

Marketing

Another feedyard service is marketing finished cattle. Packer buyers come to the feedyards, where the manager prices the cattle. When the cattle are ready to sell, the managers call market analysts whose job is keeping sellers as well informed as buyers. The manager doesn't sell until the cattle owner accepts the bid. Then, the cattle are weighed at the feedyard, given a 4% pencil shrink, and shipped directly to the packing plant. Other marketing arrangements have become popular as well. These include grid marketing and formula selling. However, approximately 50% of the cattle sold are usually sold on a live weight basis.

Financing

Feedyards often will arrange financing for their customers. Typically, a bank will loan around 75 percent of the value of the feeder calf and up to 100 percent of the cost of feed.

More and more cattlemen are retaining ownership of their own cattle and, thus, are financing with their own banker. Retained ownership offers several advantages. (1) By keeping your cattle longer than usual, you have the opportunity to make the profit that two or three owners might otherwise make. (2) It allows you to diversify and spread market risk. (3) If you are producing cattle that are genetically above average, you can reap that benefit - all the way through finishing- rather than sell to someone else who makes the extra profit.

Risk Management

Another service offered by some feedyards is help with risk management. Expertise exists that has been learned over years of successful experience with futures, options, and other risk management tools. An individual can take full advantage of this expertise to lock in a price for cattle.

Insurance

Most custom feeders carry named peril insurance against fire, lightning, tornadoes, theft, snow storms and other hazards. In addition, full mortality insurance sometimes is available to owners, but is expensive.

Charges for Services

Usually, the charges for feeding, daily inspection, doctoring sick animals, and marketing finished cattle are built into the feed bill. Typically the cattle owner pays for the feed at cost, plus a service charge, or markup for the above services. In addition, there is a processing charge on incoming cattle for dehorning, tagging, castrating, worming, vaccinating, medicine, and others.

Feedyards typically bill owners semi-monthly or monthly for feed. Or, in some cases, they simply draw on the bank that handles the cattle owner's financing. The typical monthly invoice will contain detailed information on the progress of the cattle. At the end of the feeding period, the owner will get a detailed closeout or performance record which summarizes the performance of the cattle. For an extra charge, feedyards can also help cattle owners obtain carcass data from the packing plant.

Custom Cattle Feeding Numbers

Most pens hold about 100 head, some 50 head. Within a pen, the cattle should be of uniform type, size, and sex. If an individual does not have that many head, he might consider a joint venture with a neighbor or partner. Some feedyards partner with their customers, which is a way to spread risk and maybe feed several pens a year rather than one or two.

Types of Cattle That Feed Well

Almost every kind of breed is fed - from straight bred British breeds, to crossbreds of all kinds, to dairy breeds. No. 1 Okies (a variety of crosses) probably are most common. Exotic crosses are also popular.

Feeder cattle from 600 lbs. to 750 lbs. are most common, although some come in heavier, and some lighter. Generally, the heavier an animal is, the more feed it requires for body maintenance and, thus, the more feed it requires per pound of gain.

Cattle normally are fed from 120 to 160 days, depending on their initial weight and type and usually are marketed at 1,100 lbs. to 1,250 lbs. Typical gain for steers are 2.5 to 3.5 lbs. per day with a feed conversion of 7 lbs. to 9 lbs. of feed per pound of gain. For heifers, typical gains are 2.2 lbs. to 3.2 lbs. per day, with slightly more feed required per pound of gain than steers.¹⁴

¹⁴ Texas Cattle Feeders Association

Grow-Yard Industry Information

Boosting Efficiency in Cattle Production

Interest in boosting efficiency in cattle production and labor challenges are changing the role grow yards play for cattle feedyards, says industry analyst. There is a shift in the US in how grow yards, which work with cattle before they are large enough to go to a feed yard, are now being used in cattle production, according to new Rabobank report.

According to Don Close, report author and senior analyst with Rabobank:

Previously grow yards would be used for residual housing to address imbalances in the supply chain. Growing cattle was a way to address an unbalanced system between the stocker and feedyard or to feed cattle during specific seasons.

However, increasingly grow yards are becoming a collection point for cattle where they can mature physically while reaching a specific weight needed to enter a feedyard.

There are two main drivers behind the new dynamic. Feedyards are having a harder time finding labor with the knowledge and skill set to work with lighter cattle and high-risk cattle, and there have been changes to how feedyards maintain and grow cattle.

The second driver is that as more and more feedyards have transitioned to selling cattle on a formula where they're committing cattle to a specific time window; it has increased the need to have cattle with a known rate of gain and a known cost of gain. Feedyards need to have more control on cattle performance and more knowledge about how long the finishing process will take.

The change in role could influence other members of the cattle production system in different ways. For cow-calf producers, the shift means there are more buyers for their calves and more competition, however, for a conventional stocker it would increase competition to buy a calf.

For the feedyards to have the animal fully ready to gain from day one is a good thing, and to have the service provider to provide the care that light cattle need that's a benefit. For the beef processor, it's a good thing.

Lightweight Cattle Production Challenges

Grow-yards continue to be smaller than average feedlots, which can allow them more opportunities to manage smaller or high-risk cattle. High-risk cattle are those that face more stressors like long-distance travel or being part of a group collected from several locations.

Commercial feedyards can be up to 100,000 cattle, but a more typical size would be 30,000 to 50,000 cattle. A large grow yard could have 10,000 cattle, while more typical ones would be in the 3,000 to 5,000 range.

Smaller grow yards enable closer contact with the animals and closer observations. Those cattle that need extra attention and extra care is one of the drawbacks of handling the lightweight cattle in a commercial yard.

Feed Costs, Nutrition, and Grow Yards

In addition to managing smaller cattle, raising them at a grow yard before the transition to a feedyard could be a more cost-efficient option when feed prices increase. It will be more economically viable with high feed grain prices than under more affordable feed grain prices.

The smaller cattle have the ability to use a lower energy, lower cost forage such as silage or hay. When feed grain prices are high, even though it could be a slower daily gain, if you leave cattle in that background facility longer using the lower cost feed so when the animal is transitioned and it's on a high energy, high-density ration that animal is there for a shorter period of time.

One of the changes that some grow yard facilities have made is the type of ration used. An ideal ration provides enough energy to the cattle to support growth and skeletal development, but is not too hot, as that it could limit gain at the feedyard.

The real skill set is to keep them on a lower starch, lower energy ration with more protein that enables them grow physically and add bone density and then go to the high starch, high energy ration once they get that body frame established to carry that excess weight.

Previously, a complaint about cattle come from that type of facility was they were too large or too fleshy, which causes challenges for feedyards.

That has radically changed. As Close sees grow yards today, he sees ideal condition on the cattle. They're not too fleshy, have a really good frame, and healthy. As the transition has been implemented the grow yard managers have become more astute at how to keep the animal at optimal feeding conditions.

An additional element of the shift in interest toward the use of grow yards is that it could benefit producers working with a specific production type or in tracking specific cattle. As the cattle are in a confined environment, or semi-confined environment, they have a much tighter animal idea and the ability to segregate animals with specific characteristics.

Whatever the bells and whistles of any given set of cattle are to meet the specialty market, it assists the entire process in keeping and identifying those animals. We can verify whatever those claims of production are.

Developing Relationships with Feed Yards

Although a tighter relationship between feed yards and grow yards has already started to form, there could be additional steps that would further streamline that interaction.

Potentially, a grow yard could use the same nutritionist and veterinarian as the feedlot where they sell cattle. At that stage, cattle would not need to be reprocessed when reaching the feedyard.

The last ration the cattle had at the grow-yard can become the starter diet at the feed yard. The cattle don't have to be acclimated to new feed.

According to Close, he has yet to see relationships develop to that point.

Today when talking with the grow yard, their sweet spot is to have relationships with two to four commercial feeders. The arrangement is driven by several mind-sets including that it can mean grow yard producers are more likely to find a buyer, prices will be driven by the market, and allow producers to tailor the kind of cattle they raise to their intended market.

However, Close added that the alignment between grow yards to specific feeders will become more tightly aligned and will be driven by efficiency and economy of scale.

The above information was obtained from the feednavigator.com website and was written by Aerin Einstein-Curtis February 8, 2019.

Cattle on Feed Terms and Definitions

- 1) Cattle on feed are animals being fed a ration of grain, silage, hay and/or protein supplement for slaughter market that are expected to produce a carcass that will grade select or better. It excludes cattle being "backgrounded only" for later sale as feeders or later placement in another feedlot.
- 2) Placements are cattle put into a feedlot, fed a ration which will produce a carcass that will grade select or better, and are intended for the slaughter market.
- 3) Marketings are cattle shipped out of feedlots to a slaughter market.
- 4) Other disappearance includes death loss, movement from feedlots to pasture, and shipments to other feedlots for further feeding.¹⁵

Cattle Ownership Trends In Feedyards

2007-2015 Fed Cattle Ownership

A recent trend in cattle feeding that has made advantages to formula pricing more attractive to cattle feeders is the large switch from custom-fed cattle (for investors) to company-owned cattle. As cattle feeding became largely unprofitable in the last few years and capital requirements for owning cattle increased, fewer investors were feeding cattle. As a result, feedlot owners increased their proportion of ownership of their feedyard's cattle in an effort to maintain inventory. Another trend that has likely contributed to more formula-pricing cattle is that there are fewer farmer-feeders and small feedyards feeding cattle in the last few years.

The dwindling inventory of feeder cattle and poor economics of feeding have resulted in larger feedyards having a larger percentage of the nation's cattle on feed. The larger feedyards may be more likely to use formula pricing. The widespread adoption of feeding beta-agonists has made marketing dates (i.e., feedlot closeout dates) more scheduled and definite for feedyards.

Because these additives are fed for a specific number of days at the end of the feeding period, once they have been introduced to the cattle, the marketing date is narrowly defined and cattle feeders are less likely to hold cattle over for another week. Formula pricing cattle under an arrangement for specific delivery date(s) can assist with marketing cattle under such a feeding program.

It appears that the increase in formula pricing cattle and declining negotiated sales is a result of market needs by both cattle buyers and sellers. While the negotiated market volume generally hasn't been thin enough to cause significant pricing problems, a continued decline of negotiated cattle sales will likely prompt more concerns by cattle feeders and generate additional research.¹⁶

¹⁵ Beef2Live, Beef Market Central Website, June 2018

¹⁶ iGrow and the USDA Agricultural Marketing Service, Cattle and Corn, Written by Darrell R. Mark, Adjunct Professor of Economics at South Dakota State University.

2016-2023 Fed Cattle Ownership

According to the Texas Cattle Feeders Association, the largest percentage of cattle in feedyards changed in the 2007-2008 time period from customer based cattle to owned cattle by the feedyards. Investor cattle percentages became low due to the economic downturn and the long period of low profit margins. Prior to the 2007-2008 time period, investors were the predominant owners of cattle in feedyards. Customer based ownership increased from 2016 to 2019 due to increased profits associated with lower feed costs and higher fed cattle prices. In 2020, a survey revealed an even greater increase in customer based cattle due to increased profits. As of July 2023, the TCFA indicated that the customer ownership in fed cattle has reversed back to original percentages of 70 percent customer cattle and 30 percent feedyard owned cattle.

Cattle on Feed June 23, 2023 - Research Date July 11, 2023

This report contains results from the June 2023 Cattle on Feed Survey collected during the first two weeks of June. Data provided by Oklahoma and Texas producers are the foundation of the estimates made for the Southern Plains region. We would like to thank all producers who responded to the survey. Results from the next monthly survey will be made available on July 21, 2023.

Cattle and calves on feed for slaughter market in Texas feedlots with capacity of 1,000 head or more totaled 2.81 million head on June 1, 2023, down 4 percent from a year ago. Producers placed 455 thousand head in commercial feedlots during May, down 1 percent from a year ago. Texas commercial feeders marketed 425 thousand head during May, up 4 percent from 2022.

On June 1, there were 2.50 million head of cattle and calves on feed in the Northern High Plains, 89 percent of the state's total. The number on feed across the area was down 5 percent from last year but up 1 percent from the May 1 total. May placements in the Northern High Plains totaled 409 thousand head, up 27 percent from the April total. Marketings were up 13 percent from last month at 384 thousand head.

Cattle and calves on feed for slaughter market in Oklahoma feedlots with capacity of 1,000 head or more totaled 250 thousand head on June 1, 2023, down 9 percent from a year ago. Producers placed 57 thousand head in commercial feedlots during May, up 6 percent from a year ago. Oklahoma commercial feeders marketed 56 thousand head during May, up 6 percent from 2022. Other disappearance during May totaled 1 thousand head, unchanged from a year ago.¹⁷

¹⁷USDA, NASS July 11, 2023

State Ranking of Cattle on Feed - June 23, 2023		
Ranking	State	Cattle
1	Texas	2,900,000
2	Nebraska	2,650,000
3	Kansas	2,480,000
4	Colorado	1,090,000
5	Iowa	620,000
6	California	570,000
7	Idaho	300,000
8	Arizona	287,000
9	Oklahoma	275,000
10	Washington	235,000
11	South Dakota	220,000
12	Minnesota	100,000
12 Other States		295,000
U.S. Total		12,022,000

Cattle Inventory January 31, 2023 - Research Date July 11, 2023

Estimates in this report are the result of data collected during the January Cattle Survey from a random sample of producers across the nation. Survey procedures ensured that all cattle producers, regardless of size, had a chance to be included in the survey. Data provided by Oklahoma and Texas producers are the foundation of these estimates made for the Southern Plains Region. We would like to thank all who responded to the survey and made these estimates possible.

Inventory and calf crop estimates were reviewed using official slaughter data, import and export data, and the relationship of the current survey indications to previous surveys. Revisions to previous estimates are made to improve year to year and item to item relationships.

The inventory of Oklahoma cattle and calves totaled 4.60 million head on January 1, 2023, down 12 percent from last year's inventory. Oklahoma makes up 5 percent of the total United States inventory. The inventory of Texas cattle and calves totaled 12.5 million head on January 1, 2023, down 2 percent from last year's inventory. Texas continues to rank first in the nation in total number of cattle and calves with 14 percent of the total United States inventory.

Total inventory of all cows that have calved in Oklahoma was 2.02 million head, 6 percent below last year's total. Beef cow inventory, at 1.98 million head, was down 7 percent from 2022. Milk cow inventory, at 39.0 thousand head, was unchanged from the 2022 total of 39.0 thousand head. Total inventory of all cows that have calved in Texas was 4.95 million head, 2 percent below last year's total. Beef cow inventory, at 4.30 million head, was down 3 percent from 2022. Milk cow inventory, at 650 thousand head, was up 25 thousand head from the 2022 total of 625 thousand head.

Inventory of all heifers 500 pounds and over in Oklahoma totaled 800 thousand on January 1, 2023, 17 percent below 2022. Beef replacement heifers, at 390 thousand head, is 3 percent lower than 2022. Milk replacement heifers totaled 20.0 thousand head, unchanged from last year. Oklahoma inventory of steers 500 pounds and over totaled 770 thousand head on January 1, 2023, down 24 percent from last year. Inventory of calves less than 500 pounds, at 860 thousand head, is 4 percent below last year's total. The 2022 calf crop totaled 1.85 million head, 4 percent lower than the 2021 calf crop. Inventory of all heifers 500 pounds and over in Texas totaled 2.58 million on January 1, 2023, 2 percent below 2022. Beef replacement heifers, at 640 thousand head, is 10 percent lower than 2022. Milk replacement heifers totaled 240 thousand head, unchanged from last year.

Texas inventory of steers 500 pounds and over totaled 2.58 million head on January 1, 2023, down 2 percent from last year. Inventory of calves less than 500 pounds, at 2.06 million head, is slightly above last year's total. The 2022 calf crop totaled 4.55 million head, 1 percent lower than the 2021 calf crop.

The United States inventory of all cattle and calves totaled 89.3 million head on January 1, 3 percent below last year's inventory of 92.1 million head. All cows and heifers that have calved totaled 38.3 million head, down 3 percent from the 39.4 million on January 1, 2022. Beef cows totaled 28.9 million head, down 4 percent from a year ago, while milk cows were up slightly from a year ago at 9.40 million head. Beef replacement heifers, at 5.16 million head, were down 6 percent from the previous year. Milk replacement heifer numbers were down 2 percent to 4.34 million head. The 2022 calf crop was estimated at 34.5 million head, down 2 percent from 2021.

2023-2024 Feedyard Occupancy Rates

USDA Cattle-on-Feed report was bearish. Perhaps the awareness that there is a small, and growing smaller, finite pool of feeder cattle for placement available to be fed and consumed between now and the end of 2024 is escaping market observers.

The extra placements in March, which occurred mostly in Texas due to severe drought conditions, were merely stockers that would have been spread out into April and May in a normal year. So with Texas March placements up 5 percent, overall the industry placed more cattle than analyst estimates which was viewed by some as bearish. This was the seventh consecutive month of placements below a year ago, totaling over 700,000 fewer placements.

