

An
Appraisal Report
of the
McClain Grow-Yard / Feedyard on 56.03 Acres of Land
located at the
NEC of FM Road 1057 and CR 9
Hereford, Deaf Smith County, Texas 79045
RIMs Project Number 23-000446-01-01

Effective Date
July 10, 2023

Rabo AgriFinance, LLC
14767 North Outer 40 Road
Suite 400
Chesterfield, Missouri 63017

Prepared By
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August 27, 2023

Rabo AgriFinance, LLC
14767 North Outer 40 Road
Suite 400
Chesterfield, Missouri 63017

RE: McClain Grow-Yard / Feedyard on 56.03 Acres of Land
NEC of FM Road 1057 and CR 9
Hereford, Deaf Smith County, Texas 79045
RIMs Project Number 23-000446-01-01

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 10, 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 10, 2023, is:

Final Market Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$375,000
Value Opinion of Attached Feedyard Equipment	\$18,000
Value Opinion of Real Property	\$357,000

Liquidation Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$256,000

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 of the Subject Grow-Yard / Feedyard.

The subject McClain Grow-Yard / Feedyard is required to have a Texas Commission on Environmental Quality (TCEQ) Concentrated Animal Feeding Operation (CAFO) General Permit for its legal operation. The subject feedyard operates under TPDES Large CAFO General Permit No. TXG-921265.

The General CAFO Permit Coverage Date began on April 22, 2012; the last update was on November 7, 2019. The Permit Expiration Date is July 20, 2024. This CAFO Permit allows for a maximum of 3,000 head of (Beef) cattle that can be confined and fed in the subject grow-yard / feedyard. The CAFO Certificate and additional permit information from the TCEQ Website is included in the Addendum of this report.

The grow-yard / feedyard, waste water retention control structures (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 is Enviro-Ag Engineering of Amarillo, Texas, at 806-353-6123. According to Dillon Pool at Enviro-Ag, the subject grow-yard / feedyard is in compliance with the TCEQ and all county and state regulations. It is noted that all grow-yard / feedyard CAFO Permits in the State of Texas have expiration dates of July 20, 2024. All CAFO Permits are typically renewed for five (5) year periods. The value of the subject grow-yard / feedyard relies on the continuance of the CAFO Permit to legally operate. It is assumed that the subject is in compliance with all EPA, TCEQ, and Deaf Smith County, Texas rules and regulations.

B. Subject Grow-Yard / Feedyard Confinement Capacity and Compliance.

The subject grow-yard / feedyard is improved with approximately 3,455 linear feet of concrete feed bunk space with attached concrete apron and steel pipe and cable confinement pens. The pens are improved with a continuous flow water system. Approximately 1,237 linear feet of feed bunk is metal construction and 2,218 linear feet is concrete construction. Approximately 1,550 linear feet of the concrete feed bunk was constructed in 2016. The original bunk was constructed from 2001 to 2011.

The total feed pen space for the pens with the attached metal bunk and concrete bunk together is approximately 510,523 square feet which calculates to 170 square feet per animal based on 3,000 legal head. The current CAFO Permit restricts the subject grow-yard / feedyard to 3,000 head.

The metal bunk has reached the end of its economic and usable life. Only the 2,218 linear feet of concrete bunk with attached pen space is being calculated for the current feeding capacity of 2,500 head.

The southwest pen structure constructed around 2001 has approximately 468 LF of attached concrete bunk attached to the west side (west feed-line). The east side (east feed-line) of the southwest pen structure has 440 LF of attached metal bunk. The east side containing the metal bunk would not be utilized and the gates could be opened between the east and west side allowing for a total of 111,078 square feet of pen space for the 468 LF of concrete bunk line. Approximately 642 head of cattle can be fed on the 468 LF of concrete bunk on a 8.75 inch spacing at 173 square feet per animal.

The adjacent south center pens have 150 LF of concrete bunk attached to the north side (north feed-line) and 284 LF of metal bunk attached to the west side (west feed-line). The 284 LF of metal bunk would not be utilized and is not calculated in the value. The north 150 LF of concrete bunk would be utilized for feeding. Approximately 206 head of cattle can be fed on the 150 LF of concrete bunk on an 8.75 inch spacing. There is a total of 32,670 square feet of space in the north pen structure. Therefore 159 square feet of pen space per animal is available in the north pen to feed 206 head of cattle on an 8.75 inch spacing. The attached north pen could be opened to the middle pen and this would allow for 77,101 square feet or 374 square feet per animal on an 8.75 inch spacing.

The north center pen has approximately 17,860 square feet of space. Approximately 69 cattle can be fed in this pen on an 8.75 inch spacing at 259 square feet per animal. There is no metal bunk attached to this pen. All of the bunk attached to these pens is concrete.

The newer eastern pens were constructed in 2016 have a total approximate square footage of 200,376 square feet of space. These pens have 820 LF of concrete bunk on the west side (west bunk line) and 730 LF of concrete bunk on the east side (east bunk line). Approximately 1,550 head of cattle can be fed in these pens on a 12 inch spacing. This calculates to 130 square feet per animal.

Therefore, the total amount of cattle that can be confined and fed in the subject grow-yard / feedyard using the concrete feed bunk only and not any metal bunk is 642 head in the southwest pens, 206 head in the south-center pens, 69 head in the north center pens, and 1,550 head in the east pens which totals 2,467 head rounded to 2,500 head with a total average square footage per animal of 145 to 163 square feet.

As previously stated, that if the metal bunk only is replaced with new metal bunk or with concrete bunk, the subject can be returned back to a 3,000 head grow-yard with 3,455 linear feet of bunk space at 13.82 inches per animal and 510,523 pen space with an average animal space of 170 square feet per animal.

The 2,500 head capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard / feedyard facility.

The appraised value is based on a CAFO Permitted capacity of 3,000 head and an efficient confined feeding capacity of 2,500 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 any 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 grow-yard / feedyard complying with all County, State and Federal authorities relating to legal operation of the feedyard.

C. Water Wells

The original owner of the subject grow-yard / feedyard furnished the appraiser with verbal water well information in 2019. There is no information available about water well on the subject site on the High Plains Water District Website Interactive Map. The High Plains Water District located in Lubbock, Texas issues water well permits for all water wells in the district. According to the original owner Mr. McClain, there is one (1) water well located on the property and it produces approximately 150 GPM. There is no known written water well documentation for the subject water well. The subject grow-yard / feedyard is currently vacant and there is no one available to verify that the well still produces the same amount of water. The well location is shown on the Enviro-Ag Engineering LMU Site Map located in the appraisal addendum. The appraiser assumes that the water well information is still the same and true and correct. A current well test is recommended to determine the accurate well GPM.

The value stated in this appraisal is based on the subject feedyard having enough water to adequately operate the grow-yard / feedyard and confine 2,500 head of livestock plus have enough water for horses and some domestic use. The CAFO Permit allows for 3,000 head of beef cattle. Based on 150 GPM x 60 minutes x 24 hours is a total of 216,000 gallons of water per day. Most feedyards with additional feed mills use around 12 gallons of water per animal per day average.

The appraiser has assumed 15 gallons per animal per day for the subject grow-yard / feedyard calculation. Considering 216,000 gallons per day / 15 gallons per animal = 14,400 total animals. Assuming that the subject water well produces 150 GPM, there is more than enough water to adequately operate the grow-yard / feedyard at the current 2,500 head capacity using the concrete bunk only and the 3,000 head capacity if the metal bunk was repaired or replaced with concrete bunk.

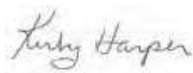
D. Property Condition

It is noted that the previous owner-operator of the subject grow-yard / feedyard facility has passed away and that the grow-yard is currently not being operated. The facility was vacant on the date of the appraisal inspection and no one was present to report any updated information about the property. The appraiser has given his best effort to determine the condition of the improvements and to list any specific repairs needed to bring the subject to an average usable condition. Estimated deferred maintenance items are listed in the appraisal. The appraiser is not a construction or environmental expert and any repairs stated in the appraisal are estimates only. The appraiser recommends that the client obtain qualified experts for specific construction or repair costs and for any environmental conditions or water well conditions that affect the property. If it is determined that there is more or less deferred maintenance in the improvements or other conditions, the appraised value may be affected and the appraiser reserves the right to re-evaluate the property based on more accurate information from qualified experts.

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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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 McClain Grow-Yard / Feedyard on 56.03 acres of land. The property is owned and taxed under McClain Feedyard, Inc. The property is located northwest of Hereford at the NEC of State FM Road 1057 and CR 9 in Deaf Smith County, Texas.

Property Type:	Commercial Cattle Grow-Yard / Feedyard
Concrete Bunk Space	2,218 LF (Average to Good Condition)
Metal Bunk Space	1,237 LF (Deferred Maintenance - No Value)
Total Bunk Space	3,455 LF (Combined Concrete and Metal Bunk)
Total Usable Bunk	2,218 LF of Concrete Bunk Only
Efficient Facility Capacity	2,500 Head on Concrete Bunk
Type of Confinement Space	Concrete Bunk plus Aprons and Attached Pipe-Cable Pens
Maximum Legal Capacity	3,000 Head (CAFO Permit TXG921265)
Type of Permit	TPDES Large CAFO General Permit TXG921265
Expiration Date	July 20, 2024
Land Associated With Feedyard	56.03 Acres

Location: The subject property is located approximately 7.0 miles northwest of Hereford at the NEC of State FM Road 1057 and CR 9, in Deaf Smith County, Texas. According to the Deaf Smith County Appraisal District, the physical address of the Subject McClain Grow-Yard / Feedyard is 4010 FM 1057, Hereford, Texas.

Interests Appraised: Unencumbered fee simple.

Legal Description: The legal description is:

Tract 1 - A 36.03 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1370, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 26963.

Tract 2 - A 20.0 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1129, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 919959.

**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. A liquidation value of the property was also requested by the client.

Effective Date of Valuation:

July 10, 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**

The subject property is one (1) contiguous land tract totaling 56.03 acres. The southern 26.0 acres of the subject site is developed with a beef cattle grow-yard facility and the northern 30.03 acres is undeveloped dryland cropland grown up in grass. Please see the Addendum for the Warranty Deeds with metes and bounds legal descriptions. A current survey is required for exact size and dimensions.

Shape

Rectangular and Contiguous

Frontage

The subject property has frontage and access along State FM Road 1057 and CR 9 in Deaf Smith County, Texas.

Zoning and Permitted Use:

Rural Deaf Smith County is not zoned. The subject is located in Rural Deaf Smith County outside of any city zoning restrictions, therefore, the subject property is not affected by zoning restrictions. As previously stated in the Transmittal Letter, the subject grow-yard / feedyard is required to have a TCEQ TPDES Large CAFO Permit to confine and feed beef cattle. The subject is legal to operate under CAFO Permit No. TXG921265. **Please see the Extraordinary Assumptions in the Transmittal Letter.**

Flood Zone and Topography:

According to FEMA-FIRM Flood Hazard Maps, Rural Deaf Smith County, Texas is not mapped for flood determinations. Therefore, no flood information is available for the subject property. According to the attached topography map, the southern portion of the property touches a playa lake. The elevation of the land ranges from 3,897 to 3,914 feet.

According to the attached soil map there are no frequently ponded or occasionally ponded soils associated with the subject site and there are no frequently or occasionally flooded soils associated with the subject site. A current survey is required to determine exact flood plain status.

Improvement Data:

Pen and Bunk Space

The subject grow-yard / feedyard is improved with approximately 3,455 linear feet of concrete feed bunk space with attached concrete apron and steel pipe and cable confinement pens. The pens are improved with a continuous flow water system. Approximately 1,237 linear feet of feed bunk is metal construction and 2,218 linear feet is concrete construction. Approximately 1,550 linear feet of the concrete feed bunk was constructed in 2016. The original bunk was constructed from 2001 to 2011.

The total feed pen space for the pens with the attached metal bunk and concrete bunk together is approximately 510,523 square feet which calculates to 170 square feet per animal based on 3,000 legal head. The current CAFO Permit restricts the subject grow-yard / feedyard to 3,000 head.

The metal bunk has reached the end of its economic and usable life. Only the 2,218 linear feet of concrete bunk with attached pen space is being calculated for the current feeding capacity of 2,500 head.