As of April 1, 2023, the industry had 533k fewer cattle on feed than one year ago. The feeder cattle pool is shrinking. This year's calf crop will be down hard and feedyard occupancy by late in 2023 will be a real issue. Occupancy in 2024 is expected to greatly compromised.

Despite placing 5 percent more feeders than a year ago, Texas, the number one cattle on feed state has 140k head fewer on feed than a year ago while Nebraska has 130k head fewer. Kansas, the number three COF state has 80k fewer.

CME cattle futures opened lower as expected, June LC about \$15-16/cwt below last week's average fed cattle price and \$9 below where a few traded Friday after on the south plains at \$173. After making its low on the opening, futures rallied but only April LC has gotten higher on the day. Short hedgers will be eager to trade cattle and enjoy the wide basis and will give little if any thought to the current fundamentals.

Packers remain black and impressively disciplined, harvesting only 622k head last week, the third week in a row when hours have been cut in order to defend a profitable margin. Normally, fed cattle slaughter increases in May and June and it is clear that the packer is using everything in his power—cutting slaughter, buying cattle with time, leveraging May contracts, any and everything to get closer to a seasonal increase in market-ready fed cattle supplies anticipated by mid-May. The packer is aware that fed cattle supplies for Q2 are their smallest since 2017 and staying black is paramount.

Record high boxed beef values are supporting packer profitability with last week's cutout the highest for that week in history.¹⁸

¹⁸Perception and Reality at TheBeefRead.Com, April 24, 2023

Feedyard Occupancy Rate Survey - Appraiser Survey

The following feedyard occupancy rates have been reported by Cattle Network, the Texas Cattle Feeders Association, and individual feedyard managers and owners from Texas, Kansas, Oklahoma, Colorado and the High Plains Feeding Region.

Source	Month and Year Reported	Feedyard Occupancy Rate	
Cattle Network	August 2009	57.75%	
Cattle Network	September 2009	59.17%	
Cattle Network	October 2009	62.72%	
Cattle Network	November 2009	66.67%	
Cattle Network	December 2009	67.53%	
Cattle Network	January 2010	65.92%	
Cattle Network	February 2010	65.80%	
Cattle Network	March 2010	65.05%	
Cattle Network	April 2010	64.49%	
Cattle Network	May 2010	62.59%	
Cattle Network	June 2010	62.84%	
Cattle Network	July 2010	63.00%	
Texas Cattle Feeders Association	December 2011	85.00%	
Texas Cattle Feeders Association	April 2013	74.20%	
Texas Cattle Feeders Association	October 2013 to January 2014	Texas Panhandle	70.00%
		South Texas	55.00%
Appraiser Survey of Individual Colorado Feedyards	October 2013 to January 2014	Colorado	55-60%
Texas Cattle Feeders Association	October 7, 2014	Texas Panhandle	85.00%
		South Texas	55.00%
		Average	70.00%
Appraiser Survey of Individual Colorado Feedyards	July 11, 2016	Colorado	75.00%
Texas Cattle Feeders	March to April, 2017	Texas Corporate Yards	90-95%
		Texas Independent Yards	65-75%
		Overall	85.00%
Appraiser Survey of Individual Kansas Feedyards	April to June 2018	Kansas Corporate Yards	90-100%
		Kansas Independent Yards	85-90%
		Overall	90.00%

Appraiser Survey of Individual Colorado Feedyards	January to June 2019	Colorado Corp. Yards	80-95%
		Colorado Ind. Yards	80-95%
		Overall	85.00%
Appraiser Survey of Individual Feedyards	June 2019	Texas Corporate Yards	85-95%
		Texas Independent Yards	75-85%
		Overall	85.00%
Appraiser Survey Texas Feedyards	June 2020	Texas Corporate Yards	85-95%
		Texas Independent Yards	80-85%
		Overall	90.00%
Appraiser Survey TCFA	July 18, 2023	Texas Corporate Yards	80-85%
		Texas Independent Yards	80-85%
		Overall	85.00%

According to a survey of individual feedyard managers and owners and the TCFA, as of July, 2023, feedyards in Texas reported occupancy rates in the 80 to 85 percent range with an overall average rate of 85 percent. Down 5 to 10 percent from June 2020. The lower numbers are due to a lack of cattle from a shrinking cattle pool due to the 2020-2021 drought period and from the higher cost of cattle and placements. Higher inflation and interest rates are also equated into the problem.

Appraiser Feedyard and Grow-Yard Summary

The cost of cattle and feed, the number of cattle, domestic demand, trade, export demand, plus the cost of fuel and labor influence feedyard real estate values. Historically, short term abnormal operation costs in stable to good markets, have not shown significant decreases in feedyard property values. However, the extremely high corn prices and fuel prices along with low cattle numbers and higher cattle prices in 2009 associated with the downturn of the U.S. economy and the failing of numerous lending institutions led to numerous foreclosures of feedyard operations which had a significant negative affect on feedyard real estate values. Significant signs of recovery in the feedyard real estate market did not start appearing until 2012-2014. In 2015 there were additional signs that the feedyard real estate values had improved and stabilized mostly due to lower corn prices and fuel prices plus increased cattle numbers and lower cattle prices. Therefore, the price of cattle and feed plus other factors can have positive or negative influences on value.

As of the date of the appraisal, July 11, 2023, operating expenses have been higher due to increased feed cost associated with higher corn prices and higher fuel prices. This cost has been offset by higher cattle prices and profit margins. Cattle numbers are short due to past drought conditions and higher cattle prices.

In addition to decreased fed cattle numbers, as a result of drought conditions in the corn belt, prices are likely to pressure feeder cattle lower as higher feed costs tend to depress what feedlots are willing to pay for feeder cattle. Excellent pasture and range conditions reported in USDA's Crop Progress report combined with higher feed costs may incentivize keeping animals on pasture longer, which could result in higher placement weights later in the year.

It is noted that the feedyard real estate market has been very strong based on numerous feedyards that have sold in 2017 and 2018 followed by additional sales in 2019, 2020, 2021, 2022 and 2023. Some of these sales include the Cargill Feedyard in Leoti, Kansas selling to Green Plains Cattle in 2017 for \$221.64 per head including real property and rolling stock (\$201.64 per head after the deduction for rolling stock); the Cargill Feedyard in Yuma, Colorado selling to Green Plains Cattle in 2017 for \$225.40 per head including real property and rolling stock (\$205.40 per head after the deduction for rolling stock); the Heritage Feeders Feedyard in Haskell County, Kansas selling to Heritage Beef in 2018 for \$300.00 per head including real property, rolling stock, excess land, and declared business value (\$200.00 per head after deductions); the Deerfield Feedyard in Deerfield, Kansas selling to Kansas Dairy Development in 2018 for \$193.09 per head including real property and rolling stock (\$150.53 per head after the deduction for rolling stock); the River Bend Feedyard in Stevens County, Kansas selling to NextGen Cattle Feeding in 2017 for \$183.87 per head including real property and rolling stock (\$158.06 per head after the deduction for rolling stock); the Sublette Feedyard in Haskell County, Kansas sold in July 2018 to Sublette Feeders Inc. for \$244.05 per head including real property and rolling stock (\$203.65 per head after the deduction for rolling stock); the Cattle Empire Yards 1 and 2 in Haskell County, Kansas sold in August 2018 to Friona Industries LP for \$252.45 per head and \$265.69 per head including real property and rolling stock (\$238.36 per head and \$251.61 per head after the deduction for rolling stock); and the Beef Tech Feedyard in Deaf Smith County, Texas sold in March 2018 to Tierra Blanca Feeders LP for \$156.25 per head including real property and rolling stock (\$161.25 per head after the deduction for rolling stock and an adjustment for sale conditions). Several Kansas yards and NE Colorado yards sold in the \$200 to \$250 per head range from 2019 to 2022. Dawn Cattle Feeders located northeast of Hereford sold for \$222 per head after rolling stock was deducted.

In addition to the previously mentioned sales, Green Plains Cattle Company LLC has purchased the Bartlett feedyards in Haskell County, Kansas and Tulia, Texas. The sale price for the feedyards, rolling stock and business assets has been recorded but an allocation for the feedyards has not been confirmed at this time. A 10,000 head Nebraska feedyard/growyard named Korty Feedyard has also sold and closed in 2018 for approximately \$270.82 per head for the real property with no deduction for rolling stock.

According to Kansas and Texas feedyard brokers and based on historical sales, the greatest demand for purchasing feedyards in 2018 appeared to be in Kansas. Nebraska feedyards have historically been purchased at good prices due to the corn produced and feed availability in the state. Northeastern Colorado feedyards appear to have similar sale prices and values to Kansas feedyards. The Texas feedyard market has improved significantly and appears to be similar in value to Kansas, Colorado, and Nebraska with feedyards selling in the \$190.00 to \$222.00 per head range.

The Northern Panhandle Texas feedyards located north of Interstate Highway 40 are assumed to be in a strong market, as well as, some grow-yards and feedyards located south of I-40. Smaller grow yard sales have ranged from around \$100 per head to \$220 per head depending on their location and condition.

As of the date of the appraisal, the available feedyard sale data indicates stable feedyard and grow-yard property prices, with no negative affects on value.

Highest and Best Use

Highest and Best Use Definitions

Definition 1 - The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.¹⁹

Definition 2 - The reasonably probable use that produces the most benefits and highest land value at any given time.²⁰

Fundamentals of Highest and Best Use

The analysis of highest and best use is at the heart of appraisals of the market value of real property, but the concept has not always been well understood by practitioners and has long been a source of debate in the professional literature. The essential components of the analysis of highest and best use are contained in the following definition of the term: The reasonably probable use of property that results in the highest value. To be reasonably probable, a use must meet certain conditions:

- The use must be physically possible (or it is reasonably probable to render it so).
- The use must be legally permissible (or it is reasonably probable to render it so).
- The use must be financially feasible.

Uses that meet the three criteria of reasonably probable uses are tested for economic productivity, and the reasonably probable use with the highest value is the highest and best use.²¹ Conceptually, the criteria of highest and best use are self explanatory. For example, physically possible uses are land uses that are not unworkable due to some limiting physical characteristic of the land such as inadequate site size, odd shape, irregular topography, or poor soil quality. For example, a steeply sloped site tends to limit the use of the land to only a few possible alternatives. In contrast, a level plot of land with good drainage, soil with adequate bearing capacity, and other physical characteristics to the construction of improvements would likely allow a developer to build many different sorts of facilities.

¹⁹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 333.

²⁰ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 333.

²¹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 332.

Based on similar logic, legally permissible uses would conform to the land's current zoning classification and local building codes along with any other relevant regulatory or contractual restrictions on land use. The test of financial feasibility narrows the number of legally permissible and physically possible uses down further through analysis of the economic characteristics of the potential alternative uses. The remaining options are candidates for the test of maximum productivity, which is the final—and deciding—criteria for the highest and best use of both the land as though vacant and the property as improved.²²

Testing Highest and Best Use

To test alternative uses for the highest and best use, an appraiser usually applies the four criteria in the following order:

1. Legal permissibility
2. Physical possibility
3. Financial feasibility
4. Maximum productivity

In practice, the tests of physical possibility and legal permissibility can be applied in either order, but they both must be applied before the tests of financial feasibility and maximum productivity. A use may be financially feasible, but this is irrelevant if it is legally prohibited or physically impossible.²³

Land As Though Vacant and Property As Improved

In addition to the four tests of highest and best use, the first cited definition of the term implicitly includes the idea that highest and best use analysis is viewed from two perspectives:

- the use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements
- the use that should be made of a property as it exists (i.e., considering the current improvements)

The highest and best use of land as though vacant and the highest and best use of the property as improved are connected but distinctly different concepts.²⁴

The analysis of these four criteria for the property as if vacant and as improved follows.

²² The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 334.

²³ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 335.

²⁴ Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 336.

Highest and Best Use As Though Vacant

Highest and Best Use of the Land As Though Vacant

Analyzing the highest and best use of the land as though vacant helps the appraiser identify comparable properties. Whenever possible, the property being appraised should be compared with similar properties that have been sold recently in the same market. Potentially comparable properties that do not have the same highest and best use are usually eliminated from further analysis. Estimating the land's highest and best use as though vacant is a necessary part of deriving an opinion of land value.²⁵

The highest and best use of land is generally that use which, among all reasonable, alternative uses, provides the highest land value. The estimation of highest and best use, as though vacant, is accomplished by applying the four criteria previously listed.

Physically Possible Use

The subject property is located 2.75 miles northwest of Friona and 1.0 mile north of FM 2013/2397, along the east side of CR 15, in a rural area of Parmer County, Texas. The physical address of the facility is 2548 CR 15, Friona, Parmer County, Texas 79035.

This criterion is dictated by the physical features of the site. Its size, shape, frontage, topography and subsoil conditions affect the uses to which it can be developed. The total site area is 410.0 acres. As previously stated, all of the subject 410.0 acres of land plus offsite wastewater application easements and agreements are necessary for maintaining the CAFO Permit for the normal function and operation of the grow-yard / feedyard located on the 410.0 acre site. In this appraisal, based on highest and best use related to size, available livestock water, the age and condition of the improvements, and the historical use of the property, the value as improved was calculated based on a 15,000 head grow-yard operation.

The size and shape of the subject 410.0 acre site is considered to be adequate to support most of the legally permissible forms of use or development. The terrain is mostly level sloping slightly to the southeast for drainage. There does not appear to be any adverse soil or sub-soil conditions.

There are no flood maps printed or available for rural Parmer County, Texas or the subject property. A current complete survey is required for exact determination. The subject site currently has adequate right-of-way and all necessary rural utilities. All of the roads in the area are in average to good condition. Access is considered to be good for a rural agricultural property.

²⁵ Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 43.

The roads and the utilities are considered adequate for the subject's current use as a commercial beef cattle grow-yard / feedyard with associated land. The roads and utilities are also adequate for many other types of agricultural uses including ranching, farming, horse operations, livestock grazing, or dairy usage. Numerous agricultural uses would be likely if the subject land was vacant. The subject land generally conforms with size, shape and topography to other land tracts in the area.

There are no known conditions that would physically restrict the use of the subject land. Uses which are physically possible if the land was not developed would include general agricultural uses such as the ones previously mentioned. A wide variety of uses are physically possible for the subject tract as vacant and improved.

Legally Permissible Use

The subject tract *does not* lie within an incorporated city and was not subject to city zoning regulations as of the appraisal date. The subject tract is located in rural Parmer County, Texas. Rural Parmer County is not zoned. The subject site is also permitted by the TCEQ to confine and feed 115,000 head of beef cattle. Please see the Highest and Best Use Section (As Improved) for Legal Use for Confining Cattle.

Area properties include dairies, irrigated farms, dryland farms, feedyards and grow-yards, ranches and livestock grazing operations, rural residential properties, and rural commercial properties. The immediate area is a mix of agricultural usage. Based on trends that have developed in the area, the legally permitted use that would maintain conformity would be a grow-yard, feedyard, a commercial dairy facility, a livestock grazing operation, an irrigated farm and dryland farm, or a rural homestead with additional agricultural land.

The appraiser is not aware of any private deed restrictions which would limit property type of use. It is common for sites located within the county to be encumbered by some minor county regulations. These restrictions neither place the subject at a legal disadvantage with other competing sites, nor do they adversely affect the use or development of the site. Therefore, the subject has a large variety of legally permitted agricultural uses.

Financially Feasible Use

Financial feasibility relates to all uses that are physically possible and legally permissible which are likely to produce some income, or return, greater than the combined income needed to satisfy operating expenses, financial expenses, and capital amortization. All uses expected to produce a positive return with a satisfactory equity yield are regarded as financially feasible.

In considering the financial feasibility of the subject's most probable uses, several factors must be considered. These factors include, but are not limited to the surrounding land uses, the physical characteristics of the site itself, the supply and demand forces which influence property values, and the cost of development.

The subject site is located in a rural agricultural area approximately 2.75 miles northwest of Friona, Texas. The locational attributes of the subject site are considered favorable for numerous agricultural uses such as a commercial beef cattle feedyard; a commercial cattle grow-yard; a dairy heifer yard; a heifer development facility; a dairy site; a mixed irrigated farm, dryland farm and pasture; a livestock grazing operation; or a rural residential and private recreational tract.

These type uses also conform to the general make-up of the immediate area. Thus, the most feasible future use of the subject tract is determined to be uses characteristic of these type developments. The demand for properties in the subject's immediate area has been active within the recent past due primarily to the availability of land for agricultural and private uses, the availability of agricultural financing, and the fairly low to moderate interest rates.

As of the date of the appraisal, as if vacant, it is estimated that the subject land would be a mixed irrigated and dryland farm or pasture.

The As Is - As Improved Use will be discussed further in the following Highest and Best Use Section As Improved.

Maximally Productive Use

It has been concluded that the most probable and conforming use to which the subject site could be put, as if vacant, is an owner-user mixed irrigated and dryland farm or pasture.