The southwest pen structure constructed around 2001 has approximately 468 LF of attached concrete bunk attached to the west side (west feed-line). The east side (east feed-line) of the southwest pen structure has 440 LF of attached metal bunk. The east side containing the metal bunk would not be utilized and the gates could be opened between the east and west side allowing for a total of 111,078 square feet of pen space for the 468 LF of concrete bunk line. Approximately 642 head of cattle can be fed on the 468 LF of concrete bunk on a 8.75 inch spacing at 173 square feet per animal.

The adjacent south center pens have 150 LF of concrete bunk attached to the north side (north feed-line) and 284 LF of metal bunk attached to the west side (west feed-line). The 284 LF of metal bunk would not be utilized and is not calculated in the value. The north 150 LF of concrete bunk would be utilized for feeding. Approximately 206 head of cattle can be fed on the 150 LF of concrete bunk on an 8.75 inch spacing. There is a total of 32,670 square feet of space in the north pen structure. Therefore 159 square feet of pen space per animal is available in the north pen to feed 206 head of cattle on an 8.75 inch spacing. The attached north pen could be opened to the middle pen and this would allow for 77,101 square feet or 374 square feet per animal on an 8.75 inch spacing.

The north center pen has approximately 17,860 square feet of space. Approximately 69 cattle can be fed in this pen on an 8.75 inch spacing at 259 square feet per animal. There is no metal bunk attached to this pen. All of the bunk attached to these pens is concrete.

The newer eastern pens were constructed in 2016 have a total approximate square footage of 200,376 square feet of space. These pens have 820 LF of concrete bunk on the west side (west bunk line) and 730 LF of concrete bunk on the east side (east bunk line). Approximately 1,550 head of cattle can be fed in these pens on a 12 inch spacing. This calculates to 130 square feet per animal.

Therefore, the total amount of cattle that can be confined and fed in the subject grow-yard / feedyard using the concrete feed bunk only and not any metal bunk is 642 head in the southwest pens, 206 head in the south-center pens, 69 head in the north center pens, and 1,550 head in the east pens which totals 2,467 head rounded to 2,500 head with a total average square footage per animal of 145 to 163 square feet.

As previously stated, that if the metal bunk only is replaced with new metal bunk or with concrete bunk, the subject can be returned back to a 3,000 head grow-yard with 3,455 linear feet of bunk space at 13.82 inches per animal and 510,523 pen space with an average animal space of 170 square feet per animal.

The 2,500 head capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard / feedyard facility.

In addition to the confined feeding pens; the grow-yard / feedyard is improved with sorting pens; hospital and processing pens; and a shipping and receiving area.

The appraised value is based on a CAFO Permitted capacity of 3,000 head and an efficient confined feeding capacity of 2,500 head.

Support Buildings

The subject feedyard / grow yard is improved with one (1) 685 square foot pre-engineered steel construction office building and scale room; one (1) 4,425 square foot pre-engineered steel construction processing and hospital barn with tub, snake, hydraulic working chute, and pens; one (1) 2,826 square foot pre-engineered steel construction horse barn with pens, runs, office, tack area, and horse stock; one (1) 1,800 square foot pre-engineered steel construction commodity shed with open sides; approximately seven (7) pre-engineered steel construction livestock loafing sheds totaling 5,395 square feet of space; and one (1) small well house. Most of the building improvements were constructed between 2001 and 2011. A 2021 model 1,064 square foot single wide mobile home was added to the property in 2021.

Attached Equipment

Attached equipment includes one (1) set of 10' x 30' cattle scales and one (1) nearly new 2018-2019 Silencer hydraulic working chute located in the processing barn.

Site Improvements

The site improvements include dirt work and excavation work for the buildings, pens, and lagoons; one (1) 150 GPM water well with water storage tank; gravel parking, drives, and feed lanes; and perimeter livestock fencing.

Year Built:

According to Appraisal District information, and information from a previous appraisal report, the original portion of the subject feedyard / growing yard which includes bunk, pens, and buildings was constructed around 2001. Other improvements were made between 2001 and 2011.

The subject was purchased in 2011 by the current owner, McClain Feedyard, Inc. After the property was purchased, between 2011 and 2016, approximately 1,550 linear feet of concrete feed bunk and feed pens were constructed and a new Silencer hydraulic chute was added in 2018-2019. Therefore, the improvements were constructed between 2001 and 2016 with new equipment installed in 2018-2019. The overall effective age was estimated at 12 years.

Current Use:

The subject 56.03 acres of land, plus grow-yard / feedyard improvements is currently vacant and not being operated. The property was designed and recently used as a 3,000 head grow-yard. Because of deferred maintenance items, the current highest and best use of the property is a 2,500 head beef cattle grow-yard.

Highest and Best Use:

As Vacant

The most likely use of the subject 56.03 acres of land, as if vacant, would be mixed irrigated and dryland cropland. The undeveloped portion of the subject land, located north of the grow-yard and being 30.03 acres in size, is old dryland cropland grown up in grass. The grow-yard facility is located in the southern portion of the site. This portion is 26.0 acres. For valuation purposes, as if vacant, the land will be analyzed as 26.0 acres of irrigated land and 30.03 acres of dryland cropland.

As Improved

The subject is currently vacant due to the passing of the owner. The property was designed and recently used as a 3,000 head grow-yard facility. Because of deferred maintenance items, the current highest and best use of the property is a 2,500 head beef cattle grow-yard. The grow-yard improvements were constructed on the southern 26.0 acres of the 56.03 acre site. The northern 30.03 acres of the subject site is used for dry waste and wastewater management, livestock grazing, and expansion purposes.

The subject grow-yard / feedyard has a CAFO Permit to legally confine 3,000 head. Currently, all of the 56.03 acres is necessary for the function of the grow-yard and maintaining the CAFO Permit.

**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

Value Indication by Approach			
Analysis and Approach	Subject	Value Type	Value Opinion
Cost Approach	56.03 Acres of Land Only	As if Vacant	\$125,000
Cost Approach	56.03 Acres of Land, Improvements and Attached Equipment	As Is	\$388,000
Sales Comparison Approach	56.03 Acres of Land, Improvements and Attached Equipment	As Is	\$375,000
Income Approach	56.03 Acres of Land, Improvements and Attached Equipment	As Is	\$391,000

Final Market Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$375,000
Value Opinion of Attached Feedyard Equipment	\$18,000
Value Opinion of Real Property	\$357,000

Liquidation Value Opinion of Subject Property	
Subject Property	Value Opinion
Value Opinion of Real Property and Attached Equipment	\$256,000

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.

Identification of the Subject Property

The property is identified as the *McClain Grow-Yard / Feedyard on 56.03 acres of land*. The property is owned and taxed under McClain Feedyard, Inc. The subject property is located approximately 7.0 miles northwest of Hereford at the NEC of State FM Road 1057 and CR 9, in Deaf Smith County, Texas. According to the Deaf Smith County Appraisal District, the physical address of the subject McClain Feedyard is 4010 FM 1057, Hereford, Texas.

The subject property is one (1) contiguous land tract totaling 56.03 acres. The southern 26.0 acres of the subject site is developed with a beef cattle grow-yard / feedyard facility and the northern 30.03 acres is undeveloped dryland cropland grown up in grass.

The subject McClain Feedyard / Grow Yard is required to have a Texas Commission on Environmental Quality (TCEQ) Concentrated Animal Feeding Operation (CAFO) General Permit for its legal operation. The subject feedyard operates under TPDES Large CAFO Permit No. TXG-921265. This General Permit was issued by the TCEQ to the subject feedyard. The Permit Coverage Date began on April 22, 2012; the last update was on November 7, 2019. The Permit Expiration Date is July 20, 2024. This CAFO Permit allows for a maximum of 3,000 head of (Beef) cattle that can be confined and fed in the subject grow-yard / feedyard. The General Permit and information from the TCEQ Website is included in the Addendum of this report.

The feedyard is improved with approximately 3,455 linear feet of concrete feed bunk space with attached concrete apron and steel pipe and cable confinement pens. All of the pens are improved with a continuous flow water system. Approximately 1,237 linear feet of feed bunk is metal construction and 2,218 linear feet is concrete construction. Approximately 1,550 linear feet of the concrete feed bunk was constructed in 2016. The original bunk was constructed from 2001 to 2011. The metal bunk has reached the end of its economic and usable life. Only the 2,218 linear feet of concrete bunk with attached pen space is being calculated for the current feeding capacity of 2,500 head. The appraised value is based on a CAFO Permitted capacity of 3,000 head and an efficient confined feeding capacity of 2,500 head. The 2,500 head capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard / feedyard facility. As previously stated, that if the metal bunk only is replaced with new metal bunk or with concrete bunk, the subject can be returned back to a 3,000 head grow-yard with 3,455 linear feet of bunk space. In addition to the feed pens; the feedyard / grow yard is improved with sorting pens; hospital and processing pens; and a shipping and receiving area.

The subject feedyard / grow yard is improved with one (1) 685 square foot pre-engineered steel construction office building and scale room; one (1) 4,425 square foot pre-engineered steel construction processing and hospital barn with tub, snake, hydraulic working chute, and pens; one (1) 2,826 square foot pre-engineered steel construction horse barn with pens, runs, office, tack area, and horse stock; one (1) 1,800 square foot pre-engineered steel construction commodity shed with open sides; approximately seven (7) pre-engineered steel construction livestock loafing sheds totaling 5,395 square feet of space; and one (1) small well house. Most of the building improvements were constructed between 2001 and 2011. A 2021 model 1,064 square foot mobile home was added to the property in 2021.

Attached equipment includes one (1) set of 10' x 30' cattle scales and one (1) nearly new Silencer hydraulic working chute located in the processing barn.

The site improvements include dirt work and excavation work for the buildings, pens, and lagoons; one (1) 150 GPM water well with water storage tank; gravel parking, drives, and feed lanes; and perimeter livestock fencing.

Subject Legal Description

The subject is legally described as being:

Tract 1 - A 36.03 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1370, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 26963.

Tract 2 - A 20.0 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1129, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 919959.

Effective Date of the Appraisal and Date of the Report

This appraisal has an effective date and an inspection date of July 10, 2023. The value is based on data and market conditions prevailing on that date. This appraisal report was written during the months of July and August, 2023, and was completed on August 27, 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. The client is Rabo AgriFinance.

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.

Subject Property History

According to deed records and tax information, the present owner of subject property is McClain Feed Yard, Inc. The records indicate that the subject feedyard property has been under one ownership for longer than the last three year period.

Tract 1 - A 36.03 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1370, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 26963. This portion of the subject property was purchased on November 22, 2011 from H. Dudley Hume by McClain Feedyard, Inc. The transaction was recorded in Document 20118489 in the Deaf Smith County Deed Records.

A 20.0 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1129, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 919959. This portion of the subject property was purchased on June 6, 2011 from Yosten Brothers by McClain Feedyard, Inc. The transaction was recorded in Document 20118278 in the Deaf Smith County Deed Records.

There were no other known ownership transfers of the subject property in the three years prior to the appraisal date. As of the effective date of the appraisal, the property was not listed for sale or under contract to be sold. There have been no known offers to purchase the property in the last three year period. The property was owner-operated and not leased. The owner, Brian McClain has recently passed away and the property is currently vacant and not being operated. The client for the appraisal of the property is the lien holder and the future ownership of the property was unknown as of the effective date of the appraisal.

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.

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 did appraise the subject property on November 3, 2017 and on July 28, 2019 for periodic valuation of the asset per policy for Rabo AgriFinance and-or affiliates. The effective date of this appraisal is July 10, 2023.

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. The property is identified as the ***McClain Grow-Yard / Feedyard on 56.03 acres of land.*** The property is owned and taxed under McClain Feedyard, Inc. The subject property is located approximately 7.0 miles northwest of Hereford at the NEC of State FM Road 1057 and CR 9, in Deaf Smith County, Texas. According to the Deaf Smith County Appraisal District, the physical address of the subject McClain Feedyard is 4010 FM 1057, Hereford, Texas.

The subject property is one (1) contiguous land tract totaling 56.03 acres. The southern 26.0 acres of the subject site is developed with a beef cattle grow-yard / feedyard facility and the northern 30.03 acres is undeveloped dryland cropland grown up in grass.