The As Is - As Improved Use will be discussed further in the following Highest and Best Use Section As Improved.

Highest and Best Use As Improved

Highest and Best Use As Improved

There are two reasons to analyze the highest and best use of the property as improved. The first is to help identify potentially comparable properties. Each improved property should have the same or a similar highest and best use as the improved subject property, both as though vacant and as improved. The second reason to analyze the highest and best use of the property as improved is to decide which of the following options should be pursued:

- Maintain the improvements as is.
- Cure items of deferred maintenance and retain the improvements.
- Modify the improvements (e.g., renovate, modernize, or convert).
- Demolish the improvements.

In some situations, a property may be subject to restrictions (e.g., historic preservation) that prevent the improvements from being demolished. In this case, the highest and best use is limited by the restriction. The highest and best use conclusion should specify the optimal use (or uses), when the property will be put to this use or achieve stabilized occupancy, and who would be the most likely purchaser or user of the property (e.g., an owner-operator of the property or an equity or debt investor).²⁶

The existing feedyard / grow yard improvements are considered the highest and best use of a property as improved if they continue to contribute to the market value of the property and the return of modified improvements would not offset the cost of remodeling the existing improvements or constructing new improvements.

Physically Possible Uses

The subject property, as improved, is considered characteristic of the typical commercial agricultural business enterprise in the area. Due to the general design and use of the improvements, owner usage of the improvements is considered most applicable.

For reasons related to exposure and visibility, as indicated in the analysis of the highest and best use "as vacant," potential tenants are considered to most likely include those which would rely on average to good access to major traffic arteries and access to cattle, access to larger feedyards, and access cattle slaughter markets. Based on this analysis as well as the presence of the improvements as described in the Description of Improvements section, the existing improvements located on the subject site are considered well suited for a commercial beef cattle grow-yard / feedyard with associated land and off-site waste-water easements.

²⁶ Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 43.

Legally Permissible Uses

The permissible uses of the existing improvements would be similar to those uses outlined within the previous analysis. Based on the presence of the improvements, the subject property was found to be in conformity with legal building and use restrictions.

As stated in the previous section and the Site Analysis, there is no zoning in rural Parmer County, Texas. The subject land and owner are required by the Texas Commission on Environmental Quality to have a CAFO Permit for confining and feeding beef cattle in pens. The following information is stated concerning the Permit:

The subject 7M Cattle Feeders (Formerly HEC Feedyard TXG921218) is required to have a TCEQ Confined Animal Feeding Operation (CAFO) Permit for its legal operation and function. The subject does have a TCEQ TPDES Large CAFO General Permit TXG921550 for 115,000 Head. According to the TCEQ, the CAFO Permit expires on July 20, 2024. The last Notice of Intent (NOI) was filed with the TCEQ for a permit renewal on December 4, 2019. The Issue Date was December 10, 2019. The Coverage Effective Date started on July 11, 2019. The site Registration Number is RN 102094471. The Owner Number for 7M Cattle Feeders Inc. is CN605681741. The address is 7M Cattle Feeders Inc., 2548 CR 15, Friona, Texas 79035-7034, Parmer County, Texas. The CAFO Permit allows for 115,000 head of beef cattle to be confined and fed at the subject grow-yard / feedyard facility.

In 2019, prior to closing on the property, the buyer Brian McClain of 7M Cattle Feeders Inc., secured offsite easements and wastewater agreements on adjacent non-owned land to satisfy all requirements of the CAFO Permit renewal for the feedyard with the TCEQ. The offsite easements and wastewater agreements are necessary for the function of the subject feedyard / grow-yard and for maintaining the CAFO Permit and legal use of the property.

Based on available water, facility size and use as a grow-yard or small feedyard with no feed mill, approximately 15,000 head would be the maximum capacity of the facility. The available water would support 15,000 head and the additional water would be available if one of the tested wells goes down. In order to feed more cattle at the facility than 15,000 head efficiently, the grow-yard / feedyard would need a functioning feed mill. Therefore, the maximum highest and best use of the subject property is a 15,000 head grow-yard.

The appraised value is based on the CAFO Permit being maintained at its current stated capacity of 115,000 head. The appraised value is also subject to maintaining all solid waste, slurry, and wastewater land application areas plus waste agreements and permits necessary for the normal operation and function of the feedyard / grow yard. This includes adjacent or non-contiguous land, owned or leased, tied to the CAFO Permit, used for solid waste, wastewater, and slurry application. This appraisal assumes that any off-site waste application land, required by and noted in the CAFO Permit, excluded from this analysis, will be available for solid waste, wastewater, and/or slurry application for the life of the subject grow-yard / feedyard facility.

The appraised value is subject to the feedyard complying with all County, State and Federal authorities relating to legal operation of the feedyard / grow yard.

Area properties include livestock grazing operations, ranches, irrigated farms, dryland farms, feedyards, dairies, grain elevators, feed mills and cattle feed manufacturing plants, rural residential properties, and rural commercial properties. The immediate area and county are primarily in agricultural usage. Based on trends that have developed in the area, the legally permitted use that would maintain conformity would be a commercial cattle grow-yard / feedyard, a dairy heifer grow yard, a commercial dairy facility, a livestock grazing operation, an irrigated farm and dryland farm, or a rural homestead with additional land.

The appraiser is not aware of any private deed restrictions which would limit property type of use. It is common for sites located within the county to be encumbered by some minor county regulations. These restrictions neither place the subject at a legal disadvantage with other competing sites, nor do they adversely affect the use or development of the site. Therefore, the subject has a large variety of legally permitted agricultural uses.

Financially Feasible Uses

Financial feasibility relates to all uses that are physically possible and legally permissible which are likely to produce some income, or return, greater than the combined income needed to satisfy operating expenses, financial expenses, and capital amortization. All uses expected to produce a positive return with a satisfactory equity yield are regarded as financially feasible.

The locational attributes of the subject site are considered favorable for numerous agricultural uses such as a commercial beef cattle feedyard; a commercial cattle grow-yard; a dairy heifer yard; a heifer development facility; a dairy site; a mixed irrigated farm, dryland farm and pasture; a livestock grazing operation; or a rural residential and private recreational tract. These type uses also conform to the general make-up of the immediate area. Thus, the most feasible future use of the subject tract is determined to be uses characteristic of these type developments.

The subject site is improved with a commercial cattle grow-yard / feedyard facility. The maximum legal permitted capacity of the subject grow-yard / feedyard is 115,000 head. Based on available water, the facility size, and use as a grow-yard or small feedyard with no feed mill, approximately 15,000 head would be the maximum capacity of the facility. The available water would support 15,000 head and the additional water would be available if one of the tested wells goes down. In order to feed more cattle at the facility than 15,000 head efficiently, the grow-yard / feedyard would need a functioning feed mill. Therefore, the maximum highest and best use of the subject property is a 15,000 head grow-yard.

The results of the economic analysis are presented in the income approach section of the report. Alternate uses at the present time are likely to be less feasible than the current grow-yard / feedyard use, since any alternate use would require large capital outlays for physical modifications to the property which could not be recouped through income at current market levels. No known alternate legal use at the current time period could economically justify the removal of the improvements.

Based on current rent levels supported by the availability of cattle to be fed, the average to good cattle prices, the current feed prices, and considering cost and market sales information, the current use as a grow-yard / feedyard facility appears to be the most feasible use as of the appraisal date.

The following chart is used to show the cost to replace the existing structures on the subject site plus land cost and the return on the investment based on the use of the improvements.

Net Income Return to Cost of Investment	
Category	Based on the Maximum Use of the Improvements and Land
Improvement Cost	\$10,363,036
Land Cost	\$650,000
Total Cost of Property	\$11,013,036
NOI	\$94,923
Return	0.86%
Market Value Opinion	\$1,050,000
As if Vacant Land Value	\$650,000

Based on the current construction cost, as detailed in the Cost Approach, it would require capital expenditures of \$10,363,036 plus land costs of \$650,000 for a total cost of \$11,013,036 rounded to replace the existing structures and the 410.0 acres of land.

The estimated net operating income from the Income Approach was \$94,923 which is a 0.86 percent return. This is considered to be low but a positive return.

The following chart is used to show what a 15,000 head feedyard facility would cost without super-adequate feed bunk and pen space.

Net Income Return to Cost of Investment RCN Super-Adequate Obsolescence Cured	
Category	Based on the Maximum Use of the Improvements and Land
Improvement Cost (RCN)	\$10,363,036
Less Super-Adequate Obsolescence	\$3,817,264
RCN Reconstructed Without Obsolescence	\$6,545,772
Land Cost	\$650,000
Total Cost of Property	\$7,195,772
NOI	\$94,923
Return	1.32%
Market Value Opinion	\$1,050,000
As if Vacant Land Value	\$650,000

Based on the construction cost less super-adequate feed bunk and pen space, it would require capital expenditures of \$6,545,772 plus land costs of \$650,000 for a total cost of \$7,195,772 rounded to replace the existing structures and the 410.0 acres of land.

The estimated net operating income from the Income Approach was \$94,923 which is a 1.32 percent return. Both cost and return scenarios produce a positive income and are likely sufficient to attract an owner-operator-investor to build a new facility similar to the subject. A newer facility would also produce additional income and nearly double the net income.

Also the market value of the property as improved, is a greater value than the land as if vacant.

An owner-operator would be the primary purchaser of this type of property. A non-operator investor, such as a pension fund investor, that would purchase the property and lease it to a tenant feedyard or grow-yard operator, would probably not invest in the facility with associated land. These type of investors require a 5.5 to 7.5 percent minimum return on the operation.

Maximally Productive Uses

Of the financially feasible uses, the use that produces the highest price, or value, consistent with the rate of return warranted by the market for that use is the maximally productive use. The use as a 15,000 head grow-yard with associated land maximizes the value of the property and conforms to use requirements and to the general make-up of the immediate area.

Given the current market conditions, the underlying land would most likely be improved if not improved with the subject improvements, so the current use clearly maximizes value in this case. Therefore, there is no other use which would be financially feasible as of the date of the appraisal; thus, the smaller 15,000 head grow-yard use with associated land is considered a use that maximizes the productivity of the site, as improved.

In conclusion, the subject property has a desirable location for numerous rural agricultural uses. The subject's current use as a 15,000 head commercial grow-yard / feedyard facility with associated land is considered to be the highest and best use of the property as improved. The feedyard has an average to good construction quality, a fair to average appearance, adequate identification, and easy accessibility. In addition, economic profitability, feasibility, and demand conditions are concluded. These conditions indicate that the property's utilization is proper and feasible in Parmer County, Texas and the regional High Plains Grow-Yard and Feedyard market today. Therefore, based on this analysis of the subject site and improvements, relative to the definition of highest and best use, as improved, the subject is best suited as a 15,000 head commercial beef cattle grow-yard / feedyard facility on 410.0 acres of land.

As stated in the appraisal, all of the subject 410.0 acres plus offsite wastewater easements and wastewater agreements are necessary to maintain the legal CAFO Permit for the grow-yard / feedyard and for the normal function and operation of the grow-yard / feedyard. It is noted that the subject grow-yard / feedyard located on the 410.0 acres of owned land can not legally function as a livestock confined feeding operation without the additional offsite wastewater easements and agreements noted in the appraisal. Therefore, the value is subject to the continuation of the easements and agreements for the remainder of the economic life of the feedyard property.

The Valuation Process and Application of the Approaches

The Valuation Process

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value. It is a model that can be adapted to a wide variety of questions that relate to value. It can also be used—perhaps with some modification—to answer questions not directly related to value, as in the case of review and consulting assignments.

The valuation process begins when the appraiser enters into an agreement with a client to provide a valuation service. Generally, the terms of the agreement are satisfied when the appraiser delivers the assignment results (opinions and conclusions) that were agreed upon with the client. The objective of most appraisal assignments is to develop an opinion of market value. The valuation process contains all the steps appropriate to this type of assignment. The model also provides the framework for developing an opinion of other defined values.

The valuation process is accomplished through specific steps. The number of steps followed depends on the intended use of the assignment results, the nature of the property, the scope of work deemed appropriate for the assignment, and the availability of data. The model provides a pattern that can be used in any appraisal assignment to perform market research and data analysis, to apply appraisal techniques, and to integrate the results of these activities into an opinion of defined value. In addition to assisting appraisers in their work, models that apply the valuation process are recognized by the market of appraisal users and facilitate their understanding of appraisal conclusions.

Research begins after the appraisal problem has been identified and the scope of work required to solve the problem has been determined. The analysis of data relevant to the problem starts with an investigation of trends observed at the market level—international, national, regional, or neighborhood. This investigation (i.e., the market analysis) helps the appraiser understand the interrelationships among the principles, forces, and factors that affect real property value in the specific market area. Research also provides raw data from which the appraiser can extract quantitative information and other evidence of market trends. Such trends may include positive or negative percentage changes in property value over a number of years, the population movement into an area, and the number of employment opportunities available and their effect on the purchasing power of potential property users.

In assignments to develop an opinion of market value, the ultimate goal of the valuation process is a well-supported value conclusion that reflects all of the pertinent factors that influence the market value of the property being appraised. To achieve this goal, an appraiser studies a property from three different viewpoints, which are referred to as the approaches to value.

1. In the cost approach, value is estimated as the current cost of reproducing or replacing the improvements (including an appropriate entrepreneurial incentive or profit), minus the loss in value from depreciation, plus land value.
2. In the sales comparison approach, value is indicated by recent sales of comparable properties in the market.
3. In the income capitalization approach, value is indicated by a property's earning power, based on the capitalization of income.

Traditionally, specific appraisal techniques are applied within the three approaches to derive indications of real property value. One or more approaches to value may be used depending on which approaches are necessary to produce credible assignment results, given the intended use.

The three approaches are interrelated. Each requires the gathering and analysis of data that pertains to the property being appraised. From the approaches applied, the appraiser develops separate indications of value for the property being appraised. To complete the valuation process, the appraiser integrates the information drawn from market research, data analysis, and the application of the approaches to reach a value conclusion. This conclusion may be presented as a single point estimate of value or, if the assignment permits, as a range within which the value may fall (or as a point referenced from a benchmark). An effective integration of all the elements in the process depends on the appraiser's skill, experience, and judgment.²⁷

Application of the Approaches

The valuation process is applied to develop a well-supported opinion of a defined value based on an analysis of pertinent general and specific data. Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis:

- sales comparison approach
- income capitalization approach
- cost approach

One or more of these approaches are used in all estimations of value. The approaches employed depend on the type of property, the intended use of the appraisal, the applicable scope of work, and the quality and quantity of data available for analysis. All three approaches are applicable to many appraisal problems, but one or more of the approaches may have greater significance in a given assignment.

²⁷ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Pages 35-37.

For example, the sales comparison approach is usually emphasized in the valuation of single-unit residential properties. However, this approach may not be applicable to specialized properties such as garbage disposal plants because comparable data may not be available. The income capitalization approach is used to value most income-producing properties, but it can be particularly unreliable in the market for commercial or industrial property where owner-occupants outbid investors. The income capitalization approach is not typically applied in valuing homes.

The cost approach may be more applicable to new and special-purpose properties and less applicable in valuing properties with older improvements that suffer substantial depreciation, which can be difficult to estimate. Appraisers should apply all the approaches that are applicable and for which there is data. The alternative value indications derived can either support or refute one another.²⁸

In this appraisal, all three approaches were necessary to develop a credible opinion of value. Please see the following analysis.

²⁸ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Pages 44-45.

The Cost Approach to Value

Cost Approach Definition and Use - ASFMRA

The Cost Approach is based on the premise that the informed purchaser will not pay more for a property than the cost of constructing an equally desirable substitute property minus applicable depreciation and assuming no undue delay.²⁹

Cost Approach Definition and Use - Appraisal Institute

A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.³⁰

In the cost approach, appraisers compare the cost of the subject improvements to the cost to develop similar improvements as evidenced by the cost of construction of substitute properties with the same utility as the subject property. The estimate of development cost is adjusted for market-extracted losses in value caused by the age, condition, and utility of the subject improvements or for locational problems. The land value is then added, usually based on comparison with sales of comparable sites. The sum of the value of the land and the improvements is adjusted for the rights included with the subject property again based on market comparisons.³¹

The cost to construct an improvement on the effective appraisal date may be developed as either the estimated reproduction cost or estimated replacement cost of the improvement. The theoretical base (and classic starting point) for the cost approach is reproduction cost, but replacement cost is more commonly used because it may be easier to obtain and can reduce the complexity of depreciation analysis. An important distinction must be made between the terms:

- Reproduction cost is the estimated cost to construct, as of the effective appraisal date, an exact duplicate or replica of the building being appraised, insofar as possible, using the same materials, construction standards, design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the subject improvements.

²⁹ Valuing Rural America Foundations of Data Analysis, ASFMRA, 2019, Page 394.

³⁰ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 562.

³¹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 561.