The subject McClain Feedyard / Grow Yard is required to have a Texas Commission on Environmental Quality (TCEQ) Concentrated Animal Feeding Operation (CAFO) General Permit for its legal operation. The subject feedyard operates under TPDES Large CAFO Permit No. TXG-921265. This General Permit was issued by the TCEQ to the subject feedyard. The Permit Coverage Date began on April 22, 2012; the last update was on November 7, 2019. The Permit Expiration Date is July 20, 2024. This CAFO Permit allows for a maximum of 3,000 head of (Beef) cattle that can be confined and fed in the subject grow-yard / feedyard. The General Permit and information from the TCEQ Website is included in the Addendum of this report.

The feedyard is improved with approximately 3,455 linear feet of concrete feed bunk space with attached concrete apron and steel pipe and cable confinement pens. All of the pens are improved with a continuous flow water system. Approximately 1,237 linear feet of feed bunk is metal construction and 2,218 linear feet is concrete construction. Approximately 1,550 linear feet of the concrete feed bunk was constructed in 2016. The original bunk was constructed from 2001 to 2011. The metal bunk has reached the end of its economic and usable life. Only the 2,218 linear feet of concrete bunk with attached pen space is being calculated for the current feeding capacity of 2,500 head. The appraised value is based on a CAFO Permitted capacity of 3,000 head and an efficient confined feeding capacity of 2,500 head. The 2,500 head capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard / feedyard facility. As previously stated, that if the metal bunk only is replaced with new metal bunk or with concrete bunk, the subject can be returned back to a 3,000 head grow-yard with 3,455 linear feet of bunk space. In addition to the feed pens; the feedyard / grow yard is improved with sorting pens; hospital and processing pens; and a shipping and receiving area.

The subject feedyard / grow yard is improved with one (1) 685 square foot pre-engineered steel construction office building and scale room; one (1) 4,425 square foot pre-engineered steel construction processing and hospital barn with tub, snake, hydraulic working chute, and pens; one (1) 2,826 square foot pre-engineered steel construction horse barn with pens, runs, office, tack area, and horse stock; one (1) 1,800 square foot pre-engineered steel construction commodity shed with open sides; approximately seven (7) pre-engineered steel construction livestock loafing sheds totaling 5,395 square feet of space; and one (1) small well house. Most of the building improvements were constructed between 2001 and 2011. A 2021 model 1,064 square foot mobile home was added to the property in 2021.

Attached equipment includes one (1) set of 10' x 30' cattle scales and one (1) nearly new Silencer hydraulic working chute located in the processing barn.

The site improvements include dirt work and excavation work for the buildings, pens, and lagoons; one (1) 150 GPM water well with water storage tank; gravel parking, drives, and feed lanes; and perimeter livestock fencing.

Please see the previous Identification of the Subject Property and the Site and Improvement Analysis Sections for addition information.

2. The subject is legally described as being:

Tract 1 - A 36.03 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1370, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 26963.

Tract 2 - A 20.0 acre tract of land out of the Southwest Part of the SW/4 of Section 26, Block K-8, A-1129, Certificate Number 128, T.T. RR. Co. Survey, Deaf Smith County, Texas. DSCAD Property Tax ID Number 919959.

3. The intended use of the appraisal is for periodic valuation of the asset per policy.
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. An additional liquidation value is provided at the request of the client.
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, Esllabon Properties, Feedyard Broker, Amarillo, Texas
Trans Pecos Real Estate, Inc. In-House Data Base of Feedyard Sales
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

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 Deaf Smith County Courthouse and the Deaf Smith 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.

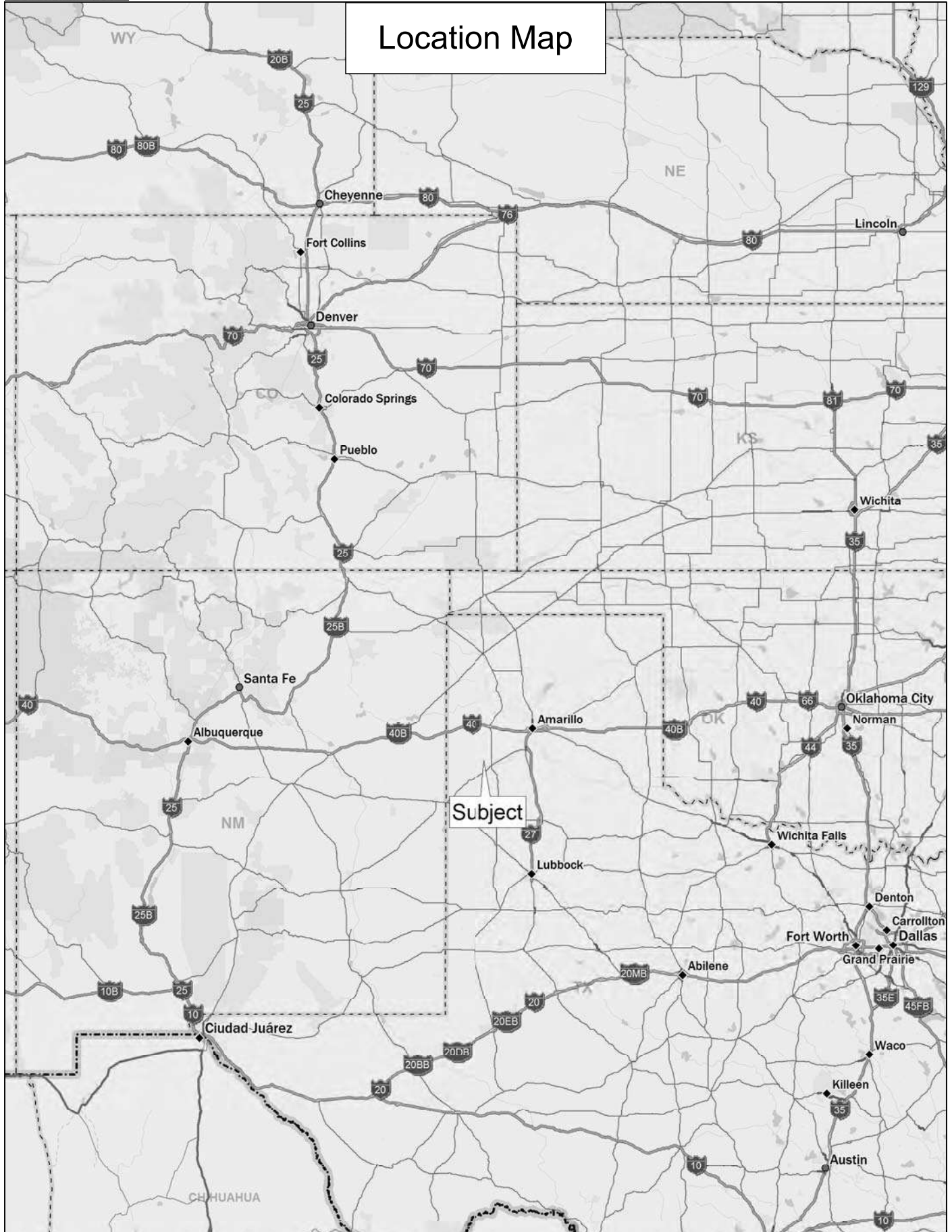
Appraiser Competency

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

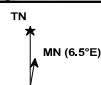


Subject

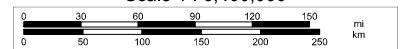
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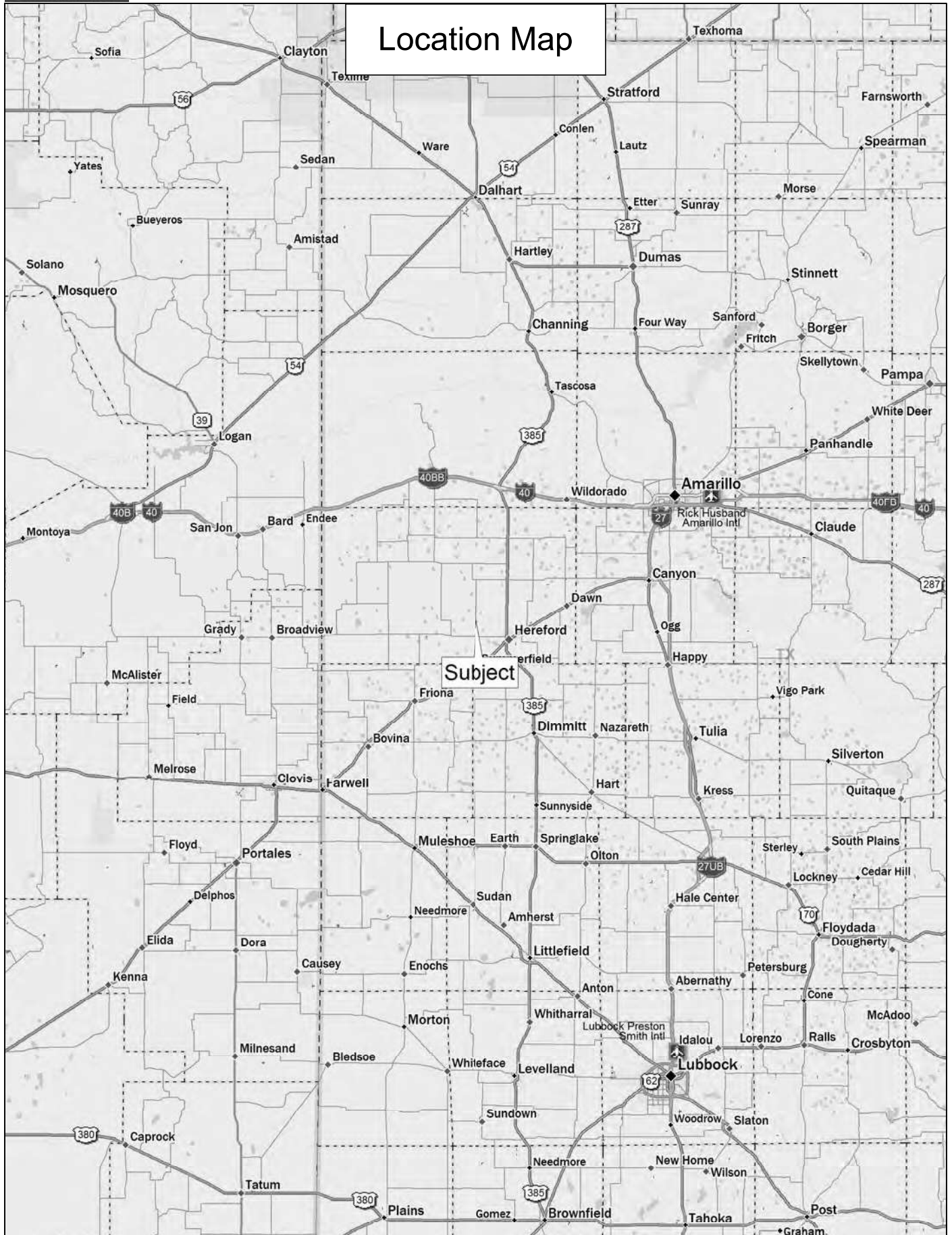
Scale 1 : 6,400,000



1" = 101.01 mi

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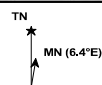
Location Map



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Scale 1 : 1,600,000



1" = 25.25 mi

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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.

Deaf Smith County and Hereford, Texas Area Analysis

Social Forces Influencing Value

Population

Deaf Smith County, Texas Population		Hereford, Texas Population	
Year	Population	Year	Population
2000	18,561	2000	14,540
2010	19,372	2010	15,426
2011	19,475	2011	15,445
2012	19,327	2012	15,326
2013	19,136	2013	15,169
2014	19,096	2014	15,135
2015	18,807	2015	14,899
2016	18,830	2016	14,915
2017	18,915	2017	14,747
2018	18,760	2018	14,810
2019	18,546	2019	14,815
2020	18,583	2020	14,972
2021	18,329	2021	14,779
2022	18,377	2022	14,765
2023	18,308	2023	14,558

Hereford and Deaf Smith County, Texas have had a fairly stable economy for the last 23 years.

Economic Forces Influencing Value

Income and Unemployment Rates

The 2023 Deaf Smith County, Texas Median Household Income was \$52,557; the Average Household Income was \$74,825; and the Per Capita Income was \$25,347.

The 2019 Deaf Smith County, Texas Median Household Income was \$51,619; the Average Household Income was \$65,341; and the Per Capita Income was \$21,440.