- Replacement cost is the estimated cost to construct, as of the effective appraisal date, a substitute for the building being appraised using contemporary materials, standards, design, and layout. When this cost basis is used, some existing obsolescence in the property may be cured. Replacement cost may be the only alternative if reproduction cost cannot be estimated.³²

Appraisers estimate the cost to construct existing structures and site improvements (including direct costs, indirect costs, and an appropriate entrepreneurial incentive or profit) using one of three traditional techniques: • the comparative-unit method, • the unit-in-place method, or • the quantity survey method.

Appraisers then deduct all depreciation in the property improvements from the cost of the new structure as of the effective appraisal date. (Outside the United States, the term *depreciated replacement cost method* is often used to describe the application of the cost approach in this manner.) The amount of depreciation present is estimated using one or more of three fundamental methods: • the market extraction method, • the economic age-life method, or • the breakdown method.

When the value of the land is added to the cost of the improvements less depreciation, the result is the indicated value of the fee simple estate by the cost approach.³³

Basic Principle of the Cost Approach - Appraisal Institute

The principle of substitution is basic to the cost approach. This principle affirms that a knowledgeable buyer would pay no more for a property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility without undue delay. In the cost approach, existing properties can be seen as substitutes for the property being appraised, and their value is also measured relative to the value of a new, optimal property. In short, the cost of property improvements on the effective date of the appraisal plus the accompanying land value provides a measure against which prices for similar improved properties may be judged.³⁴

Applicability - Appraisal Institute

The cost approach is most applicable in valuing new or proposed construction when the improvements represent the highest and best use of the land as though vacant and the land value is well supported.³⁵

³² The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 569-570.

³³ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 562-563.

³⁴ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 563-564.

³⁵ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 566.

The cost approach may be used to develop an opinion of market value (or some other type of value the appraisal assignment may require such as use value or fair value) of proposed construction, special-purpose or specialty properties, and other properties that are not frequently exchanged in the market.³⁶

Procedure - Appraisal Institute

After gathering all relevant information and analyzing data for the market area, site, and improvements, an appraiser follows a series of steps to derive a value indication by the cost approach. The appraiser will:

1. Estimate the value of the site as though vacant and available to be developed to its highest and best use.
2. Determine which cost basis is most applicable to the assignment: reproduction cost or replacement cost.
3. Estimate the direct (hard) and indirect (soft) costs of the improvements as of the effective appraisal date.
4. Estimate an appropriate entrepreneurial incentive or profit from analysis of the market.
5. Add the estimated direct costs, indirect costs, and entrepreneurial incentive or profit to arrive at the total cost of the improvements.
6. Estimate the amount of depreciation in the improvements and, if necessary, allocate it among the three major categories:
 - physical deterioration
 - functional obsolescence
 - external obsolescence
7. Deduct estimated depreciation from the total cost of the improvements to derive an estimate of their depreciated cost.
8. Estimate the contributory value of any site improvements that have not already been considered. (Site improvements may be appraised at their contributory value—i.e., directly on a depreciated-cost basis— but may be included in the overall cost calculated in Step 3 and depreciated if necessary.)

³⁶ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 566.

9. Add land value to the total depreciated cost of all the improvements to develop the market value of the property.
10. Adjust for personal property (e.g., furniture, fixtures, and equipment) or intangible assets that are included in the appraisal.
11. Adjust the value conclusion, which reflects the value of the fee simple estate, for the property interest being appraised to arrive at the indicated value of the specified interest in the property.³⁷

The indication of value by the cost approach for the subject follows in this section of the report.

³⁷ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Pages 568-569.

Land Value Analysis “As if Vacant”

Sales comparison may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land, and it is the preferred method when comparable sales are available. To apply this method, data on sales of similar parcels of land is collected, analyzed, compared, and adjusted to provide a value indication for the site being appraised. In the comparison process, the similarity or dissimilarity of the parcels is considered.³⁸

Appraisers perform several tasks in developing an opinion of site value:

- Gather data on actual sales as well as listings, offers, and options based on highest-best use.
- Identify the similarities and differences in the data.
- Identify the highest and best use and other characteristics of each potential comparable sale and then choose the appropriate sales for analysis.
- Identify units of comparison that explain market behavior.
- Adjust the appropriate unit prices of the comparable sales to account for the dissimilar characteristics of the site being appraised.
- Form a conclusion as to the market value of the subject site.

The objective of sales comparison is to select the most comparable sales and then adjust the comparable sales for differences that cannot be eliminated within the selection process. Elements of comparison may include property rights, financing terms, conditions of sale (motivation), expenditures immediately after purchase, market conditions (changes over time), location, physical characteristics, available utilities, and zoning. The physical characteristics of a parcel of land include, but are not limited to, its size, shape, frontage, topography, soil conditions, location, and view. Unit prices may be expressed as price per square foot, front foot, acre, lot, dwelling unit, floor area ratio (FAR), or other unit used in the market.³⁹

³⁸ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Pages 364.

³⁹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Pages 366.

A thorough search was made to locate recent land sales which were considered similar to the subject in use. As a result of the location and size there have been an average amount of fairly recent land sales in the subject area. Four (4) land sales were used in the adjustment analysis. Additional sales were used for allocation purposes. These land sales are the most similar to the subject available in the market and are located in the subject's market area. In estimating the land value for the subject land, these land sales were utilized in direct comparison to the subject. The market data utilized for the basis of this report is considered the best available and indicative of current market trends in the immediate subject neighborhood. The analysis and comparison of the market information utilized follows.

Land Ratio Estimate For Site Analysis “As if Vacant”

It is noted in agricultural properties, the Cost Approach to Value employs the technique of summing all of the land and building components. This approach is used when data to value the components (land classes or types of buildings) is available, but data to value the property as a whole is limited. For example, the cost approach may be the most reliable indicator of value for a property with minimal improvements and numerous classes of land. Each comparable sale may have one or two land classes, but a group of comparable sales are needed to analyze all the land classes contained in the subject property. In this situation, the appraiser would apply the cost approach and sum the land components since there is little or no data on properties with land components similar to the subject.

The Cost Approach to value has two parts - the development of an opinion of land value and the estimation of improvement value. Although more emphasis is usually placed on valuing the improvements, valuing the land is an equally important part of the Cost Approach, particularly in appraising land-intensive properties. The opinion of land value must be based on the subject's land value as though vacant, or unimproved, and available for its highest and best use. Unimproved land sales within the subject market area should be used to derive the land value.⁴⁰

The value of the component land types are most commonly extracted from unimproved “puritan” sales to accurately reflect the value contribution of each component land type. A large number of sales were analyzed to determine land ratios in the subject area. Puritan and mixed sales were analyzed. The four (4) main types of agricultural land sales in the subject market area are 1) irrigated cropland or irrigated grassland (irrigated land); 2) dryland cropland or dry crop or grass corners; 5) CRP land; 4) and native pasture or grass used for rangeland or grazing.

1. Irrigated Land (Crop or Grass) was estimated to be the most desired land type in the subject market. This type of land sells for the highest value, therefore, it is rated at 100 percent. It is noted that irrigated cropland varies widely in price per acre depending on irrigation water availability and well output.
2. Dryland cropland or dry crop or grass corners is estimated to be the second most desired land type in the subject market rated at 30 percent of 100 percent irrigated cropland.
3. CRP is dryland cropland replanted in grasses and enrolled in the USDA NRCS Crop Reserve Program. CRP typically sales for the same price per acre as dryland cropland and it is rated at 30 percent of 100 percent irrigated cropland prices.
4. Native pasture and grazing land or native grass land typically sales for approximately 20 percent of 100 percent irrigated land.

⁴⁰ The Appraisal of Rural Property, 2nd Addition, 2000, ASFMRA and AI, Pages 193-195.

5. Farmstead sites and building sites are considered to be the same as 100 percent irrigated land sales.
6. Roads and wasteland was estimated at 10 percent of 100 percent irrigated cropland.

Land Ratios - Subject Market	
Land Type	% Land Class
Irrigated Land (Price Varies Widely Based on Irrigation Water)	100%
Dry Cropland or Dry Corners	30%
CRP Land	30%
Native Pasture or Grass	20%
Farmstead / Building Site Areas (Same as 100 Percent Irrigated Cropland)	100%
Roads and Waste	10%

The subject property is a total of 410.0 acres of land. All of the subject 410.0 acres of land is currently developed with the subject feedyard facility. If the site was vacant, there could be approximately 290.0 acres of irrigated cropland land and 120.0 acres of dry corners. The submersible wells located on the subject property are estimated to produce a total of 357 GPM which is 1.23 GPM per irrigated acre based on 290.0 acres of irrigated land. Please see the water well information in the Site Analysis Section concerning tested wells and non-tested wells.

Subject Land Mix - As Is and As if Vacant			
Subject Land - As Is (Approximate)		Subject Land - As if Vacant (Approximate)	
Subject Land	Acres	Subject Land	Acres
Irrigated Land	0.000	Potential Irrigated Land 357 GPM / 290 Acres = 1.23 GPM Per Irrigated Acre	290.000
Dry Corners	0.000	Dry Corners	120.000
Pasture / Grass	0.000	Pasture / Grass	0.000
Feedyard Building Site and Lagoons. 8 Wells at 357 GPM Total. (As if Vacant a Portion of the Building Site has the Potential to be Irrigated Land)	410.000	Feedyard Building Site and Lagoons.	0.000
Roads and Waste	0.000	Roads and Waste	0.000
Total	410.000	Total	410.000

As if vacant, the subject land would be approximately 290.0 acres of potentially irrigated land and 120.0 acres of dry corners. The on-site wells allow for the subject to have an irrigation potential of 1.23 GPM per irrigated acre for the 290.0 acres of potentially irrigated land.

In the following analysis, the most recent and similar comparable sales were used in the adjustment process. The subject site will be analyzed “as if vacant” without improvements. The structural improvements, attached equipment, and site improvements will be accounted for in the Cost Analysis within the Cost Approach Section.

The comparable land sales follow. Adjustments are applied in the adjustment grid after the comments section. As previously stated, the subject land in this analysis is valued “as if vacant”.

FARM SALE NO. 1			
TRANSACTION DATA			
Property	Irrigated Farm		
Location	The property is located 10 miles southeast of Friona along the east side of CR 27, the south side of CR M, and the west side of CR 28, in SE Parmer County, Texas.		
Legal Description	N/2 of Section 7, Block R, John J. Sullivan Subdivision, Parmer County, Texas.		
Grantor	Estate of Davis M. Thompson		
Grantee	Blue Sky Farms LLC		
Recording / Sale Information	V-184, P-282, Document 64766, PCDR		
Terms	Cash to Seller		
Sale Date	February 2, 2022 Closed		
Sale Price	\$608,000		
Other Contribution	\$0		
Net Sale Price	\$608,000		
Size / Acres	320.00		
Sale Price / Acre	\$1,900		
Topography and Land Features	Level to gently sloping.		
Structural Improvements	None		
Irrigation Improvements and Equipment	The farm is improved with two (2) quarter mile, 1,300 LF, 7-Tower 2000 Model Zimmatic sprinklers in average condition. Please see the following sprinkler grid for contributory value.		
Irrigation Wells and Site Improvements	The farm has four (4) irrigation wells producing a total of 550 GPM or 2.29 GPM per irrigated acre based on 240 irrigated acres..		
LAND BREAKDOWN			
Site Breakdown / Land Acres	Irrigated Land	75.00%	240.000
	CRP	0.00%	0.000
	Dryland Cropland or Grass Corners	25.00%	80.000
	Pasture	0.00%	0.000
	Farmstead	0.00%	0.000
	Roads / Waste	0.00%	0.000
	Total Acres	100.00%	320.000
COMMENTS			
The property was purchased by the tenant who had been a long term tenant. The seller passed all of the wind rights and all owned minerals. Property Tax ID 4794. Property taxes are \$1,595.11.			

FARM SALE NO. 1 - SPRINKLER ANALYSIS						
Sprinklers	Sprinkler 1	Sprinkler 2	Sprinkler 3	Sprinkler 4	Sprinkler 5	Sprinkler 6
Improvement Type	1 x 7-Tower Zimmatic 2000 Model	1 x 7-Tower Zimmatic 2000 Model	0	0	0	0
Size	1,300	1,300	0	0	0	0
Unit	LF	LF	LF	LF	LF	LF
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	25	25	25	25	25	25
Effective Age	16	16	0	0	0	0
Remaining Economic Life	9	9	25	25	25	25
RCN/Unit	\$68	\$68	\$0	\$0	\$0	\$0
Total RCN	\$88,400	\$88,400	\$0	\$0	\$0	\$0
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$88,400	\$88,400	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	64.00%	64.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Dep. \$	\$56,576	\$56,576	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$31,824	\$31,824	\$0	\$0	\$0	\$0
Functional Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Functional Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Phys/Func. Depreciated Value	\$31,824	\$31,824	\$0	\$0	\$0	\$0
External Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
External Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Total Cont. Value of Imp.	\$31,824	\$31,824	\$0	\$0	\$0	\$0
Contribution Per Unit	\$24.48	\$24.48	??	??	??	??
RCN Sprinklers 1-6						\$176,800
Phy. Dep. Value Spk. 1-6						\$63,648
Physically Depreciation 1-6						\$113,152
Total CV of Sprinklers 1-6						\$63,648
Total Sprinkler Linear Feet						2,600

Total CV of Sprinklers						\$63,648
Total Sprinkler LF						2,600
CV of Sprinklers Per LF						\$24.48
Gross Acres						320.000
CV of Sprinklers Per Acre						\$198.90

FARM SALE NO. 1 - STANDARD PRELIMINARY ADJUSTMENTS			
Standard Order of Adjustments Prior to Land Ratio Analysis and Physical Adjustments			
	Total Sale Price	Total Acres	Sale Price Per Acre
Sale Price	\$608,000	320.000	\$1,900
Property Rights Adjustment	\$0	320.000	\$0
Adjusted Sale Price	\$608,000	320.000	\$1,900
Financing Adjustment	\$0	320.000	\$0
Adjusted Sale Price	\$608,000	320.000	\$1,900
Conditions of Sale Adjustment	\$0	320.000	\$0
Adjusted Sale Price	\$608,000	320.000	\$1,900
Market Conditions Adjustment	\$0	320.000	\$0
Adjusted Sale Price	\$608,000	320.000	\$1,900
Adjusted Price Used in Following Land Ratio Analysis	\$608,000	320.000	\$1,900
Less Building Contribution	\$0	320.000	\$0
Less Sprinkler Contribution	(\$63,648)	320.000	(\$199)
Adjusted Unimproved Land Value Used in Following Land Ratio Analysis	\$544,352	320.000	\$1,701
The Land Ratio Analysis Follows. The Physical Adjustments will be applied in the Sales Comparison Approach Adjustment Chart.			