The 2017 Deaf Smith County, Texas Median Household Income was \$44,946; the Average Household Income was \$58,749; and the Per Capita Income was \$19,543.

The 2023 Hereford, Texas Median Household Income was \$51,656; the Average Household Income was \$70,018; and the Per Capita Income was \$23,481.

The 2019 Hereford, Texas Median Household Income was \$47,685; the Average Household Income was \$59,060; and the Per Capita Income was \$19,207.

The 2017 Hereford, Texas Median Household Income was \$42,231; the Average Household Income was \$54,250; and the Per Capita Income was \$17,898.

Deaf Smith County Unemployment Rate History	
Year	Unemployment Rate
June 2023	3.50%
2022	3.00%
2021	3.70%
2020	3.60%
2019	2.70%
2018	2.80%

Financial Institutions

Financial institutions in Hereford, Texas include First Financial Bank, Happy State Bank, First Bank Southwest, First National Bank of Hereford, Hereford Texas Federal Credit Union, and Capital Farm Credit.

Major Employers

Major Employers in Deaf Smith County, Texas
Company Name
Arrowhead Mills, Inc.
Azteca Milling LP
Caviness Packing
Ferrell-Ross
Hereford SVC
Lone Star Milk Transport
Nutri-Feeds
Panhandle Corn Products
Westway Feed Products LLC
Panhandle Milling Company
Gearn Industries
Hereford ISD
Deaf Smith County
Walmart
City of Hereford
Hereford Regional Medical Center

Hereford and Deaf Smith County, Texas have a diverse economy. Additional employment can be obtained in nearby Canyon, Texas and Amarillo, Texas.

Agriculture

The main economic industry for Deaf Smith County, Texas is agriculture with an emphasis on corn, wheat, cotton, and cattle production. The majority of the corn produced in the area is utilized for cattle feeding. This area of the Texas Panhandle is renowned for its cattle feeding and production industry. Several major feedyards are located in Deaf Smith County and the surrounding counties.

The following information was obtained from the USDA National Agricultural Statistical Service (NASS) pertaining to Deaf Smith County, Texas.

USDA NASS / Deaf Smith County, Texas / Appraiser Survey Date July 2023

Commodity	Year	Planted Acres	Harvested Acres	Yield	Yield Type	Production	Production Type	Dollars Per Acre	Head
Total Corn for Grain	2017	49,300	42,000	203.30	bushels	8,540,000	bushels		
Total Corn for Grain	2020	42,100	28,500	155.20	bushels	4,423,000	bushels		
Total Corn for Grain	2021	36,700	27,200	194.70	bushels	5,296,000	bushels		
Irrigated Cotton	2017	26,000	23,300	855.00	pounds	41,500	480 pound bales		
Dryland Cotton	2017	13,600	12,100	710.00	pounds	17,900	480 pound bales		
Total Upland Cotton	2017	39,600	35,400	805.00	pounds	59,400	480 pound bales		
Total Upland Cotton	2020	31,500	12,700	756.00	pounds		480 pound bales		
Total Upland Cotton	2021	16,400	14,500	834.00	pounds	25,200	480 pound bales		
Irrigated Sorghum	2017	11,200	10,000	93.70	bushels	937,000	bushels		
Dryland Sorghum	2017	26,500	13,500	56.30	bushels	760,000	bushels		
Total Sorghum	2017	37,700	23,500	72.20	bushels	1,697,000	bushels		
Total Sorghum	2020	49,900	27,700	79.90	bushels	2,213,000	bushels		
Sunflower Total	2017	1,800	1,600	1,260.00	pounds	2,010,000	pounds		
Irrigated Wheat	2018	47,000	22,000	32.30	bushels	710,000	bushels		
Dryland Wheat	2018	140,000	46,000	12.70	bushels	583,000	bushels		
Total Wheat	2018	187,000	68,000	19.00	bushels	1,293,000	bushels		
Total Wheat	2020	209,500	101,300	29.60	bushels	2,995,000	bushels		
Irrigated Cropland Cash Rent	2017							\$60.00	

Irrigated Cropland Cash Rent	2020							\$59.50	
Irrigated Cropland Cash Rent	2022							\$94.50	
Dryland Cropland Cash Rent	2017							\$24.50	
Dryland Cropland Cash Rent	2020							\$29.00	
Dryland Cropland Cash Rent	2022							\$28.00	
Pasture Cash Rent	2017							\$9.10	
Pasture Cash Rent	2020							\$10.50	
Pasture Cash Rent	2022							\$8.30	
All Cattle	2018								535,000
All Cattle	2022								600,000
Beef Cows	2018								12,200
Beef Cows	2020								18,300
Beef Cows	2021								18,700
Beef Cows	2022								17,700
Milk Cows	2018								44,500
Milk Cows	2020								44,000
Milk Cows	2021								47,000
Milk Cows	2022								47,500

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 \$100 to \$270 per acre depending on irrigation water delivery. Typical dryland cropland cash rents range from \$25 to \$45 per acre depending on land productivity. Other types of agricultural leases are thirds and fourths share basis which is typical for the area. Pasture cash rents range from \$7.00 to \$10.00 per acre.

Agri-Business

Agri-Business Part 1

Deaf Smith County has always been known for its thriving agriculture industry. A variety of crops can be grown in the fertile soil of this area. Crops like corn, wheat, maize, vegetables, cotton, soybeans, onions, sunflowers, and even fruits are adaptable to the climate and growing seasons.

Crops are grown in dry-land and irrigated methods. Small grain crops are sold locally to supplement the cattle feeding industry while other crops are shipped and sold outside the area. Most of the crops are planted in the spring and harvested in the fall. Wheat, however, is harvested in the summer. The majority of farms are owned and operated by private individuals. Large grain elevators handle, store, and market crops for farmers. Hereford is fortunate to have the facilities and expertise to sustain such a large industry.

Sprinkler irrigation systems are located throughout the county. Sprinkler irrigation systems were designed to provide efficient management of water resources. They not only help the farmers manage their watering demands, but also help to conserve water sources. Deaf Smith County has two water aquifers that can be used for irrigation. The aquifers include the Ogallala Aquifer and the Santa Rosa Aquifer.

There are many related industries that contribute to the successful farming and agricultural industry of Deaf Smith County. These industries include: pet food manufacturers, flour mill facilities, feed mills, cotton gins, chemical blending plants, grain processing facilities, farm equipment dealerships, metal fabricating facilities, beef processing plants, certified seed companies, custom spray applicators, custom harvesting companies, trucking companies, insurance companies, and repair shops are all examples of businesses that are created by the strong agricultural economy.

Hereford and Deaf Smith County “standout” in agriculture because of the favorable climate, the hard working people from the area, the farmland and available feed grown in the area, the cattle, and the great location.

Agri-Business Part 2

After World War II, businesses were started in Deaf Smith County to process and ship local products. Vegetable production was introduced on a large scale, and processing and packing plants for onions, potatoes, and other perishable vegetables were established. In 1964, the Holly Sugar Company opened its \$20 million mill and refinery, having contracted with local farmers for the production of sugar beets.

Cattle feeding also began to flourish in the 1960s with the opening of several feedlots that used much locally grown grain. By the 1970s, these lots were bringing 80 percent of the county's \$230 million annual average income. In the late 1980s, the county led the state in numbers of cattle fed; it often led the nation in this category. The establishment of feedlots brought commercial production of corn and the establishment of several meat-packing plants in the county. In 1982, Deaf Smith County produced more than 5.75 million bushels of sorghum, 4.75 million bushels of wheat, nearly 4 million bushels of corn, and 251,942 tons of sugar beets. Vegetable production occupied 2,153 acres, planted with carrots, onions, potatoes, and sweet corn.

The population grew steadily from World War II until the 1980s. The number of residents increased from 6,056 in 1940 to 9,111 in 1950, 13,187 in 1960, 18,999 in 1970, and 21,165 in 1980. Economic development brought other changes. The discovery and use of abundant underground water in the Ogallala Aquifer in the 1930s led to large-scale irrigation in the 1950s, which further encouraged the expansion of farming.

Agriculture and agribusiness are the principal industries in Deaf Smith County. Currently, wheat, cotton, grain sorghum, corn, and forage sorghum are the major crops raised in the county. In 2002, about 67 percent of the land in the county was irrigated or dryland crops.

The manufacturing and processing industries include a sugar refinery, a pet food manufacturer, a flour-mill, food processing plants, agricultural chemical blending plants, beef processors, feed mills, grain elevators, and irrigation equipment manufacturing and maintenance plants.

The chief industry and largest source of agricultural revenue for Deaf Smith County is cattle feeding. The county is ranked number one in the world for beef production and is known as the "Beef Capital of the World." There are approximately 16 major feedlots operating in the county with capacities of 5,000 to 80,000 head of cattle. Smaller feedlots with less than 5,000 head are numerous and operate across the county. Feed corn, grain sorghum, forage sorghum, and silage, grown locally, are the main feeds. Approximately one million head of cattle are fed annually in the county. In addition to the feedlots, large cattle ranches in the western and southeastern part of the county manage cow-calf herds, and significant herds of stocker-feeder cattle are fattened on winter wheat pasture throughout the county. The dairy industry in Deaf Smith County is also on the rise. This is due primarily to ample feed production and a climate conducive to dairy production. The county currently has six milking dairies ranging in size from 2,500 head to 12,000 head.

Cattle feeding, dairy production and crop production create a world of agribusiness industry. Truckers, millwrights, chemical blending plants, beef processors, feed mills, grain elevators, sheet metal fabricating, pet food manufacturing, farm equipment sales, automobile sales, organic and natural food processing, crop spraying, lab analysis, irrigation equipment, material handling equipment, storage plant facilities, air conditioning services, filtering and processing facilities, tools and hardware, cotton handling facilities, veterinarians, animal nutritionists, bankers, lawyers, doctors, and realtors can all attest that success is directly tied to the local cattle and agricultural industry.

Real Estate

Farmers and ranchers in Deaf Smith County benefit from advantages found nowhere else in the country. Having the large cattle feeding industry means that local demand for corn exceeds production and typically results in higher prices because basis is eliminated. Prices for irrigated farmland vary widely depending upon the amount of water availability under the ground, value of irrigation equipment on the property, and other factors. Irrigated farmland ranges from \$1,200 to \$5,500 per acre depending on irrigation water volume. Typical dryland farm ground (non-irrigated land) sells from \$700 to \$1,200 per acre. Larger rangeland or native grassland ranch property ranges from \$400 to \$750 per acre. Smaller grassland and CRP tracts typically sell for similar values as dryland cropland. Parcels typically run from a few thousand acres to an excess of 20,000 acres.

Governmental Forces Influencing Value

Utilities and Services

Utilities and Services for Deaf Smith County include the Hereford Volunteer Fire Department; Work Smart (Business Health); Ambulance Services; the Deaf Smith County Sheriff's Department; Hereford City Police; the Texas Department of Public Safety; the Department Human Resources; the U.S. Post Office; U.S. Agriculture Department NRCS and FSA; Atmos Energy (Natural Gas); Xcel Energy (Electricity); Deaf Smith Electric Co-op; and West Texas Rural Telephone.

Education

Public education for the area includes the Hereford High School; Hereford Center for Accelerated Learning; Hereford Preparatory Academy; Hereford Junior High School; Aikman Elementary; Bluebonnet Elementary; Northwest Elementary; Tierra Blanca Elementary; West Central Elementary; and Stanton Learning Center.

Higher education in the area includes West Texas A&M University at Canyon, Texas; Amarillo College and TSTC in Amarillo; Frank Phillips Jr. College; Wayland Baptist at Amarillo; Texas Tech Medical School in Amarillo; Texas Tech University in Lubbock; and Eastern New Mexico University in Portales, NM.

City and County Government

Hereford has been the county seat of Deaf Smith County since 1898. The County offices, housed in the Deaf Smith County Court House, serve a population of approximately 19,000 county residents. The County Judge presides over a board of four County Commissioners who are elected to rotating four-year terms. The Commissioner's Court meets every second and fourth Monday of the month to dispense county business. Each commissioner presides over a precinct and takes care of that precinct.

The County maintains a Sheriff's Office consisting of an elected Sheriff, Deputies, narcotics officers, a dispatcher, communications center operators, corrections officers, and reserve deputies. All deputies are certified through the Texas Commission of Law Enforcement Officers Standards and Education. The Sheriff's Office administers the law to all areas of the county.

The City maintains a Police Department with a Chief of Police, a Police Captain, a Patrol Division staffed with patrol officers, a Detective Division, and a Communications Division. All officers are certified through the Texas Commission of Law Enforcement Officers Standards and Education. A general Dispatcher handles incoming calls and dispatches services such as EMS, ambulances, fire department, and police officers. The City maintains several community education programs concerning law enforcement and safety.

Hereford has a council-manager form of government. The mayor and six councilmen are elected to rotating two-year terms. The professional City Manager is appointed by the Mayor and City Council (Commissioners). The day-to-day business operations and municipal administration is performed by the City Manager and supporting staff. The City Commissioners meet every first and third Monday of the month.

The City maintains one of the finest volunteer fire departments in Texas. Headed by a hired Fire Marshall, Hereford's department responds to an average of 400 calls per year. Everything from fires to emergencies and accidents are addressed by the Fire Department. Firemen are required to achieve certification. Some training is available locally while the bulk of training is received at College Station at the Texas Fire Training School. Hereford's firefighters have achieved an ISO rating of 4 equal to that of most professional fire departments. The City of Hereford works hand-in-hand with the County to help make Hereford a great place to live.

Environmental Forces Influencing Value

County History

Although Erastus "Deaf" Smith never set foot in Deaf Smith County, it was in his honor and memory that the county bears his name. Erastus "Deaf" Smith was a hero of the Texas Revolution. He was the scout commander under General Sam Houston. Smith's exploits during the revolution led to his being made a Captain of the Texas Rangers.

After retiring from the Rangers, he made his home in Richmond, Texas where he died in 1837. His "heroic acts" were admired by many and he was known as "The Texas Spy" for his bravery and scouting ability. La Plata was the first county seat, but the winter of 1897 brought disaster to the once promising little town. In February of that year, four inches of sleet was covered with eight inches of snow. The temperature was freezing or below for 21 consecutive days making it impossible for cattle to break through the ice for water or grass. Over 350 head were lost, forcing folks to leave and begin again elsewhere. The railroad missed La Plata by 26 miles prompting the citizens to relocate the town near the railroad.

Hereford was born on September 1, 1898. Troy Womble owns the distinction of being the first resident. His dugout was 40 yards west of U.S. Highway 385 and 10 feet south of the present railroad track. Hereford got its name from registered Hereford cattle brought by L.R. Bradley and G.R. Jowell. The cattle were from Hereford, England. Hereford became the county seat that same year. By 1900, the population had grown to 843 residents.

As Hereford grew at a steady rate, water was pumped from underground. Windmills provided the solution to meeting the growth demand. Hereford became known as the "Windmill City" with more than 400 windmills in the town. Area farmers began growing wheat in 1903. The first irrigation well was dug on the G. R. Jowell ranch in 1903. It was a ten inch well, 100 feet deep, and produced 280 gallons of water per minute. The area became prime farmland with the ability to make a profit of \$1,000 per year and producing 40 bushels to the acre. Hundreds of people at a time began arriving by immigration trains to look at Hereford as a place to relocate and start a new life. They were drawn by agricultural products like cabbage, onions, corn, cotton, and wheat. After the "Dust Bowl" days, Hereford resumed as one of the top producers of agricultural products.

The railroad was the heart of trade for Hereford and it allowed Hereford to prosper and grow very rapidly. In 1910, Hereford was doing so well that it constructed a new courthouse. It was built of white Georgia marble. It is the only marble courthouse in Texas. Downtown Hereford began a rapid growth and became a trade center for the area. That's pretty much the way it has been ever since. Hereford has prospered and grown and is still recognized as one of the more progressive cities in the Texas Panhandle.

Location, Drainage, and Physical Land Features

Deaf Smith County is on the western edge of the Texas Panhandle and is bounded on the west by Curry and Quay Counties, New Mexico; on the north by Oldham County; on the east by Randall County; and on the south by Parmer and Castro Counties.

It was named for Erastus "Deaf" Smith, a famous scout of the Texas Revolution. The county's center point is at 102°30' west longitude and 35°00' north latitude. Elevations range from 3,200 to 4,200 feet above sea level. Deaf Smith County makes up approximately 1,497 square miles, or 958,253 acres, of level prairies and rolling plains on the western edge of the Llano Estacado. The county is rectangular, about 50 miles from east to west and 30 miles from north to south.

About 95 percent of the county is smooth tableland called the High Plains. The remainder, about 60,000 acres, is in the Canadian Breaks. The High Plains tableland is nearly level but tilted to the east at an average grade of 10 feet per mile. Slopes are linear, neither concave nor convex. Except for a few low rises and numerous playa depressions, the main surface is smooth. The dish-shaped playas range in size from less than 1 acre to several hundred acres. They consist of a central basin in which runoff is held, a slightly higher nearly level bench, and an outer rim that slopes to the main surface. In the northwestern part of the county are the Canadian Breaks. Here, headwater erosion by the drainage system of the Canadian River has eroded sediments from the High Plains.

Most of Deaf Smith County is in the Southern High Plains, Major Land Resource Area (77). The High Plains part is almost treeless; although there are a few scattered mesquite and a few groves of cottonwood and hackberry along the creeks. The remainder of the county is in the Upper Pecos-Canadian Breaks and Plains, Major Land Resource Area (70) (USDA, 1981). In the Canadian Breaks, scattered juniper, cholla, yucca, and mesquite grow. The county has three moderate-sized stream channels that dissect the High Plains. Typically these streams are dry, but occasional flooding can briefly occur during heavy rainfall events. The largest stream is Tierra Blanca Creek. It heads in Curry County, New Mexico, runs eastward across the southern part of the county, and empties into the drainage system of the Red River. Palo Duro Creek and North Palo Duro Creek head in the western part of the county and, likewise, drain eastward into the Red River System.

Hereford is the county seat and only urban center. In 2000, the town had six public elementary schools, a junior high and high school, county library, and the Deaf Smith County Historical Museum. Other communities in Deaf Smith County include Bootleg, Dawn, Ford, Glenrio, Simms, Walcott, and Westway. In 2000, the total resident population for the county was 18,561.

The major land uses in Deaf Smith County are farming and cattle ranching. Approximately 637,348 acres in the county is used as cropland, 311,825 acres as rangeland, 2,373 acres as pasture and hay land, and 6,707 acres as urban or built-up land.

Natural Resources

Soil is the most important natural resource in Deaf Smith County. The production of livestock, crops, and forages, which are sources of livelihood for many people in the county, all depend on soil. Water is another important resource. The Ogallala underground aquifer provides water for municipal, industrial, and agricultural uses. The Santa Rosa Aquifer also provides irrigation water for the county. Gravel, caliche, and sand deposits are utilized for the construction of roads and building sites.

Wildlife, especially waterfowl, are valuable resources in Deaf Smith County. Geese and ducks migrate by the thousands to the High Plains during the winter months. Hundreds of playa lakes provide food and nesting areas for several migratory waterfowl species. Deer are present in some parts of the county where adequate forage and cover is located. Also of importance are dove, pheasant, and quail.

Climate

In winter, the average temperature is 37.4 degrees F and the average daily minimum temperature is 23.1 degrees. The lowest temperature on record, which occurred at Hereford on February 1, 1951, was -17 degrees. In summer, the average temperature is 75.4 degrees and the average daily maximum temperature is 89.2 degrees. The highest recorded temperature, which occurred at Hereford on June 8, 1910, was 111 degrees.

The total annual precipitation is about 18.7 inches. Of this, 15.2 inches, or 81 percent, usually falls in April through October. The growing season for most crops falls within this period. In 2 years out of 10, the rainfall in April through October is less than 5.7 inches. The heaviest 1-day rainfall during the period of record was 5.3 inches on August 3, 1976.

Thunderstorms occur on about 49 days each year, and most occur between May and August. The average seasonal snowfall is about 13.9 inches. The greatest snow depth at any one time during the period of record was 18 inches recorded on February 5, 1964. The heaviest 1-day snowfall on record was 14.0 inches recorded on December 14, 1967. On the average, 11 days of the year have at least 1 inch of snow on the ground. The number of such days varies greatly from year to year. The average relative humidity in mid-afternoon is about 40 percent. Humidity is higher at night, and the average at dawn is about 73 percent. The sun shines 78 percent of the time possible in summer and 69 percent in winter. The prevailing wind is from the south or southwest. Average wind speed is highest, between 15 and 16 miles per hour, in March and April.

Transportation

U.S. Highway 385 and U.S. Highway 60 intersect in Hereford, Texas. There are also many farm and ranch to market roads and county maintained roads within the county which provide access to all areas of the county.

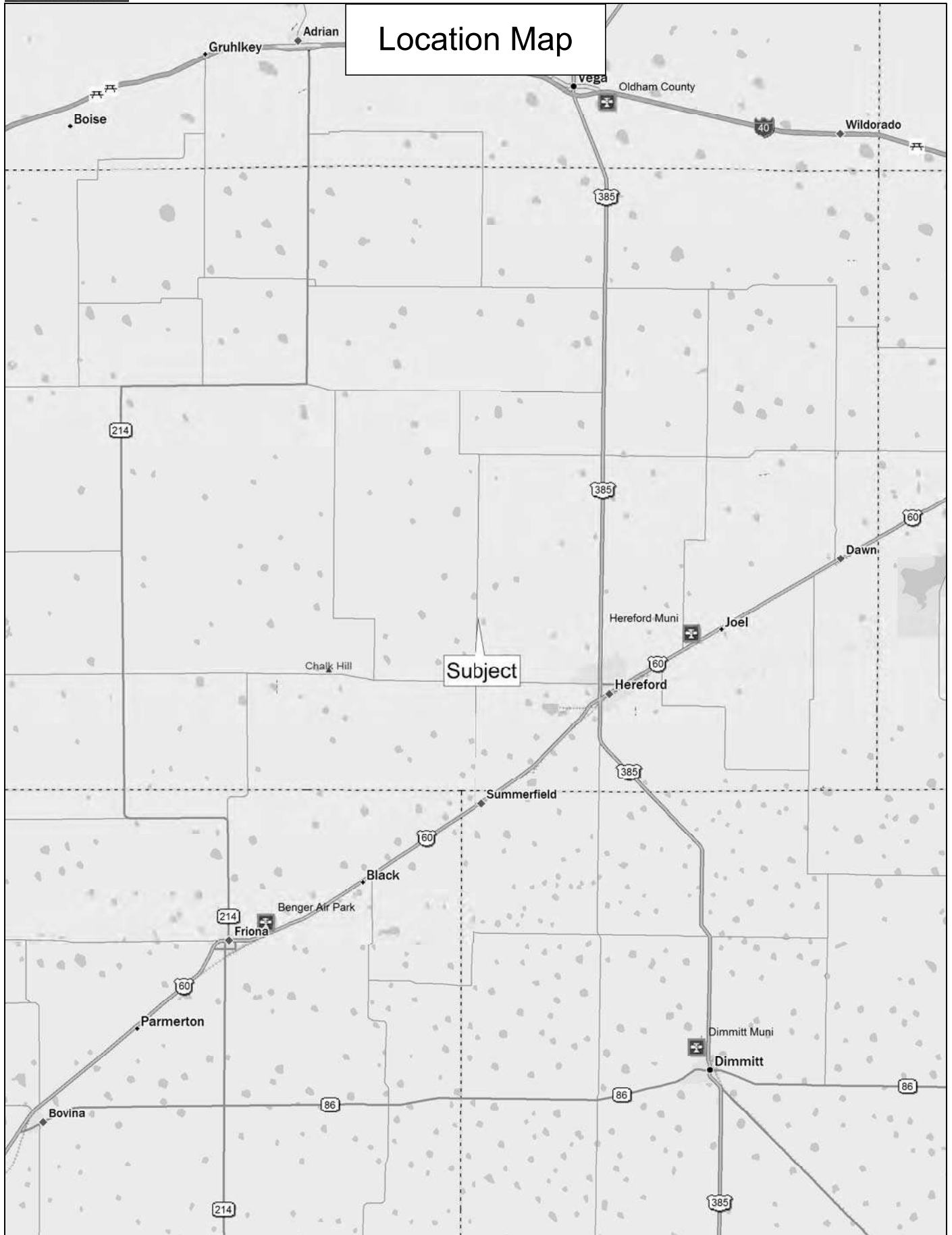
Rail access for the area is by the Burlington Northern Santa Fe Railway. Hereford Municipal Airport with a 5,400 foot runway and VASI approach system provide local air service. The nearest commercial air service is located in Amarillo with a paved lighted runway length of 13,502 feet. Service is provided by American, Delta, Southwest, United Express, and ASA.