FARM SALE NO. 1 - LAND MIX ANALYSIS					
Land Use	Sale Acres		Land Ratio		Adjusted Acres
Irrigated Land	240.000	x	100%	=	240.000
CRP	0.000	x	30%	=	0.000
Dry Crop or Corners	80.000	x	30%	=	24.000
Pasture	0.000	x	20%	=	0.000
Farmstead	0.000	x	100%	=	0.000
Roads / Waste	0.000	x	10%	=	0.000
	320.00				264.000
Total Sale Price Including Imp.	Land Sale Price Excluding Imp.		Adjusted Acreage		Land Price Per Acre 100 Percent
\$608,000	\$544,352	/	264.000	=	\$2,062
	Land Price Per Acre 100 Percent		Land Ratio		Adjusted Land Prices
Irrigated Land	\$2,062	x	100%	=	\$2,062
CRP	\$2,062	x	30%	=	\$619
Dry Crop	\$2,062	x	30%	=	\$619
Pasture	\$2,062	x	20%	=	\$412
Farmstead	\$2,062	x	100%	=	\$2,062
Roads / Waste	\$2,062	x	10%	=	\$206

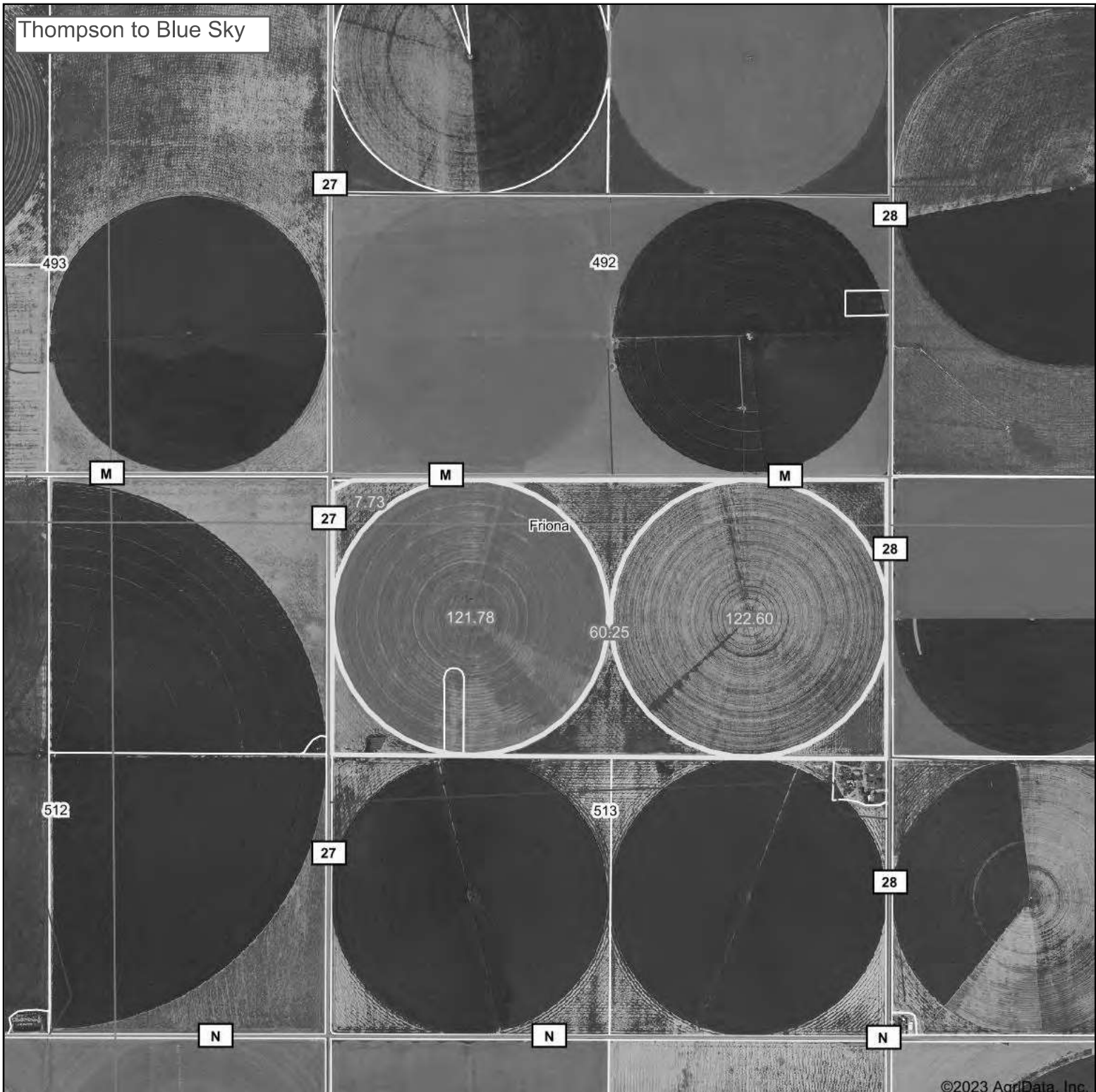
FARM SALE NO. 1 - INCOME ANALYSIS AND OVERALL RATE					
LAND TYPE	ACRES		RENT / ACRE		INCOME
Irrigated Land	240.000	@	\$150	=	\$36,000
CRP	0.000	@	\$0	=	\$0
Dryland Cropland (Corners)	80.000	@	\$30	=	\$2,400
Native / Improved Pasture	0.000	@	\$0	=	\$0
Farmstead Area	0.000	@	\$0	=	\$0
Roads & Waste	0.000	@	\$0	=	\$0
Gross Income	320.000				\$38,400
Gross Income					\$38,400
Real Estate Tax Expense			\$1,595		
Water Usage Expense			\$0		
Insurance Expense	3%		\$1,152		
Maintenance Expense	4%		\$1,536		
Management Expense	5%		\$1,920		
Expense Total			\$6,203		\$6,203
Net Operating Income					\$32,197
Expense Ratio					16.15%
Sale Price					\$608,000
Overall Rate Lease Back Above Market					5.30%
Irrigated Acres Only					240.0000
Total Gross Rent Per Irrigated Acre					\$160
The income and expenses were developed from market rates. The NOI was divided by the Sale Price to develop a market cap rate.					

FARM SALE NO. 1 - LAND COMPARISON ANALYSIS											
Sale 1	Sale Acres		Un-improved Sale CV		Total	Subject	Subject Acres		Un-improved Sale CV		Total
Irrig. Land	240.00	x	\$2,062	Acre	\$494,880	Irrig. Land	290.000	x	\$2,062	Acre	\$597,980
CRP	0.00	x	\$619	Acre	\$0	CRP	0.000	x	\$619	Acre	\$0
Dry Corners	80.00	x	\$619	Acre	\$49,520	Dry Corners	120.0000	x	\$619	Acre	\$74,280
Pasture	0.00	x	\$412	Acre	\$0	Pasture	0.000	x	\$412	Acre	\$0
FS / Bldg Site	0.00	x	\$2,062	Acre	\$0	FS / Bldg Site	0.000	x	\$2,062	Acre	\$0
R / W	0.00	x	\$206	Acre	\$0	R / W	0.000	x	\$206	Acre	\$0
Total	320.00				\$544,400	Total	410.000				\$672,260
Price / Acre					\$1,701	Price / Acre					\$1,640
Land Adj.					(\$62)						

FARM SALE NO. 1 - BUILDING COMPARISON ANALYSIS											
Sale 1	Sale Size SF, LF, Bushel		Sale Price Per Unit		Total Contributory Value	Subject	Subject Size SF, LF, Bushel		Subject Price Per Unit		Total Contributory Value
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	LF	\$0	0	0	x	\$0	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0	SF	\$0
Total CV					\$0	Total CV					\$0
Size Acres					320.000	Size Acres					410.0000
Price / Acre					\$0	Price / Acre					\$0
Bldg. Adj.					\$0						

FARM SALE NO. 1 - SPRINKLER COMPARISON ANALYSIS												
Sale 1		Sale Size LF		Sale Price Per Unit LF		Total Contributory Value	Subject		Subject Size LF		Subject Price Per Unit LF	Total Contributory Value
2 Sprinklers	2,600	x	\$24.48	LF	\$63,648	Sprinkler	0	x	\$0.00	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0	Sprinkler	0	x	\$0	LF	\$0	
Total CV					\$63,648	Total CV					\$0	
Size Acres					320.0000	Size Acres					410.0000	
Price / Acre					\$199	Price / Acre					\$0	
Sprinkler Adj.					(\$199)							

Aerial Map



Boundary Center: 34° 33' 46.43, -102° 33' 49.82

0ft 1469ft 2937ft

Parmer County
Texas



Maps Provided By:
surety
CUSTOMIZED ONLINE MAPPING
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8/29/2023

Field borders provided by Farm Service Agency as of 5/21/2008.

FARM SALE NO. 2			
TRANSACTION DATA			
Property	Irrigated Farm		
Location	The property is situated 3.5 miles southwest of Lazbuddie and 20 miles southeast of Friona in Parmer County, Texas. The portion of the property situated in the W/2 of Section 36 is located along the east side of CR 22, the south side CR BB, and the north side of CR CC. The property is situated in the E/2 of Section 26 is located along the west side of CR 22, the north side CR BB, and the south side of CR AA.		
Legal Description	160.0 acres being the SW/4 Section 36, Doud-Keefer Subdivision (6941); South 40.0 acres of the NW/4 Section 36, Doud-Keefer Subdivision (6939); 115.0 acres out of the NW/4 Section 36, Doud-Keefer Subdivision (6940); and 320.0 acres being the E/2 of Section 26, Doud-Keefer Subdivision (6914); Parmer County, Texas		
Grantor	Dutch Road Land LLC		
Grantee	Andrew Scott Johnson and Elaine Cebia		
Recording / Sale Information	V-184, P-305, Document 64768, Warranty Deed, PCDR		
Terms	Cash to Seller		
Sale Date	January 31, 2022 Closed		
Sale Price	\$1,300,000		
Other Contribution	\$0		
Net Sale Price	\$1,300,000		
Size / Acres	635.00		
Sale Price / Acre	\$2,047		
Topography and Land Features	Level to gently sloping.		
Structural Improvements	The farm is improved with one (1) 700 square foot wood frame and siding dwelling with a metal roof, updated flooring, cabinets and bathroom; one (1) 2,500 square foot steel construction shop building with a concrete floor, sliding doors, and walk-through door; and one (1) detached garage with no contributory value; and two (2) usable grain storage bins that have no significant contributory value.		
Irrigation Improvements and Equipment	The farm is improved with two (2) quarter mile, 7-Tower, 1,300 LF, 1993 Model Valley sprinklers; one (1) 6-Tower, 920 LF, 1979 model Valley sprinkler; and one (1) 9-Tower, 1,290 LF, 1984 model Valley sprinkler. Please see the following sprinkler grid for contributory value.		
Irrigation Wells and Site Improvements	The farm has twelve (12) irrigation wells producing a total of 450 GPM or 1.09 GPM per irrigated acre based on 414.5 irrigated acres.		
LAND BREAKDOWN			
Site Breakdown / Land Acres	Irrigated Land	65.28%	414.500
	CRP	0.00%	0.000
	Dryland Cropland or Grass Corners	34.41%	218.500
	Pasture	0.00%	0.000
	Farmstead	0.32%	2.000

	Roads / Waste	0.00%	0.000
	Total Acres	100.00%	635.000
COMMENTS			
Property Tax ID 6941 at \$830.98; 6939 at \$205.55; 6940 at \$600.29; 6914 at \$3,263.89; Total Taxes \$4,900.71.			

FARM SALE NO. 2 - IMPROVEMENT ANALYSIS						
Item	Imp. 1	Imp. 2	Imp. 3	Imp. 4	Imp. 5	Imp. 6
Improvement Type	Dwelling	Shop Bldg.	0	0	0	0
Size	700	2,500	0	1	1	1
Unit	SF	SF	SF	SF	SF	SF
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	50	40	40	40	40	40
Effective Age	25	20	0	0	0	0
Remaining Economic Life	25	20	40	40	40	40
RCN/Unit	\$90	\$30.00	\$0	\$0	\$0	\$0
Total RCN	\$63,000	\$75,000	\$0	\$0	\$0	\$0
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$63,000	\$75,000	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	50.00%	50.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Dep. \$	\$31,500	\$37,500	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$31,500	\$37,500	\$0	\$0	\$0	\$0
Functional Obsolescence %	0.00%	0.00%	30.00%	0.00%	0.00%	0.00%
Functional Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Phys/Func. Depreciated Value	\$31,500	\$37,500	\$0	\$0	\$0	\$0
External Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
External Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Total Cont. Value of Imp.	\$31,500	\$37,500	\$0	\$0	\$0	\$0
Contribution Per Unit	\$45.00	\$15.00	??	\$0.00	\$0.00	\$0.00
RCN Imp. 1-6						\$138,000
Phy. Dep. Value Imp. 1-6						\$69,000
Physically Depreciation 1-6						\$69,000
Total CV of Imp. 1-6						\$69,000

Improvement Analysis and Obsolescence Conclusion						
Total RCN Imp. 1-6						\$138,000
Total Phy. Dep Value Imp. 1-6						\$69,000.000
Total Physical Dep. 1-6					50.00%	\$69,000
Imp. Value From Sale						\$69,000
Difference in Physically Depreciated Value and Improvement Value From Sale					0.00%	\$0.00
Obsolescence Est. % (Ext)						0.00%
Total CV of Imp. 1-6						\$69,000
Gross Acres						635.000
CV of Imp. Per Acre						\$108.66

FARM SALE NO. 2 - SPRINKLER ANALYSIS						
Sprinklers	Sprinkler 1	Sprinkler 2	Sprinkler 3	Sprinkler 4	Sprinkler 5	Sprinkler 6
Improvement Type	S-36, 7-T 1993 Valley SN-66396	N-36, 7-T 1993 Valley SN-62841	S-26, 6-T 1979 Valley SN-31452	N-26, 9-T 1984 Valley SN-M4871	0	0
Size	1,300	1,300	920	1,290	0	0
Unit	LF	LF	LF	LF	LF	LF
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	25	25	25	25	25	25
Effective Age	21	21	23	23	0	0
Remaining Economic Life	4	4	2	2	25	25
RCN/Unit	\$69	\$69	\$69	\$69	\$0	\$0
Total RCN	\$89,700	\$89,700	\$63,480	\$89,010	\$0	\$0
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$89,700	\$89,700	\$63,480	\$89,010	\$0	\$0
Physical Incurable Dep. %	84.00%	84.00%	92.00%	92.00%	0.00%	0.00%
Phys. Incurable Dep. \$	\$75,348	\$75,348	\$58,402	\$81,889	\$0	\$0
Physically Depreciated Value	\$14,352	\$14,352	\$5,078	\$7,121	\$0	\$0
Functional Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Functional Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Phys/Func. Depreciated Value	\$14,352	\$14,352	\$5,078	\$7,121	\$0	\$0
External Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
External Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Total Cont. Value of Imp.	\$14,352	\$14,352	\$5,078	\$7,121	\$0	\$0
Contribution Per Unit	\$11.04	\$11.04	\$5.52	\$5.52	??	??
RCN Sprinklers 1-6						\$331,890
Phy. Dep. Value Spk. 1-6						\$40,903
Physically Depreciation 1-6						\$290,987
Total CV of Sprinklers 1-6						\$40,903
Total Sprinkler Linear Feet						4,810

Total CV of Sprinklers						\$40,903
Total Sprinkler LF						4,810
CV of Sprinklers Per LF						\$8.50
Gross Acres						635.000
CV of Sprinklers Per Acre						\$64.41

FARM SALE NO. 2 - STANDARD PRELIMINARY ADJUSTMENTS			
Standard Order of Adjustments Prior to Land Ratio Analysis and Physical Adjustments			
	Total Sale Price	Total Acres	Sale Price Per Acre
Sale Price	\$1,300,000	635.000	\$2,047
Property Rights Adjustment	\$0	635.000	\$0
Adjusted Sale Price	\$1,300,000	635.000	\$2,047
Financing Adjustment	\$0	635.000	\$0
Adjusted Sale Price	\$1,300,000	635.000	\$2,047
Conditions of Sale Adjustment	\$0	635.000	\$0
Adjusted Sale Price	\$1,300,000	635.000	\$2,047
Market Conditions Adjustment	\$0	635.000	\$0
Adjusted Sale Price	\$1,300,000	635.000	\$2,047
Adjusted Price Used in Following Land Ratio Analysis	\$1,300,000	635.000	\$2,047
Less Building Contribution	(\$69,000)	635.000	(\$109)
Less Sprinkler Contribution	(\$40,903)	635.000	(\$64)
Adjusted Unimproved Land Value Used in Following Land Ratio Analysis	\$1,190,097	635.000	\$1,874
The Land Ratio Analysis Follows. The Physical Adjustments will be applied in the Sales Comparison Approach Adjustment Chart.			

FARM SALE NO. 2 - LAND MIX ANALYSIS					
Land Use	Sale Acres		Land Ratio		Adjusted Acres
Irrigated Land	414.500	x	100%	=	414.500
CRP	0.000	x	30%	=	0.000
Dry Crop or Corners	218.500	x	30%	=	65.550
Pasture	0.000	x	20%	=	0.000
Farmstead	2.000	x	100%	=	2.000
Roads / Waste	0.000	x	10%	=	0.000
	635.00				482.050
Total Sale Price Including Imp.	Land Sale Price Excluding Imp.		Adjusted Acreage		Land Price Per Acre 100 Percent
\$1,300,000	\$1,190,097	/	482.050	=	\$2,469
	Land Price Per Acre 100 Percent		Land Ratio		Adjusted Land Prices
Irrigated Land	\$2,469	x	100%	=	\$2,469
CRP	\$2,469	x	30%	=	\$741
Dry Crop	\$2,469	x	30%	=	\$741
Pasture	\$2,469	x	20%	=	\$494
Farmstead	\$2,469	x	100%	=	\$2,469
Roads / Waste	\$2,469	x	10%	=	\$247

FARM SALE NO. 2 - INCOME ANALYSIS AND OVERALL RATE					
LAND TYPE	ACRES		RENT / ACRE		INCOME
Irrigated Land	414.500	@	\$120	=	\$49,740
CRP	0.000	@	\$0	=	\$0
Dryland Cropland (Corners)	218.500	@	\$30	=	\$6,555
Native / Improved Pasture	0.000	@	\$0	=	\$0
Farmstead Area	2.000	@	\$4,500	=	\$9,000
Roads & Waste	0.000	@	\$0	=	\$0
Gross Income	635.000				\$65,295
Gross Income					\$65,295
Real Estate Tax Expense			\$4,901		
Water Usage Expense			\$0		
Insurance Expense	3%		\$1,959		
Maintenance Expense	4%		\$2,612		
Management Expense	5%		\$3,265		
Expense Total			\$12,736		\$12,736
Net Operating Income					\$52,559
Expense Ratio					19.51%
Sale Price					\$1,300,000
Overall Rate Lease Back Above Market					4.04%
Irrigated Acres Only					414.5000
Total Gross Rent Per Irrigated Acre					\$158
The income and expenses were developed from market rates. The NOI was divided by the Sale Price to develop a market cap rate.					

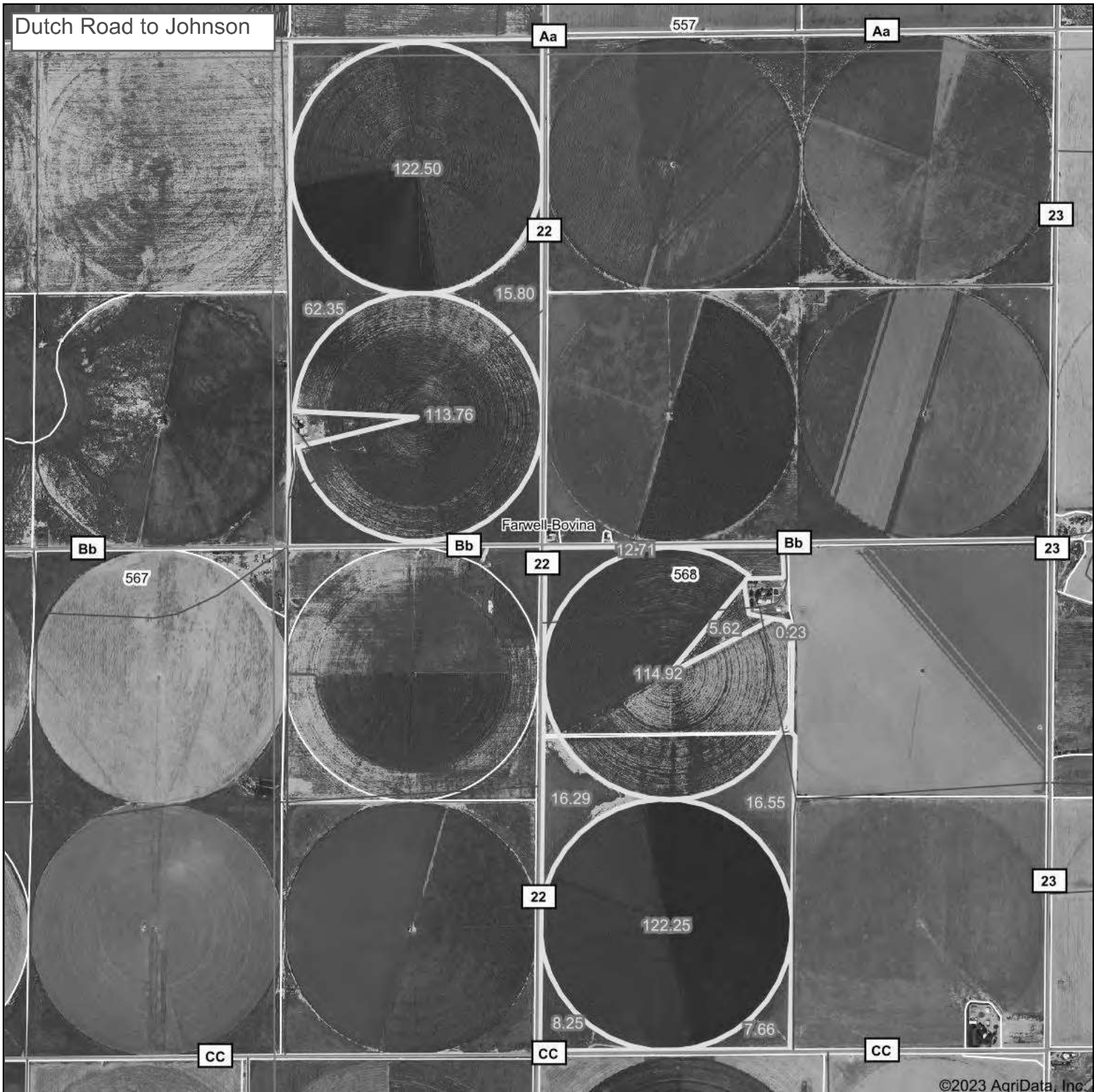
FARM SALE NO. 2 - LAND COMPARISON ANALYSIS											
Sale 2	Sale Acres		Un-improved Sale CV		Total	Subject	Subject Acres		Un-improved Sale CV		Total
Irrig. Land	414.50	x	\$2,469	Acre	\$1,023,401	Irrig. Land	290.000	x	\$2,469	Acre	\$716,010
CRP	0.00	x	\$741	Acre	\$0	CRP	0.000	x	\$741	Acre	\$0
Dry Corners	218.50	x	\$741	Acre	\$161,909	Dry Corners	120.0000	x	\$741	Acre	\$88,920
Pasture	0.00	x	\$494	Acre	\$0	Pasture	0.000	x	\$494	Acre	\$0
FS / Bldg Site	2.00	x	\$2,469	Acre	\$4,938	FS / Bldg Site	0.000	x	\$2,469	Acre	\$0
R / W	0.00	x	\$247	Acre	\$0	R / W	0.000	x	\$247	Acre	\$0
Total	635.00				\$1,190,247	Total	410.000				\$804,930
Price / Acre					\$1,874	Price / Acre					\$1,963
Land Adj.					\$89						

FARM SALE NO. 2 - BUILDING COMPARISON ANALYSIS											
Sale 2	Sale Size SF, LF, Bushel		Sale Price Per Unit		Total Contributory Value	Subject	Subject Size SF, LF, Bushel		Subject Price Per Unit		Total Contributory Value
Dwelling	700	x	\$45.00	SF	\$31,500	0	0	x	\$0.00	SF	\$0
Shop	2,500	x	\$15.00	SF	\$37,500	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	LF	\$0	0	0	x	\$0	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0	SF	\$0
Total CV					\$69,000	Total CV					\$0
Size Acres					635.000	Size Acres					410.0000
Price / Acre					\$109	Price / Acre					\$0
Bldg. Adj.					(\$109)						

FARM SALE NO. 2 - SPRINKLER COMPARISON ANALYSIS													
Sale 2		Sale Size LF		Sale Price Per Unit LF		Total Contributory Value	Subject		Subject Size LF		Subject Price Per Unit LF		Total Contributory Value
4 Sprinklers	4,810	x	\$8.50	LF	\$40,903		Sprinkler	0	x	\$0.00	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Total CV							Total CV						
Size Acres							Size Acres						
Price / Acre							Price / Acre						
Sprinkler Adj.													

Aerial Map

Dutch Road to Johnson



Boundary Center: 34° 21' 22.57, -102° 39' 55.17

0ft 1612ft 3225ft

Parmer County
Texas



Maps Provided By:
surety
CUSTOMIZED ONLINE MAPPING
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8/29/2023

Field borders provided by Farm Service Agency as of 5/21/2008.

FARM SALE NO. 3			
TRANSACTION DATA			
Property	Irrigated Farm		
Location	The property is located 6.0 miles SE of Lazzbuddie along the east side of CR 28 and the north side of CR 30 / CR EE in the SE/Corner of Parmer County, Texas.		
Legal Description	120.0 acres being the South 120.0 acres of the W/2 of Section 6, Warren Survey, Parmer County, Texas.		
Grantor	John Bruce and Cindy Barnett		
Grantee	Tom D. Sell		
Recording / Sale Information	V-187, P-487, Document 65151, Warranty Deed, PCDR		
Terms	Cash to Seller		
Sale Date	May 4, 2022 Closed		
Sale Price	\$184,336		
Other Contribution	\$0		
Net Sale Price	\$184,336		
Size / Acres	120.00		
Sale Price / Acre	\$1,536		
Topography and Land Features	Level to gently sloping.		
Structural Improvements	None		
Irrigation Improvements and Equipment	The farm is improved with one (1) quarter mile, 7-Tower, 1,290 LF, 1989 Model Zimmatic sprinkler. Please see the following sprinkler grid for contributory value.		
Irrigation Wells and Site Improvements	The farm has three (3) irrigation wells producing a total of 175 GPM or 2.19 GPM per irrigated acre based on 80.0 irrigated acres.		
LAND BREAKDOWN			
Site Breakdown / Land Acres	Irrigated Land	66.67%	80.000
	CRP	0.00%	0.000
	Dryland Cropland or Grass Corners	33.33%	40.000
	Pasture	0.00%	0.000
	Farmstead	0.00%	0.000
	Roads / Waste	0.00%	0.000
	Total Acres	100.00%	120.000
COMMENTS			
Property Tax ID 6801 at \$621.05 annual taxes.			

FARM SALE NO. 3 - SPRINKLER ANALYSIS						
Sprinklers	Sprinkler 1	Sprinkler 2	Sprinkler 3	Sprinkler 4	Sprinkler 5	Sprinkler 6
Improvement Type	7-T 1989 Zimmatic	0	0	0	0	0
Size	1,290	0	0	0	0	0
Unit	LF	LF	LF	LF	LF	LF
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	25	25	25	25	25	25
Effective Age	23	0	0	0	0	0
Remaining Economic Life	2	25	25	25	25	25
RCN/Unit	\$69	\$69	\$69	\$69	\$0	\$0
Total RCN	\$89,010	\$0	\$0	\$0	\$0	\$0
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$89,010	\$0	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	92.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Dep. \$	\$81,889	\$0	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$7,121	\$0	\$0	\$0	\$0	\$0
Functional Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Functional Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Phys/Func. Depreciated Value	\$7,121	\$0	\$0	\$0	\$0	\$0
External Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
External Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Total Cont. Value of Imp.	\$7,121	\$0	\$0	\$0	\$0	\$0
Contribution Per Unit	\$5.52	??	??	??	??	??
RCN Sprinklers 1-6						\$89,010
Phy. Dep. Value Spk. 1-6						\$7,121
Physically Depreciation 1-6						\$81,889
Total CV of Sprinklers 1-6						\$7,121
Total Sprinkler Linear Feet						1,290

Total CV of Sprinklers						\$7,121
Total Sprinkler LF						1,290
CV of Sprinklers Per LF						\$5.52
Gross Acres						120.000
CV of Sprinklers Per Acre						\$59.34

FARM SALE NO. 3 - STANDARD PRELIMINARY ADJUSTMENTS			
Standard Order of Adjustments Prior to Land Ratio Analysis and Physical Adjustments			
	Total Sale Price	Total Acres	Sale Price Per Acre
Sale Price	\$184,336	120.000	\$1,536
Property Rights Adjustment	\$0	120.000	\$0
Adjusted Sale Price	\$184,336	120.000	\$1,536
Financing Adjustment	\$0	120.000	\$0
Adjusted Sale Price	\$184,336	120.000	\$1,536
Conditions of Sale Adjustment	\$0	120.000	\$0
Adjusted Sale Price	\$184,336	120.000	\$1,536
Market Conditions Adjustment	\$0	120.000	\$0
Adjusted Sale Price	\$184,336	120.000	\$1,536
Adjusted Price Used in Following Land Ratio Analysis	\$184,336	120.000	\$1,536
Less Building Contribution	\$0	120.000	\$0
Less Sprinkler Contribution	(\$7,121)	120.000	(\$59)
Adjusted Unimproved Land Value Used in Following Land Ratio Analysis	\$177,215	120.000	\$1,477
The Land Ratio Analysis Follows. The Physical Adjustments will be applied in the Sales Comparison Approach Adjustment Chart.			

FARM SALE NO. 3 - LAND MIX ANALYSIS					
Land Use	Sale Acres		Land Ratio		Adjusted Acres
Irrigated Land	80.000	x	100%	=	80.000
CRP	0.000	x	30%	=	0.000
Dry Crop or Corners	40.000	x	30%	=	12.000
Pasture	0.000	x	20%	=	0.000
Farmstead	0.000	x	100%	=	0.000
Roads / Waste	0.000	x	10%	=	0.000
	120.00				92.000
Total Sale Price Including Imp.	Land Sale Price Excluding Imp.		Adjusted Acreage		Land Price Per Acre 100 Percent
\$184,336	\$177,215	/	92.000	=	\$1,926
	Land Price Per Acre 100 Percent		Land Ratio		Adjusted Land Prices
Irrigated Land	\$1,926	x	100%	=	\$1,926
CRP	\$1,926	x	30%	=	\$578
Dry Crop	\$1,926	x	30%	=	\$578
Pasture	\$1,926	x	20%	=	\$385
Farmstead	\$1,926	x	100%	=	\$1,926
Roads / Waste	\$1,926	x	10%	=	\$193

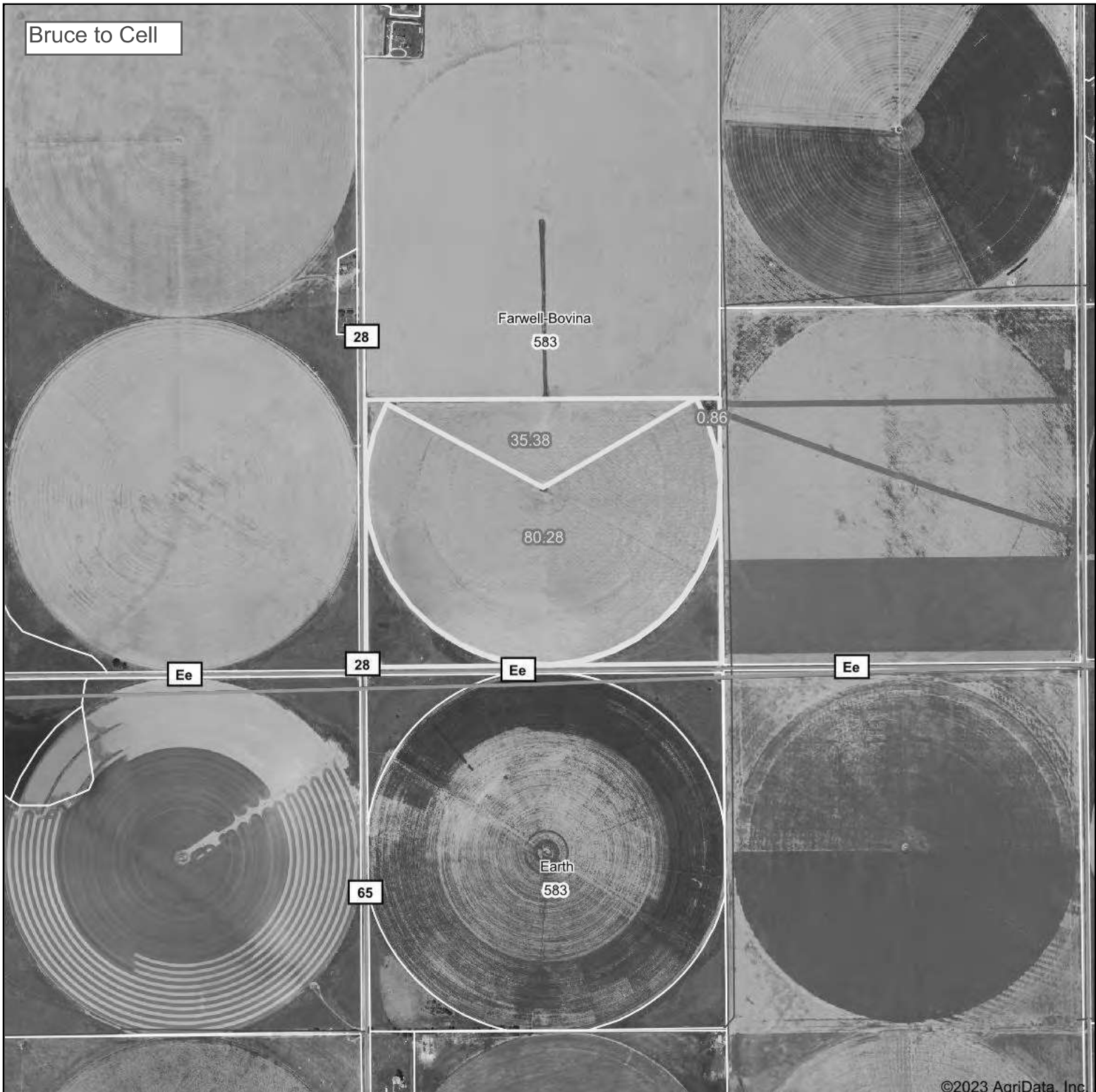
FARM SALE NO. 3 - INCOME ANALYSIS AND OVERALL RATE					
LAND TYPE	ACRES		RENT / ACRE		INCOME
Irrigated Land	80.000	@	\$140	=	\$11,200
CRP	0.000	@	\$0	=	\$0
Dryland Cropland (Corners)	40.000	@	\$30	=	\$1,200
Native / Improved Pasture	0.000	@	\$0	=	\$0
Farmstead Area	0.000	@	\$0	=	\$0
Roads & Waste	0.000	@	\$0	=	\$0
Gross Income	120.000				\$12,400
Gross Income					\$12,400
Real Estate Tax Expense			\$621		
Water Usage Expense			\$0		
Insurance Expense	3%		\$372		
Maintenance Expense	4%		\$496		
Management Expense	5%		\$620		
Expense Total			\$2,109		\$2,109
Net Operating Income					\$10,291
Expense Ratio					17.01%
Sale Price					\$184,336
Overall Rate Lease Back Above Market					5.58%
Irrigated Acres Only					80.0000
Total Gross Rent Per Irrigated Acre					\$155
The income and expenses were developed from market rates. The NOI was divided by the Sale Price to develop a market cap rate.					