Recreational Facilities and Local Attractions

Parks in Hereford include Dameron Park, Veterans Park and Aquatic Center park. Local attractions include the Deaf Smith County Museum, Deaf Smith County Library, E.B. Black House, Hereford YMCA, Hereford Aquatic Center, Prisoner of War Camp, Spicer Gripp Roping Arena, Veterans of Foreign War building, and the Deaf Smith County Courthouse. Regional Attractions include the Palo Duro Canyon State Park, Buffalo Lake Wildlife Refuge, American Quarter Horse Association, and the Panhandle Plains Museum.

Market Overview and Summary

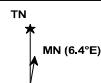
The Hereford and Deaf Smith County economy has been stable to increasing based on the county's natural resources, the local oil and gas industry, the irrigated farming operations, and the cattle feeding industry. The agricultural sector provides stability to the local economy. However, there is always a touch of uncertainty in agriculture since the industry is so dependent on the weather and it can be dramatically affected by government policy. In meeting with local businesses and realtors it seems that the local economy will experience above average growth in the immediate future.



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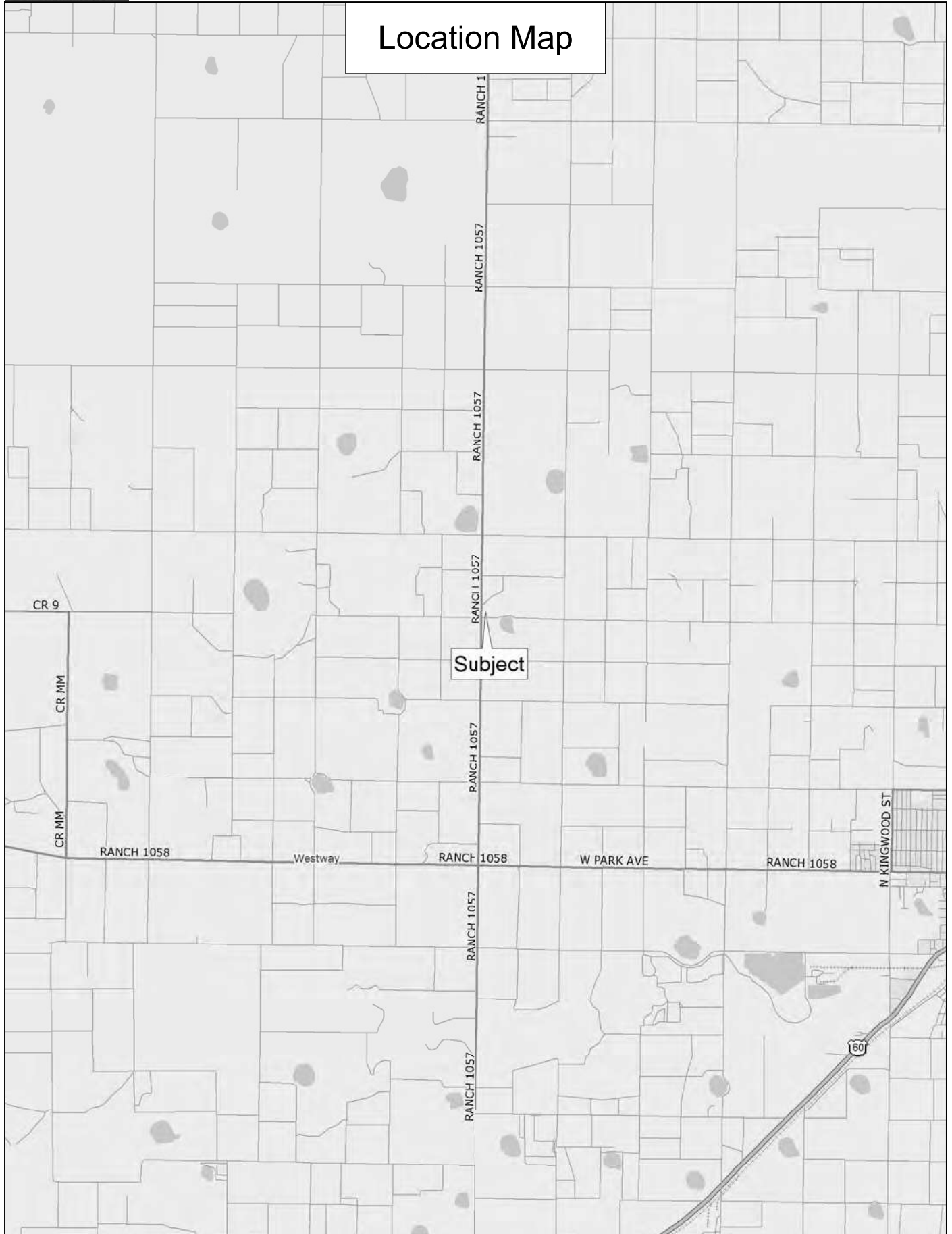
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1" = 6.31 mi

Data Zoom 9-0

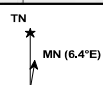
Location Map



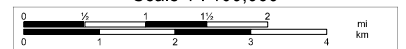
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Scale 1 : 100,000



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 and Land Use Information

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

The subject McClain grow-yard / feedyard is required to have a Texas Commission on Environmental Quality (TCEQ) Concentrated Animal Feeding Operation (CAFO) General Permit for its legal operation. The subject feedyard operates under TPDES Large CAFO Permit No. TXG-921265.

This General Permit was issued by the TCEQ to the subject feedyard / grow yard. The Permit Coverage Date began on April 22, 2012; the last update was on November 7, 2019. The Permit Expiration Date is July 20, 2024. This CAFO Permit allows for a maximum of 3,000 head of (Beef) cattle that can be confined and fed in the subject feedyard / grow yard. Permit information from the TCEQ Website is included in the Addendum of this report.

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

The grow-yard / feedyard, waste water retention control structures (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 is Enviro-Ag Engineering of Amarillo, Texas, at 806-353-6123. According to Dillon Pool at Enviro-Ag, the subject grow-yard / feedyard is in compliance with the TCEQ and all county and state regulations. It is noted that all grow-yard / feedyard CAFO Permits in the State of Texas have expiration dates of July 20, 2024. All CAFO Permits are typically renewed for five (5) year periods. The value of the subject grow-yard / feedyard relies on the continuance of the CAFO Permit to legally operate. It is assumed that the subject is in compliance with all EPA, TCEQ, and Deaf Smith County, Texas rules and regulations.

The appraised value is based on a CAFO Permitted capacity of 3,000 head and an efficient confined feeding capacity of 2,500 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 any 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 grow-yard / feedyard complying with all County, State and Federal authorities relating to legal operation of the feedyard.

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

Location, Frontage, and Access

The property being appraised is the McClain grow-yard / feedyard on 56.03 acres of land. The subject property is located approximately 7.0 miles northwest of Hereford at the NEC of State FM Road 1057 and CR 9, in Deaf Smith County, Texas. According to the Deaf Smith County Appraisal District, the physical address of the subject McClain Feedyard is 4010 FM 1057, Hereford, Texas. Frontage and access to the subject site is provided along State FM 1057 and Deaf Smith CR 9.

Size, Shape and Use

The subject property is one (1) contiguous land tract totaling 56.03 acres. The southern 26.0 acres of the subject site is developed with a beef cattle grow yard facility with a 150.0 GPM water well used for the cattle feeding operation and the northern 30.03 acres is undeveloped moderately maintained dryland cropland grown up in grass and weeds.

Subject Land Mix			
Subject Land - As Is (Approximate)		Subject Land - As if Vacant (Approximate)	
Subject Land	Acres	Subject Land	Acres
Irrigated Cropland	0.000	Building Site = Irrigated Land 150 GPM / 26 Acres = 5.77 GPM Per Irrigated Acre (Potentially Irrigated Land) (Same as Building Site - As Is)	26.000
Dryland Crop or CRP	30.030	Dryland Cropland or CRP	30.030
Native Pasture / Grass	0.000	Native and Improved Pasture	0.000
Feedyard and Building Sites 1 x 150 GPM Well (Potentially Irrigated Land) (Same as Irrigated Land - As if Vacant)	26.000	Feedyard or Building Sites	0.000
Roads and Waste	0.000	Roads and Waste	0.000
Total	56.030	Total	56.030

As if vacant, the subject land would be 26.0 acres of potentially irrigated land and 30.3 acres of dryland cropland. The on-site 150 GPM well allows for the subject to have an irrigation potential of 5.77 GPM per irrigated acre for the 26.0 acres of potentially irrigated land.

Flood Plain and Topography

According to FEMA-FIRM Flood Hazard Maps, Rural Deaf Smith County, Texas is not mapped for flood determinations. Therefore, no flood information is available for the subject property. According to the attached topography map, the southern portion of the property touches a playa lake. The elevation of the land ranges from 3,897 to 3,914 feet. The subject land is generally level in the northern portion sloping to a playa lake depression in the southern portion. According to the attached soil map there are no frequently ponded or occasionally ponded soils associated with the subject site and there are no frequently or occasionally flooded soils associated with the subject site. A current survey is required to determine exact flood plain status.

Soils

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

PuA, Pullman clay loam, 0-1 percent slopes, 28.95 acres

PcB, Pep clay loam, 1-3 percent slopes, 26.78 acres

Utilities and Water

The subject site has access to typical rural utilities including electricity, septic, and private well water.

The original owner of the subject grow-yard / feedyard furnished the appraiser with verbal water well information in 2019. There is no information available about water well on the subject site on the High Plains Water District Website Interactive Map. The High Plains Water District located in Lubbock, Texas issues water well permits for all water wells in the district. According to the original owner Mr. McClain, there is one (1) water well located on the property and it produces approximately 150 GPM. There is no known written water well documentation for the subject water well. The subject grow-yard / feedyard is currently vacant and there is no one available to verify that the well still produces the same amount of water. The well location is shown on the Enviro-Ag Engineering LMU Site Map located in the appraisal addendum. The appraiser assumes that the water well information is still the same and true and correct. A current well test is recommended to determine the accurate well GPM.

The value stated in this appraisal is based on the subject feedyard having enough water to adequately operate the grow-yard / feedyard and confine 2,500 head of livestock plus have enough water for horses and some domestic use. The CAFO Permit allows for 3,000 head of beef cattle. Based on 150 GPM x 60 minutes x 24 hours is a total of 216,000 gallons of water per day. Most feedyards with additional feed mills use around 12 gallons of water per animal per day average.

The appraiser has assumed 15 gallons per animal per day for the subject grow-yard / feedyard calculation. Considering 216,000 gallons per day / 15 gallons per animal = 14,400 total animals. Assuming that the subject water well produces 150 GPM, there is more than enough water to adequately operate the grow-yard / feedyard at the current 2,500 head capacity using the concrete bunk only and the 3,000 head capacity if the metal bunk was repaired or replaced with concrete bunk.

Surrounding Uses

The properties directly adjacent to the subject site are dryland and sprinkler irrigated farms. Properties located within the immediate subject area include farming and ranching operations, dairies, commercial cattle feedyards and grow-yards, horse training facilities, and scattered rural homesites.

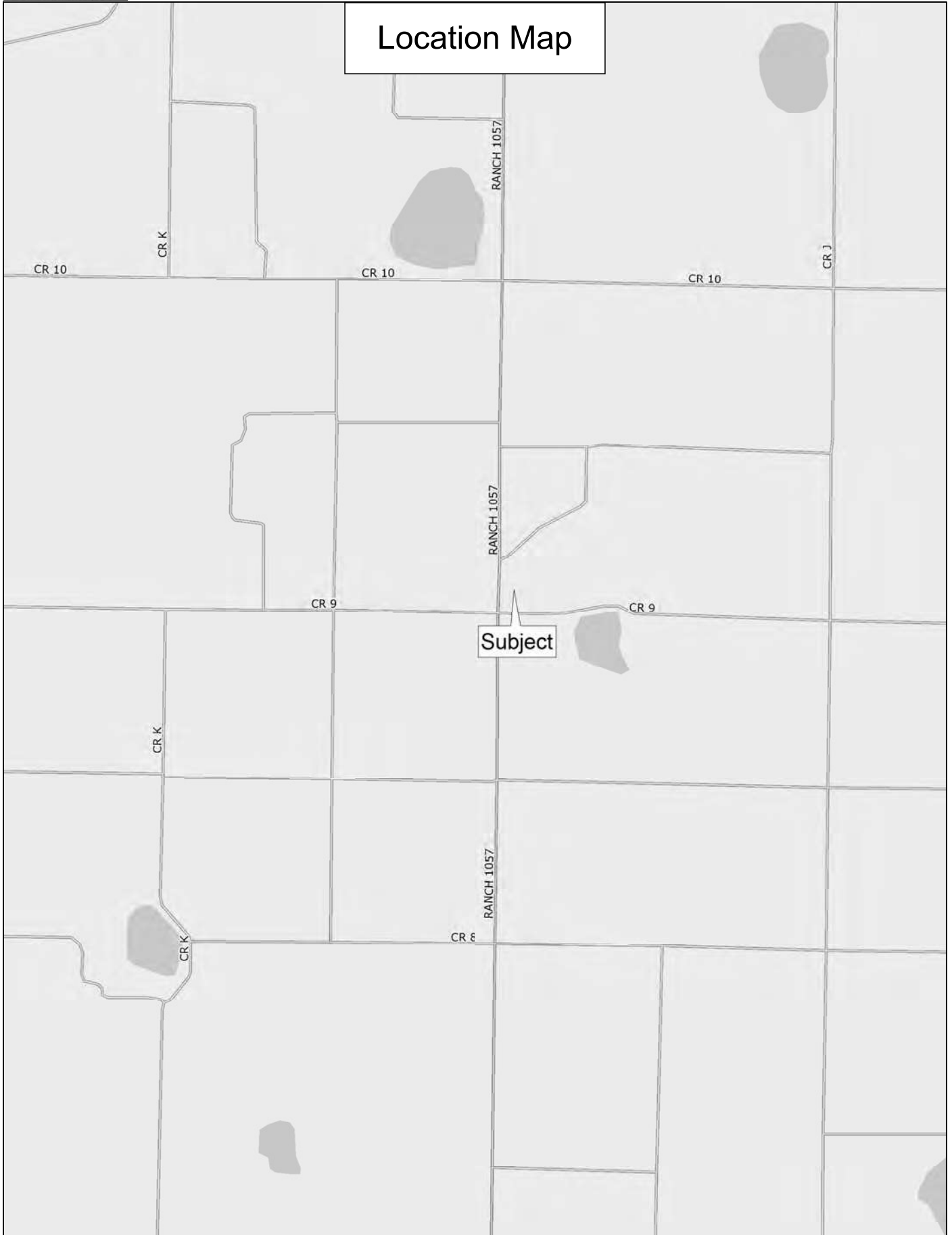
Environmental Hazards

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 Letter of Transmittal, the Assumptions and Limiting Conditions, and the Appraisal Addendum for CAFO Permit information.

Summary and Conclusions

The subject property is one (1) contiguous land tract totaling 56.03 acres. The southern 26.0 acres of the subject site is developed with a beef cattle grow-yard facility with a 150.0 GPM water well used for the cattle feeding operation and the northern 30.03 acres is undeveloped moderately maintained dryland cropland grown up in grass and weeds. 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. The subject 56.03 acres is rectangular in shape and contiguous. The subject site has all necessary utilities which are adequate for their present use. Based on soil information, the property has typical soils for the area. The subject site and Rural Deaf Smith County are not mapped for flood hazard determinations. The subject site ranges from level to sloping topography with adequate drainage. 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 other feedyards and livestock processing facilities. Accessibility to the subject is good with ingress and egress from State FM Road 1057 and Deaf Smith CR 9. Given the size and use, the subject site is considered relatively consistent with the immediate area and provides average to good functional utility. The subject 56.03 acres is suitable for its current use as a grow-yard / feedyard site with additional land for crop production, grazing, and waste management.

Location Map

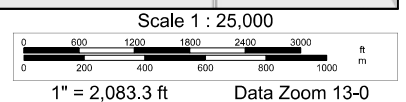
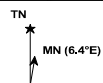


Subject

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Aerial Map

Subject Grow Yard
on 56.03 Acres



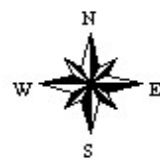
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map center: 34° 52' 14.18, -102° 30' 31.96

0ft 971ft 1942ft

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Deaf Smith County
Texas



10/29/2017

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 Improvements

Grow-Yard / Feedyard Pens and Bunk Space

The subject grow-yard / feedyard is improved with approximately 3,455 linear feet of concrete feed bunk space with attached concrete apron and steel pipe and cable confinement pens. The pens are improved with a continuous flow water system. Approximately 1,237 linear feet of feed bunk is metal construction and 2,218 linear feet is concrete construction. Approximately 1,550 linear feet of the concrete feed bunk was constructed in 2016. The original bunk was constructed from 2001 to 2011.

The total feed pen space for the pens with the attached metal bunk and concrete bunk together is approximately 510,523 square feet which calculates to 170 square feet per animal based on 3,000 legal head. The current CAFO Permit restricts the subject grow-yard / feedyard to 3,000 head.

The metal bunk has reached the end of its economic and usable life. Only the 2,218 linear feet of concrete bunk with attached pen space is being calculated for the current feeding capacity of 2,500 head.

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

The southwest pen structure constructed around 2001 has approximately 468 LF of attached concrete bunk attached to the west side (west feed-line). The east side (east feed-line) of the southwest pen structure has 440 LF of attached metal bunk. The east side containing the metal bunk would not be utilized and the gates could be opened between the east and west side allowing for a total of 111,078 square feet of pen space for the 468 LF of concrete bunk line. Approximately 642 head of cattle can be fed on the 468 LF of concrete bunk on a 8.75 inch spacing at 173 square feet per animal.

The adjacent south center pens have 150 LF of concrete bunk attached to the north side (north feed-line) and 284 LF of metal bunk attached to the west side (west feed-line). The 284 LF of metal bunk would not be utilized and is not calculated in the value. The north 150 LF of concrete bunk would be utilized for feeding. Approximately 206 head of cattle can be fed on the 150 LF of concrete bunk on an 8.75 inch spacing. There is a total of 32,670 square feet of space in the north pen structure. Therefore 159 square feet of pen space per animal is available in the north pen to feed 206 head of cattle on an 8.75 inch spacing. The attached north pen could be opened to the middle pen and this would allow for 77,101 square feet or 374 square feet per animal on an 8.75 inch spacing.

The north center pen has approximately 17,860 square feet of space. Approximately 69 cattle can be fed in this pen on an 8.75 inch spacing at 259 square feet per animal. There is no metal bunk attached to this pen. All of the bunk attached to these pens is concrete.

The newer eastern pens were constructed in 2016 have a total approximate square footage of 200,376 square feet of space. These pens have 820 LF of concrete bunk on the west side (west bunk line) and 730 LF of concrete bunk on the east side (east bunk line). Approximately 1,550 head of cattle can be fed in these pens on a 12 inch spacing. This calculates to 130 square feet per animal.

Therefore, the total amount of cattle that can be confined and fed in the subject grow-yard / feedyard using the concrete feed bunk only and not any metal bunk is 642 head in the southwest pens, 206 head in the south-center pens, 69 head in the north center pens, and 1,550 head in the east pens which totals 2,467 head rounded to 2,500 head with a total average square footage per animal of 145 to 163 square feet.

As previously stated, that if the metal bunk only is replaced with new metal bunk or with concrete bunk, the subject can be returned back to a 3,000 head grow-yard with 3,455 linear feet of bunk space at 13.82 inches per animal and 510,523 pen space with an average animal space of 170 square feet per animal.

The 2,500 head capacity, feeding space, and square footage per animal are considered to be adequate for the subject grow-yard / feedyard facility.

The appraised value is based on a CAFO Permitted capacity of 3,000 head and an efficient confined feeding capacity of 2,500 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 any 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 grow-yard / feedyard complying with all County, State and Federal authorities relating to legal operation of the feedyard.

Support Buildings

The subject feedyard / grow yard is improved with one (1) 685 square foot pre-engineered steel construction office building and scale room; one (1) 4,425 square foot pre-engineered steel construction processing and hospital barn with tub, snake, hydraulic working chute, and pens; one (1) 2,826 square foot pre-engineered steel construction horse barn with pens, runs, office, tack area, and horse stock; one (1) 1,800 square foot pre-engineered steel construction commodity shed with open sides; approximately seven (7) pre-engineered steel construction livestock loafing sheds totaling 5,395 square feet of space; and one (1) small well house. Most of the building improvements were constructed between 2001 and 2011. A 2021 model 1,064 square foot single-wide mobile home was added to the property in 2021.

Attached Equipment

The attached equipment includes one (1) set of 10' x 30' cattle scales and one (1) nearly new 2018-2019 Silencer hydraulic working chute located in the processing barn. The equipment was installed from 2001 to 2019.

Site Improvements

The site improvements include dirt work and excavation work for the buildings, pens, concrete bunk and apron, and the lagoons; one (1) 150 GPM water well with water storage tank; gravel parking, drives, all weather feed lanes; and perimeter livestock fencing.

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 average to good overall. Using Marshall and Swift, the improvements would range from Average to Good Cost Class S to Average to Good Cost Class C. The quality of the structures was also based on comparisons to other grow-yards and feedyard structures in the subject market area and competing areas. The overall quality is considered to be average to 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 Appraisal District information, and information from a previous appraisal report, the original portion of the subject grow-yard / feedyard which includes bunk, pens, and buildings was constructed around 2001. Other improvements were made between 2001 and 2011. The subject was purchased in 2011 by McClain Feedyard, Inc. After the property was purchased between 2011 and 2016 approximately 1,550 linear feet of concrete bunk and feed pens were constructed. Therefore, the improvements were constructed between 2001 and 2016. A new Silencer hydraulic working chute was added in 2018-2019. The overall effective age was estimated at 17 years. Deferred maintenance items were previously stated. Only the concrete bunk with attached pens was used in calculating the feeding capacity. The metal bunk has reached the end of its economic life and was not given any value in the appraisal. The overall condition of the improvements was considered to be fair to average as of the effective date of this appraisal. There was deferred maintenance noted in the property.

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.

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

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

The subject grow-yard / feedyard improvements and attached cattle equipment were constructed and installed from 2001 to 2019. The condition of the improvements and attached equipment ranges from fair to average. Due to the property currently being vacant and not managed with deferred maintenance, the overall effective age of the subject grow-yard / feedyard improvements and attached equipment was estimated to be 17 years.

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.

Total economic life estimates were obtained from the sales of grow-yard and feedyard properties and observations of existing grow-yard and feedyard structures. The economic life of the subject improvements was estimated to be 17 years. Please see the Cost Approach Section for further detail.

Remaining economic life is the estimated period over which existing improvements are expected to continue to contribute economically to property value.¹² Since the total economic life was estimated at 40 years and the overall composite effective age was estimated 17 years, the remaining economic life was estimated at 23 years.

As the area surrounding the subject is agricultural in nature, the existing improvements are compatible with the surrounding properties. There are many existing grow-yards and feedyards, dairies, irrigated farms, dryland farms, and ranches located in close proximity to the subject near Hereford and throughout Deaf Smith County, Texas.

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.

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

Functional Obsolescence

The existing improvements and attached equipment were constructed from 2001 to 2019 and they are functional in overall design and layout. The size and physical arrangement of the existing improvements compliment the utility requirements within the subject's market. The existing improvements represent the highest and best use of the site, as improved. No functional obsolescence was noted.

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 consists of concrete feed bunk with steel pipe and confinement pens, building structures, and attached scale and cattle working equipment. All of the improvements are an important part of the subject commercial grow-yard / feedyard operation. The improvements were constructed and the equipment was installed from 2001 to 2019. The construction and materials of the improvements are of average to good quality and their condition ranges from fair to average. Deferred maintenance items have been noted. The improvements and attached equipment are considered to be in conformity, both physically and legally.

Therefore, the property is suitable for its existing use as a commercial beef cattle grow-yard / feedyard operation with associated land. The associated land is used for forage production; grazing; wastewater management and dry waste storage; and expansion purposes; and the land is necessary for maintaining the CAFO Permit for the property's legal use.