FARM SALE NO. 3 - LAND COMPARISON ANALYSIS											
Sale 3	Sale Acres		Un-improved Sale CV		Total	Subject	Subject Acres		Un-improved Sale CV		Total
Irrig. Land	80.00	x	\$1,926	Acre	\$154,080	Irrig. Land	290.000	x	\$1,926	Acre	\$558,540
CRP	0.00	x	\$578	Acre	\$0	CRP	0.000	x	\$578	Acre	\$0
Dry Corners	40.00	x	\$578	Acre	\$23,120	Dry Corners	120.0000	x	\$578	Acre	\$69,360
Pasture	0.00	x	\$385	Acre	\$0	Pasture	0.000	x	\$385	Acre	\$0
FS / Bldg Site	0.00	x	\$1,926	Acre	\$0	FS / Bldg Site	0.000	x	\$1,926	Acre	\$0
R / W	0.00	x	\$193	Acre	\$0	R / W	0.000	x	\$193	Acre	\$0
Total	120.00				\$177,200	Total	410.000				\$627,900
Price / Acre					\$1,477	Price / Acre					\$1,531
Land Adj.					\$55						

FARM SALE NO. 3 - BUILDING COMPARISON ANALYSIS											
Sale 3	Sale Size SF, LF, Bushel		Sale Price Per Unit		Total Contributory Value	Subject	Subject Size SF, LF, Bushel		Subject Price Per Unit		Total Contributory Value
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	LF	\$0	0	0	x	\$0	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0	SF	\$0
Total CV					\$0	Total CV					\$0
Size Acres					120.000	Size Acres					410.0000
Price / Acre					\$0	Price / Acre					\$0
Bldg. Adj.					\$0						

FARM SALE NO. 3 - SPRINKLER COMPARISON ANALYSIS												
Sale 3		Sale Size LF		Sale Price Per Unit LF		Total Contributory Value	Subject		Subject Size LF		Subject Price Per Unit LF	Total Contributory Value
1 Sprinkler	1,290	x	\$5.52	LF	\$7,121		Sprinkler	0	x	\$0.00	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
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Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
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Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
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Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
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Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0
Sprinkler	0	x	\$0									

Aerial Map



Boundary Center: 34° 18' 57.75, -102° 33' 22.98

0ft 1142ft 2284ft

**Parmer County
Texas**



Maps Provided By:
surety
CUSTOMIZED ONLINE MAPPING
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8/31/2023

Field borders provided by Farm Service Agency as of 5/21/2008.

FARM SALE NO. 4			
TRANSACTION DATA			
Property	Irrigated Farm		
Location	The property is located 3.0 miles NE of Bovina along the southeast side of U S-60 and BNSF Railroad; along the south side of CR N; the west side of CR 12, in Parmer County, Texas.		
Legal Description	269.0 acres out of Section 1, T7S, R2E, Parmer County, Texas.		
Grantor	Daniel Wolfe and Tina Wall Dyck		
Grantee	Lance and Trisha McClaran		
Recording / Sale Information	V-173, P-354, Document 63387, Warranty Deed, PCDR		
Terms	Cash to Seller		
Sale Date	February 12, 2021 Closed		
Sale Price	\$538,000		
Other Contribution	\$0		
Net Sale Price	\$538,000		
Size / Acres	269.00		
Sale Price / Acre	\$2,000		
Topography and Land Features	Level to gently sloping with playa lake.		
Structural Improvements	None		
Irrigation Improvements and Equipment	The farm is improved with one (1) quarter mile, 7-Tower, 1,290 LF, Zimmatic sprinkler; one (1) quarter mile, 7-Tower, 1,280 LF, Zimmatic sprinkler; and one (1) 5-Tower, 590 LF, Zimmatic sprinkler. The sprinklers are 1978 to 1990's models. Please see the following sprinkler grid for contributory value.		
Irrigation Wells and Site Improvements	The farm has three (3) irrigation wells producing a total output of 400 GPM or 2.59 GPM per irrigated acre based on 160.0 irrigated acres.		
LAND BREAKDOWN			
Site Breakdown / Land Acres	Irrigated Land	59.48%	160.000
	CRP	0.00%	0.000
	Dryland Cropland or Grass Corners	40.52%	109.000
	Pasture	0.00%	0.000
	Farmstead	0.00%	0.000
	Roads / Waste	0.00%	0.000
	Total Acres	100.00%	269.000
COMMENTS			
Property Tax ID 3992 at \$408.05 and 3991 at \$981.50 annual taxes. F fractional minerals conveyed.			

FARM SALE NO. 4 - SPRINKLER ANALYSIS						
Sprinklers	Sprinkler 1	Sprinkler 2	Sprinkler 3	Sprinkler 4	Sprinkler 5	Sprinkler 6
Improvement Type	7-T Zimmatic	5-T Zimmatic	7-T Zimmatic	0	0	0
Size	1,290	590	1,280	0	0	0
Unit	LF	LF	LF	LF	LF	LF
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	25	25	25	25	25	25
Effective Age	18	21	18	0	0	0
Remaining Economic Life	7	4	7	25	25	25
RCN/Unit	\$70	\$70	\$70	\$0	\$0	\$0
Total RCN	\$90,300	\$41,300	\$89,600	\$0	\$0	\$0
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$90,300	\$41,300	\$89,600	\$0	\$0	\$0
Physical Incurable Dep. %	72.00%	84.00%	72.00%	0.00%	0.00%	0.00%
Phys. Incurable Dep. \$	\$65,016	\$34,692	\$64,512	\$0	\$0	\$0
Physically Depreciated Value	\$25,284	\$6,608	\$25,088	\$0	\$0	\$0
Functional Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Functional Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Phys/Func. Depreciated Value	\$25,284	\$6,608	\$25,088	\$0	\$0	\$0
External Obsolescence %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
External Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Total Cont. Value of Imp.	\$25,284	\$6,608	\$25,088	\$0	\$0	\$0
Contribution Per Unit	\$19.60	\$11.20	\$19.60	??	??	??
RCN Sprinklers 1-6						\$221,200
Phy. Dep. Value Spk. 1-6						\$56,980
Physically Depreciation 1-6						\$164,220
Total CV of Sprinklers 1-6						\$56,980
Total Sprinkler Linear Feet						3,160

Total CV of Sprinklers						\$56,980
Total Sprinkler LF						3,160
CV of Sprinklers Per LF						\$18.03
Gross Acres						269.000
CV of Sprinklers Per Acre						\$211.82

FARM SALE NO. 4 - STANDARD PRELIMINARY ADJUSTMENTS			
Standard Order of Adjustments Prior to Land Ratio Analysis and Physical Adjustments			
	Total Sale Price	Total Acres	Sale Price Per Acre
Sale Price	\$538,000	269.000	\$2,000
Property Rights Adjustment	\$0	269.000	\$0
Adjusted Sale Price	\$538,000	269.000	\$2,000
Financing Adjustment	\$0	269.000	\$0
Adjusted Sale Price	\$538,000	269.000	\$2,000
Conditions of Sale Adjustment	\$0	269.000	\$0
Adjusted Sale Price	\$538,000	269.000	\$2,000
Market Conditions Adjustment	\$0	269.000	\$0
Adjusted Sale Price	\$538,000	269.000	\$2,000
Adjusted Price Used in Following Land Ratio Analysis	\$538,000	269.000	\$2,000
Less Building Contribution	\$0	269.000	\$0
Less Sprinkler Contribution	(\$56,980)	269.000	(\$212)
Adjusted Unimproved Land Value Used in Following Land Ratio Analysis	\$481,020	269.000	\$1,788
The Land Ratio Analysis Follows. The Physical Adjustments will be applied in the Sales Comparison Approach Adjustment Chart.			

FARM SALE NO. 4 - LAND MIX ANALYSIS					
Land Use	Sale Acres		Land Ratio		Adjusted Acres
Irrigated Land	160.000	x	100%	=	160.000
CRP	0.000	x	30%	=	0.000
Dry Crop or Corners	109.000	x	30%	=	32.700
Pasture	0.000	x	20%	=	0.000
Farmstead	0.000	x	100%	=	0.000
Roads / Waste	0.000	x	10%	=	0.000
	269.00				192.700
Total Sale Price Including Imp.	Land Sale Price Excluding Imp.		Adjusted Acreage		Land Price Per Acre 100 Percent
\$538,000	\$481,020	/	192.700	=	\$2,496
	Land Price Per Acre 100 Percent		Land Ratio		Adjusted Land Prices
Irrigated Land	\$2,496	x	100%	=	\$2,496
CRP	\$2,496	x	30%	=	\$749
Dry Crop	\$2,496	x	30%	=	\$749
Pasture	\$2,496	x	20%	=	\$499
Farmstead	\$2,496	x	100%	=	\$2,496
Roads / Waste	\$2,496	x	10%	=	\$250

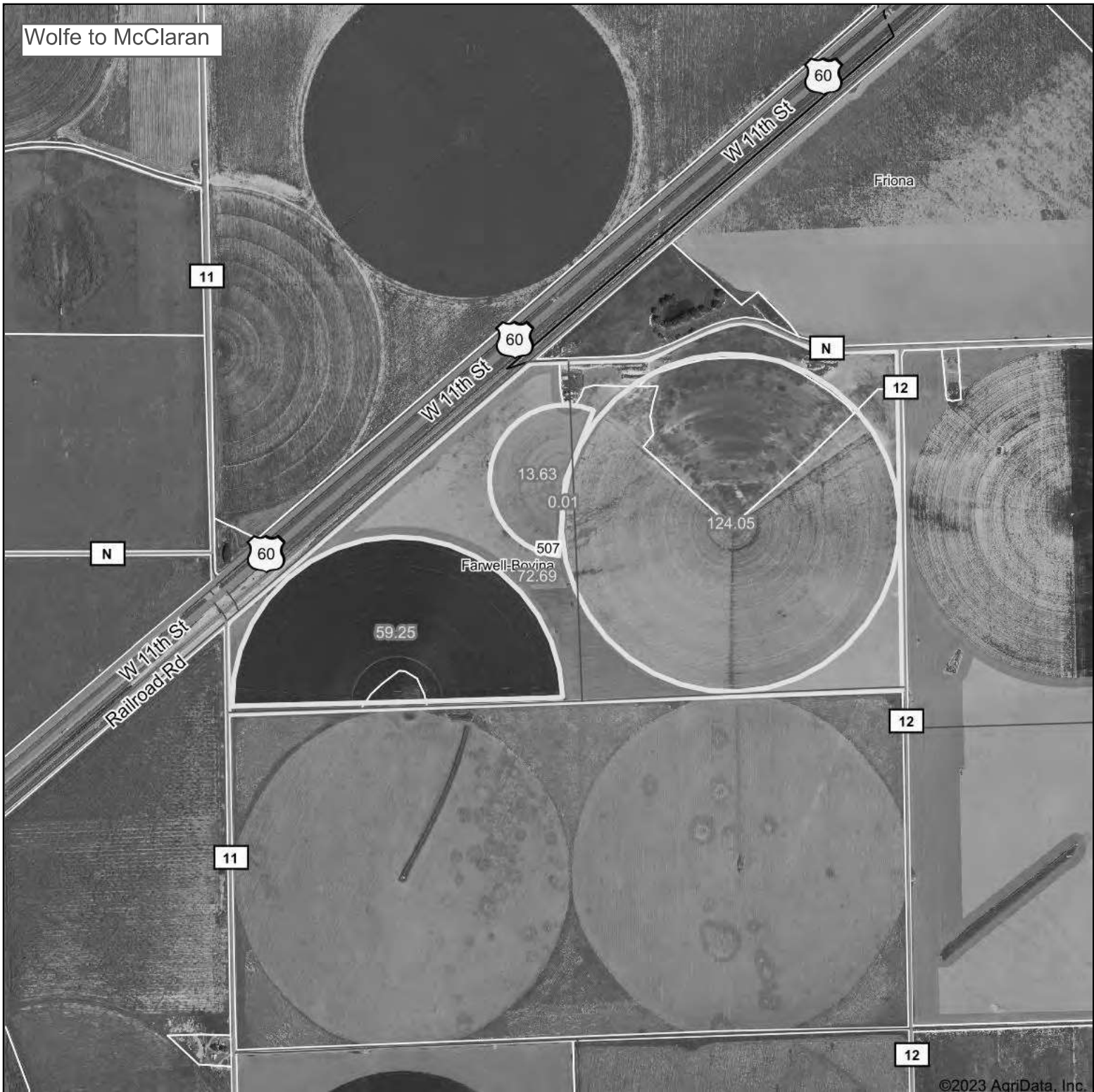
FARM SALE NO. 4 - INCOME ANALYSIS AND OVERALL RATE					
LAND TYPE	ACRES		RENT / ACRE		INCOME
Irrigated Land	160.000	@	\$140	=	\$22,400
CRP	0.000	@	\$0	=	\$0
Dryland Cropland (Corners)	109.000	@	\$30	=	\$3,270
Native / Improved Pasture	0.000	@	\$0	=	\$0
Farmstead Area	0.000	@	\$0	=	\$0
Roads & Waste	0.000	@	\$0	=	\$0
Gross Income	269.000				\$25,670
Gross Income					\$25,670
Real Estate Tax Expense			\$1,390		
Water Usage Expense			\$0		
Insurance Expense	3%		\$770		
Maintenance Expense	4%		\$1,027		
Management Expense	5%		\$1,284		
Expense Total			\$4,470		\$4,470
Net Operating Income					\$21,200
Expense Ratio					17.41%
Sale Price					\$538,000
Overall Rate Lease Back Above Market					3.94%
Irrigated Acres Only					160.0000
Total Gross Rent Per Irrigated Acre					\$160
The income and expenses were developed from market rates. The NOI was divided by the Sale Price to develop a market cap rate.					

FARM SALE NO. 4 - LAND COMPARISON ANALYSIS											
Sale 4	Sale Acres		Un-improved Sale CV		Total	Subject	Subject Acres		Un-improved Sale CV		Total
Irrig. Land	160.00	x	\$2,496	Acre	\$399,360	Irrig. Land	290.000	x	\$2,496	Acre	\$723,840
CRP	0.00	x	\$749	Acre	\$0	CRP	0.000	x	\$749	Acre	\$0
Dry Corners	109.00	x	\$749	Acre	\$81,641	Dry Corners	120.0000	x	\$749	Acre	\$89,880
Pasture	0.00	x	\$499	Acre	\$0	Pasture	0.000	x	\$499	Acre	\$0
FS / Bldg Site	0.00	x	\$2,496	Acre	\$0	FS / Bldg Site	0.000	x	\$2,496	Acre	\$0
R / W	0.00	x	\$250	Acre	\$0	R / W	0.000	x	\$250	Acre	\$0
Total	269.00				\$481,001	Total	410.000				\$813,720
Price / Acre					\$1,788	Price / Acre					\$1,985
Land Adj.					\$197						

FARM SALE NO. 4 - BUILDING COMPARISON ANALYSIS											
Sale 4	Sale Size SF, LF, Bushel		Sale Price Per Unit		Total Contributory Value	Subject	Subject Size SF, LF, Bushel		Subject Price Per Unit		Total Contributory Value
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0.00	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	SF	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0.00	SF	\$0
0	0	x	\$0	LF	\$0	0	0	x	\$0	SF	\$0
0	0	x	\$0	Unit	\$0	0	0	x	\$0	SF	\$0
Total CV					\$0	Total CV					\$0
Size Acres					269.000	Size Acres					410.0000
Price / Acre					\$0	Price / Acre					\$0
Bldg. Adj.					\$0						

FARM SALE NO. 4 - SPRINKLER COMPARISON ANALYSIS													
Sale 4		Sale Size LF		Sale Price Per Unit LF		Total Contributory Value	Subject		Subject Size LF		Subject Price Per Unit LF		Total Contributory Value
3 Sprinklers	3,160	x	\$18.03	LF	\$56,980		Sprinkler	0	x	\$0.00	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Sprinkler	0	x	\$0	LF	\$0		Sprinkler	0	x	\$0	LF	\$0	
Total CV					\$56,980		Total CV					\$0	
Size Acres					269.0000		Size Acres					410.0000	
Price / Acre					\$212		Price / Acre					\$0	
Sprinkler Adj.					(\$212)								

Aerial Map



Boundary Center: 34° 32' 59.6, -102° 50' 30.83

0ft 1211ft 2421ft

Parmer County
Texas



Maps Provided By:



surety
CUSTOMIZED ONLINE MAPPING

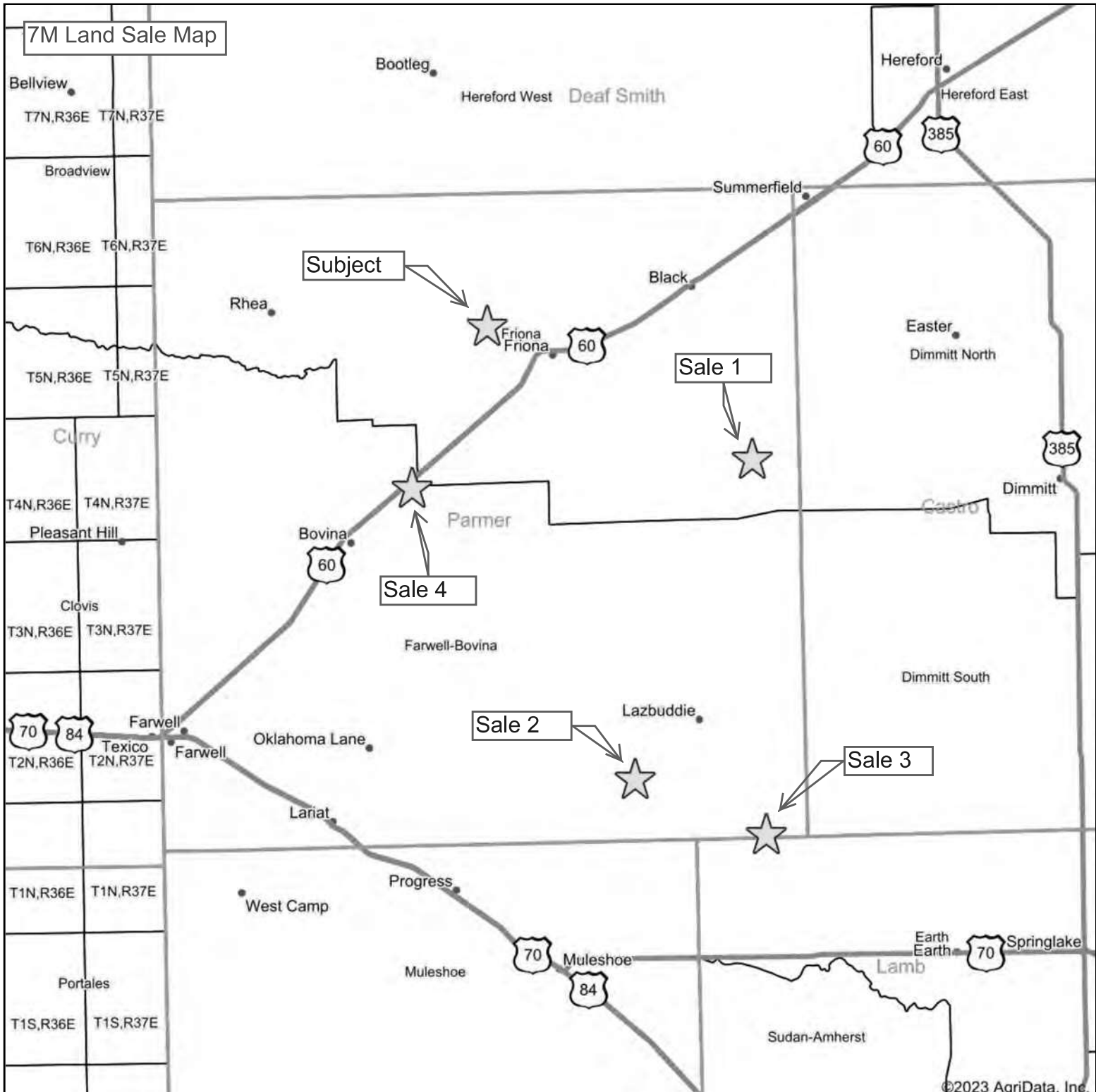
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8/31/2023

Field borders provided by Farm Service Agency as of 5/21/2008.

Overview Map



Map Center: 34° 30' 30.15, -102° 43' 33.83

0mi 7.2mi 14.4mi



9/15/2023

Summary of Comparable Land Sales - As if Vacant

An extensive market data investigation was conducted, including a thorough search of mixed irrigated land, dryland cropland and native pasture (grass) properties located in Parmer County and surrounding counties. The County Deed Records were searched and local real estate brokers, investors and mortgage lenders were contacted. All sales data was reviewed and the most recent and relevant sales were investigated. The basic criteria in searching for comparable sales included the date of sale, location, irrigation potential, size, and existing use.

Several sales were identified within the area. Four (4) of the most recent and similar sales were chosen for direct comparison with the subject. The four (4) sales were used because of their date of sale, location, size, and overall similarity to the subject property. Each sale was analyzed to provide an indicated value for the property appraised. Additional sales are retained in the appraiser's file.

The sales varied in location, size, access and access to water. The market data included in this analysis, although somewhat diverse, is considered to be the best available in today's market and to be indicative of current market trends.

Agricultural farm and ranch properties are purchased by both owner-users who are also acting as investors. The typical user occupies the property for the purpose of conducting his or her business and the typical investor acquires the property for the production of income. The user analyzes the property based on its cost relative to other available properties (e.g., price per acre) and the investor analyzes the property based on its ability to produce income. The subject 410.0 acre tract is fully developed with a large feedyard facility and lagoons for wastewater management. As if vacant, the property would be a mix of irrigated land plus dry corners. These type properties are primarily occupied by owner-operators. In this analysis, the price per acre was considered to be the primary unit of comparison used to form an opinion of the value.

Units of Comparison

The value of the subject property is calculated by using the price per unit (acre) method. An indication of value is provided through this approach for the property appraised, based on the attitudes and actions of typical buyers and sellers in the market. These attitudes and actions are reflected through current transactions of similar type properties.

Use of this approach involves gathering market data of similar properties and verifying that the data obtained is accurate. Sufficient information was available on the comparable sales to derive a reasonable opinion of the subject's value.

Elements of Comparison

Elements of comparison generally used to estimate the value of agricultural native pasture land are numerous. The elements considered are 1) property rights conveyed, 2) financing, 3) conditions of sale, 4) market conditions, 5) land mix, 6) building improvements, 7) sprinkler irrigation improvements, 8) location, 9) access, 10) size, 11) water, and 12) topography.

Real Property Rights Conveyed and Mineral Interest

All of the comparable properties sold herein were based on fee simple or fee interest in surface estate transactions. The subject is appraised as fee simple interest. All of the sales sold either on a surface basis only or with mineral interest with little to no contributory value, therefore, no adjustments were required.

Financing Terms

Financing terms are significant, since cash or financing often influence the consideration paid for a particular property. The transaction price of one property may differ from that of an identical property due to different financing arrangements. All of the sales are cash transactions or terms that were equivalent to cash, therefore, no adjustments were required.

Conditions of Sale

Adjustments for conditions of sale typically reflect the motivations of the buyer and the seller. For example, a buyer may pay more than market value for a property located adjacent to one already owned for assemblage purposes or additional parking because of acting under duress. Conversely, a sale may be transacted at below market value because the seller needs cash in a hurry. A financial, business, or family relationship between the parties may also affect the price of the property. When non-market conditions of sale are detected in a transaction, the sale must be adjusted accordingly.

All of the sales are considered to be arm's length transactions. No undue duress or non-typical motives were noted, thus, no adjustments were required for these sales.

Market Conditions

Each of the previous sales have been given consideration for the market conditions between the date of sale and the effective date of this appraisal. The comparable sales used in the adjustment process occurred between February 2021 and May 2022.

Due to the respective transaction dates displayed by the available market data, an adjustment for market conditions was not indicated. The rural land market in the Texas Panhandle appears to have been stable from January 2021 through May 2022 and through the date of the appraisal, thus, no adjustments were required.

Land Mix Adjustment

This adjustment takes into consideration the overall land mix of the subject property verses the comparable sales. Some of the factors that are considered are land productivity and percentages of land types including irrigated acres, dryland cropland or dry corners, pasture, farmsteads, and roads and waste.

The subject site is located northwest of Friona, 1.0 mile north of FM 2397/2013, and 0.4 mile south of CR E, along the east side of CR 15, in Parmer County, Texas. The predominate land uses in the area are farming and ranching operations, feedyards, dairies, grain elevators, feed manufacturing facilities, and fertilizer and chemical sales facilities. The subject 410.0 acre site is completely developed with a large feedyard facility and lagoon system. As if Vacant, the subject would be approximately 290.0 acres of irrigated land and 120.0 acres of dry corners. The site is appraised as if vacant.

Sale 1 had a higher percentage of irrigated land than the subject property at the time of sale. This sale was considered to be superior to the subject, therefore, negative a adjustment was required.

Sales 2, 3 and 4 had inferior percentages of irrigated land than the subject property at the time of their sale. The sales are considered to be inferior to the subject, therefore, positive adjustments were required.

A separate adjustment will be made for irrigation water GPM and saturated thickness.

Building or Structural Improvements

This adjustment takes into consideration the contributory value of structural and other improvements. The subject land associated with the feedyard tract is improved with numerous building structures, a feedmill and grain system, and feedyard pens. For this analysis, the subject site is assumed to be vacant. Each comparable sale was adjusted for having or not having an improvement with significant contributory value.

Sprinkler Irrigation Improvements

This adjustment takes into consideration the contributory value of on-site sprinkler irrigation systems. For this analysis, the subject site is assumed to be vacant. Sprinkler equipment was analyzed within the sale write up on per linear foot basis and converted to a per acre basis. The adjustment for the sprinklers in the final adjustment grid will be shown used on a per acre basis.

All of the sales included sprinklers. All of the sales are superior to the subject, therefore, negative adjustments were required.

Location and Access Adjustments

This adjustment reflects the relative differences in desirability of the physical location, surrounding land uses, traffic exposure and accessibility noted between the comparable sales and the subject site.

The subject site is located northwest of Friona, 1.0 mile north of FM 2397/2013, and 0.4 mile south of CR E, along the east side of CR 15, in Parmer County, Texas. Primary access is along CR 15.

The sales are all located in Parmer County, Texas in similar rural locations as the subject. The sales are considered to be similar to the subject from a market standpoint, therefore, no adjustments were required.

The subject property has good public access along CR 15 approximately 1.0 north of FM 2397/2013, in Parmer County, Texas. Access is considered to be average to good for a rural property. All of the sales have public access and are similar to the subject from a market standpoint, therefore, no adjustments were required.

Ground Water, Irrigation Well GPM, Water Saturated Thickness, Stock Water Wells

A property with access to superior irrigation water can bring more in the market than other properties with inferior water. The subject and all of the comparable sales are located in the High Plains Water District which has a headquarters in Lubbock Texas. The subject and the comparable sales obtain their subsurface irrigation water from the Ogallala Aquifer. It is well known that the Ogallala Aquifer is being depleted at a faster rate than its recharge rate and many farms in the High Plains Ogallala get dried up every year. There are two main factors affecting irrigation water that sellers and buyers look at when purchasing farmland in the subject area. These include Irrigation water GPM per well and total GPM divided by total irrigated acres to get the GPM per irrigated acre and the subsurface saturated thickness of the water in the Ogallala Aquifer under the land. Typically the thicker the saturated thickness, the longer the irrigation water will available to use. Therefore, a well informed educated buyer purchases irrigated farmland in the subject market based on based on these two (2) factors related to the irrigation water.

The subject 410.0 acres feedyard tract is fully developed with a large feedyard facility. The additional farmland that used to be associated with the feedyard was sold off. As if vacant the site could support two sprinklers watering approximately 145.0 acres each for a total of 290.0 acres. The remaining 120.0 acres would be dryland corners. There are approximately eight (8) submersible wells located on the property that produce a total of 357 GPM or 1.23 GPM per irrigated acre based on 290.0 irrigated acres. Only three (3) of the eight (8) producing wells have were recently tested in 2019 when the property was purchased. The output of the three (3) tested wells was 157 GPM or 0.54 GPM per irrigated acre. The other five (5) untested wells were estimated to be pumping a similar amount as the other three. The saturated thickness of the subsurface irrigation water is 20 to 60 feet with a 40 foot average.

There were very few recent irrigated farm sales available in Parmer County in the subject market as of the effective date of the appraisal. The sales that were used to compare to the subject were the best available as of the effective date of the appraisal. Because of the wide range of prices paid for irrigated land in the subject market and the difficulty in extracting exact dollar adjustments for the following elements of comparison related to irrigation water, the appraiser has used percentage adjustments.

Therefore, a 1.0 percent adjustment per 1.0 GPM per irrigated acre was used for the GPM per irrigated acre adjustment and 1.0 percent adjustment per 10 feet of saturated thickness was used for the saturated thickness adjustment.

Sale 1 has an irrigation well water production rate of 2.3 GPM per irrigated acre and a saturated water thickness of 60 feet. A negative adjustment was required GPM per irrigated acre. A negative adjustment was required for saturated thickness.

Sale 2 has an irrigation well water production rate of 1.1 GPM per irrigated acre and a saturated water thickness of 30 feet. No adjustment was required GPM per irrigated acre. A positive adjustment was required for saturated thickness.

Sale 3 has an irrigation well water production rate of 2.2 GPM per irrigated acre and a saturated water thickness of 20 feet. A negative adjustment was required GPM per irrigated acre. A positive adjustment was required for saturated thickness.

Sale 4 has an irrigation well water production rate of 2.6 GPM per irrigated acre and a saturated water thickness of 40 feet. A negative adjustment was required GPM per irrigated acre. No adjustment was required for saturated thickness.

Size

Typically the size of a land tract can have an impact on value. Larger land tracts typically, but not always, receive lower per acre prices than do smaller tracts considering all other influences being similar. The subject is 410.0 acres in size. The sales range in size from 120.0 to 635.0 acres. A size adjustment was not warranted. An adjustment for size could not be supported for farms ranging from 120.0 acres to 2,000.0 acres. The primary factors affecting land value in the subject rural area are land use and irrigation water. Therefore, all of the sales are considered to be similar in size to the subject from a market standpoint, therefore, no adjustments were required.

Remaining Elements

The arrays of the remaining elements indicate that no quantitative differences can be extracted from the data presented. Since additional market sales indicated quantitative differences that could not be identified, adjustments for additional elements were not necessary. Please see the following adjustment chart.

SALES COMPARISON APPROACH - PRICE PER ACRE METHOD					
Sale No.	Subject	1	2	3	4
Location	NW of Friona	SE of Friona	SW of Lazbuddie	SE of Lazbuddie	NE of Bovina
County	Parmer	Parmer	Parmer	Parmer	Parmer
State	Texas	Texas	Texas	Texas	Texas
Grantor	N/A	Estate of D.M. Thompson	Dutch Road Land LLC	John Bruce	Daniel Wolfe
Grantee	N/A	Blue Sky Farms LLC	Andrew Scott Johnson	Tom D. Sell	Lane McClaran
Sale Date	Jul-2023 Insp.	Feb-2022	Jan-2022	May-2022	Feb-2021
Recording	N/A	V-184, P-282	V-184, P-305	V-187, P-487	V-173, P-354
Irr. Land	70.73%	75.00%	65.29%	66.67%	59.48%
CRP Land	0.00%	0.00%	0.00%	0.00%	0.00%
Dryland Crop	29.27%	25.00%	34.33%	33.33%	40.52%
Pasture Land	0.00%	0.00%	0.00%	0.00%	0.00%
Farmstead	0.00%	0.00%	0.38%	0.00%	0.00%
Roads / Waste	0.00%	0.00%	0.00%	0.00%	0.00%
Total Land %	100.00%	100.00%	100.00%	100.00%	100.00%
Water Delivery	Wells, Pumps, Motors	Wells, Pumps, Motors	Wells, Pumps, Motors	Wells, Pumps, Motors	Wells, Pumps, Motors
GPM Per Irrigated Acre	1.23	2.29	1.09	2.19	2.60
GPM Per Irr. Acre Rd.	1.2	2.3	1.1	2.2	2.6
Subject GPM Irr. Acre	1.2	1.2	1.2	1.2	1.2
Difference GPM Irr. Ac.		1.1	(0.1)	1.0	1.4
Saturated Thickness Feet	20, 40, 60	60	20, 40	20	40
Saturated Thickness Rd.	40	60	30	20	40
Subject Sat. Thickness	40	40	40	40	40
Saturated Thickness Difference Feet		20	(10)	(20)	0
Area Crops Grown	Corn, Cotton, Wheat, Alfalfa	Corn, Cotton, Wheat, Alfalfa	Corn, Cotton, Wheat, Alfalfa	Corn, Cotton, Wheat, Alfalfa	Corn, Cotton, Wheat, Alfalfa
Structural Improvement CV Per Acre	\$0	\$0	\$109	\$0	\$0
Sprinkler CV Per Acre	\$0	\$199	\$64	\$59	\$212
Land Size	410.000	320.000	635.0000	120.000	269.000
Sale Price	N/A	\$608,000	\$1,300,000	\$184,336	\$538,000
Price / Acre		\$1,900	\$2,047	\$1,536	\$2,000
Prop. Rights		-0-	-0-	-0-	-0-