Property Tax Analysis

The property is located within the assessing authority of Deaf Smith County, Texas. The Deaf Smith 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 2022-2023 assessed value of the land and improvements, attached equipment, rolling stock, the levy, and the identification numbers assigned to the subject property are listed in the chart below.

Subject Property Taxes							
Property Account No.	Property Type DSCAD	Land Acres	Total Market Value	Total Taxable Value	Rate	Per \$100	Total Property Tax Estimate
919959	Real Property	20.000	\$40,000	\$3,440	1.89573900	0.01895739	\$65.21
26963	Real Property	36.030	\$523,260	\$523,260	1.89573900	0.01895739	\$9,919.64
921187	Personal	0.000	\$15,000	\$8,100	1.87573900	0.01875739	\$151.93
Total All		56.030	\$578,260	\$534,800			\$10,136.79
Total Real		56.030	\$563,260	\$526,700			\$9,984.86
Total Personal		0.000	\$15,000	\$8,100			\$151.93

Real Estate Tax Summary

The assessed value of the subject property, based upon conclusions and the final value opinion herein, is considered to be below its market value, as defined within this report. Prudent management would not attempt to have the assessed value changed as the tax burden is currently minimized. The Deaf Smith 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.

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

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 56.03 acres. The size and shape of the subject site is considered to be adequate to support most of the legally permissible forms of use or development. The terrain is level to sloping to the south to the edge of a playa. The feed pens are constructed near the slope for drainage purposes. Retention Control Structures have been constructed below the pens to catch wastewater runoff. There does not appear to be any adverse soil or sub-soil conditions.

The subject property is located approximately 7.0 miles northwest of Hereford along at the NEC of State FM Road 1057 and CR 9, in Deaf Smith County, Texas. There are no flood maps printed or available for rural Deaf Smith County, Texas or the subject property. A current survey is required for exact determination. The site has good access along FM 1057 and CR 9. 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. The roads and the utilities are considered adequate for the subject's current use as a commercial 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, cattle feeding or dairy usage.

Numerous agricultural uses with associated rural commercial and residential usage would be likely considerations if the subject land was vacant. The subject land generally conforms with size, shape and topography to other land tracts in the area.

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

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 and rural commercial or homestead use. 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 Deaf Smith County, Texas. Rural Deaf Smith County is not zoned. Therefore, the subject is not affected by any zoning restrictions. The subject site is also permitted by the TCEQ to confine and feed 3,000 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 7.0 miles northwest of Hereford, 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, 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 markets, larger feedyards, and 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 and attached equipment located on the subject site are considered well suited for a commercial beef cattle grow-yard / feedyard with associated land.

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

The subject McClain grow-yard / feedyard is required to have a Texas Commission on Environmental Quality (TCEQ) Concentrated Animal Feeding Operation (CAFO) General Permit for its legal operation. The subject feedyard operates under TPDES Large CAFO Permit No. TXG-921265. This General Permit was issued by the TCEQ to the subject feedyard / grow yard. The Permit Coverage Date began on April 22, 2012; the last update was on November 7, 2019. The Permit Expiration Date is July 20, 2024. This CAFO Permit allows for a maximum of 3,000 head of (Beef) cattle that can be confined and fed in the subject feedyard / grow yard. Permit information from the TCEQ Website is included in the Addendum of this report.

The grow-yard / feedyard, waste water retention control structures (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 is Enviro-Ag Engineering of Amarillo, Texas, at 806-353-6123. According to Dillon Pool at Enviro-Ag, the subject grow-yard / feedyard is in compliance with the TCEQ and all county and state regulations. It is noted that all grow-yard / feedyard CAFO Permits in the State of Texas have expiration dates of July 20, 2024. All CAFO Permits are typically renewed for five (5) year periods. The value of the subject grow-yard / feedyard relies on the continuance of the CAFO Permit to legally operate. It is assumed that the subject is in compliance with all EPA, TCEQ, and Deaf Smith County, Texas rules and regulations.

The improvements do conform to the physical characteristics of the region. The current development trend in the immediate area is rural agriculture in nature. The land in the area around the subject property is currently used for irrigated and dryland farms, livestock grazing, feedyard and grow- yard operations, dairy operations, rural residential homesteads, and private recreational hunting. The agricultural uses in the region include large and small feedyards, grow-yards and backgrounding yards, ranches, livestock grazing operations, dairies, irrigated farms, dryland farms, hay operations, and horse operations.

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 is 3,000 head. Based on the condition of the current improvements, approximately 2,500 head of beef cattle can be efficiently confined and feed at the subject 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	\$1,277,385
Land Cost	\$125,000
Total Cost of Property	\$1,402,385
NOI	\$27,740
Return	1.98%
Market Value Opinion	\$375,000
As if Vacant Land Value	\$125,000

Based on the current construction cost, as detailed in the Cost Approach, it would require capital expenditures of \$1,277,385 plus land costs of \$125,000 for a total cost of \$1,402,385 rounded to replace the existing structures and the 56.03 acres of land.

The estimated net operating income from the Income Approach was \$27,740 which is a 1.98 percent return. This is considered to be low but a positive return, and it is likely that it is sufficient to attract an owner-operator-investor to build a new facility such as the subject.

Based on the *current use*, the improvements do produce a positive return and are, therefore, considered financially feasible since the positive return provides a value greater 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 feedyard use 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 current grow-yard / feedyard use is considered that use which maximizes the productivity of the site, as improved.

In conclusion, the subject property has a desirable location for numerous rural agricultural uses and its current commercial grow-yard / feedyard use. The current grow-yard improvements are considered to have 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 Deaf Smith County, Texas and the regional high plains feedyard and grow-yard 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 for use as a 2,500 head commercial cattle feedyard / grow-yard facility on 56.03 acres of land.

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 several recent land sales in the subject area. Three (3) 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.

It is noted that there were no smaller land tract sales similar in size and use to the subject, therefore, larger farmland sales, similar in use as the subject were used for market comparison.

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	30%
CRP Land	30%
Native Pasture or Grass	20%
Farmstead Areas (Same as 100 Percent Irrigated Cropland)	100%
Roads and Waste	10%

The subject property is one (1) contiguous land tract totaling 56.03 acres. The southern 26.0 acres of the subject site is developed with a beef cattle grow yard facility with a 150.0 GPM water well used for the cattle feeding operation and the northern 30.03 acres is undeveloped moderately maintained dryland cropland grown up in grass and weeds.

Subject Land Mix			
Subject Land - As Is (Approximate)		Subject Land - As if Vacant (Approximate)	
Subject Land	Acres	Subject Land	Acres
Irrigated Cropland	0.000	Building Site = Irrigated Land 150 GPM / 26 Acres = 5.77 GPM Per Irrigated Acre (Potentially Irrigated Land) (Same as Building Site - As Is)	26.000
Dryland Crop or CRP	30.030	Dryland Cropland or CRP	30.030
Native Pasture / Grass	0.000	Native and Improved Pasture	0.000
Feedyard and Building Sites 1 x 150 GPM Well (Potentially Irrigated Land) (Same as Irrigated Land - As if Vacant)	26.000	Feedyard or Building Sites	0.000
Roads and Waste	0.000	Roads and Waste	0.000
Total	56.030	Total	56.030

As if vacant, the subject land would be 26.0 acres of potentially irrigated land and 30.3 acres of dryland cropland. The on-site 150 GPM well allows for the subject to have an irrigation potential of 5.77 GPM per irrigated acre for the 26.0 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.

FARM SALE NO. 1			
TRANSACTION DATA			
Property	Irrigated Farm		
Location	The property is located southeast of Hereford along the south side of Walnut Road (CR 5), the west side of South Progressive Road, and the east side of CR G G, in Deaf Smith County, Texas.		
Legal Description	N/2 of Section 90 being 321.52 acres, Block M7, BS &F Survey, A-960, Save and Except 1.68 acres, Deaf Smith County, Texas, leaving a net acreage of 319.84 acres.		
Grantor	Cummings Revocable Living Trust etal		
Grantee	Hayden Carlson		
Recording / Sale Information	Document 345 Filed February 17, 2023		
Terms	Cash to Seller, Note to Ag Texas Farm Credit		
Sale Date	January 27, 2023 Closed		
Sale Price	\$707,000		
Other Contribution	\$0		
Net Sale Price	\$707,000		
Size / Acres	319.84		
Sale Price / Acre	\$2,210		
Topography and Land Features	Level to gently sloping.		
Structural Improvements	None		
Irrigation Improvements and Equipment	The farm is improved with one (1) 2003-2008 Zimmatic 7-Tow er quarter mile 1,300 LF sprinkler in average condition. 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 550 GPM or 4.59 GPM per irrigated acre. Saturated thickness 140 feet.		
LAND BREAKDOWN			
Site Breakdown / Land Acres	Irrigated Land	37.52%	120.000
	CRP	0.00%	0.000
	Dryland Cropland or Grass Corners	62.48%	199.840
	Pasture	0.00%	0.000
	Farmstead	0.00%	0.000
	Roads / Waste	0.00%	0.000
	Total Acres	100.00%	319.840
COMMENTS			
The East Quarter contains the sprinkler. The West Quarter is dryland cropland. The buyer plans to install a used sprinkler on the West Quarter that operates in a windshield wiper motion around the 1.68 acre Save and Except site. The property was not listed at the time of sale. The buyer and seller negotiated a sale price based on a current appraisal at market value. P roperty Tax ID 7684. Annual taxes are \$2,000.47.			

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	0	0	0	0	0
Size	1,300	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	14	0	0	0	0	0
Remaining Economic Life	11	25	25	25	25	25
RCN/Unit	\$70	\$0	\$0	\$0	\$0	\$0
Total RCN	\$91,000	\$0	\$0	\$0	\$0	\$0
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$91,000	\$0	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	56.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Dep. \$	\$50,960	\$0	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$40,040	\$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	\$40,040	\$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.	\$40,040	\$0	\$0	\$0	\$0	\$0
Contribution Per Unit	\$30.80	??	??	??	??	??
RCN Sprinklers 1-6						\$91,000
Phy. Dep. Value Spk. 1-6						\$40,040
Physically Depreciation 1-6						\$50,960
Total CV of Sprinklers 1-6						\$40,040
Total Sprinkler Linear Feet						1,300

Total CV of Sprinklers						\$40,040
Total Sprinkler LF						1,300
CV of Sprinklers Per LF						\$30.80
Gross Acres						319.840
CV of Sprinklers Per Acre						\$125.19

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	\$707,000	319.840	\$2,210
Property Rights Adjustment	\$0	319.840	\$0
Adjusted Sale Price	\$707,000	319.840	\$2,210
Financing Adjustment	\$0	319.840	\$0
Adjusted Sale Price	\$707,000	319.840	\$2,210
Conditions of Sale Adjustment	\$0	319.840	\$0
Adjusted Sale Price	\$707,000	319.840	\$2,210
Market Conditions Adjustment	\$0	319.840	\$0
Adjusted Sale Price	\$707,000	319.840	\$2,210
Adjusted Price Used in Following Land Ratio Analysis	\$707,000	319.840	\$2,210
Less Building Contribution	\$0	319.840	\$0
Less Sprinkler Contribution	(\$40,040)	319.840	(\$125)
Adjusted Unimproved Land Value Used in Following Land Ratio Analysis	\$666,960	319.840	\$2,085
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	120.000	x	100%	=	120.000
CRP	0.000	x	30%	=	0.000
Dry Crop or Corners	199.840	x	30%	=	59.952
Pasture	0.000	x	20%	=	0.000
Farmstead	0.000	x	100%	=	0.000
Roads / Waste	0.000	x	10%	=	0.000
	319.84				179.952
Total Sale Price Including Imp.	Land Sale Price Excluding Imp.		Adjusted Acreage		Land Price Per Acre 100 Percent
\$707,000	\$666,960	/	179.952	=	\$3,706
	Land Price Per Acre 100 Percent		Land Ratio		Adjusted Land Prices
Irrigated Land	\$3,706	x	100%	=	\$3,706
CRP	\$3,706	x	30%	=	\$1,112
Dry Crop	\$3,706	x	30%	=	\$1,112
Pasture	\$3,706	x	20%	=	\$741
Farmstead	\$3,706	x	100%	=	\$3,706
Roads / Waste	\$3,706	x	10%	=	\$371

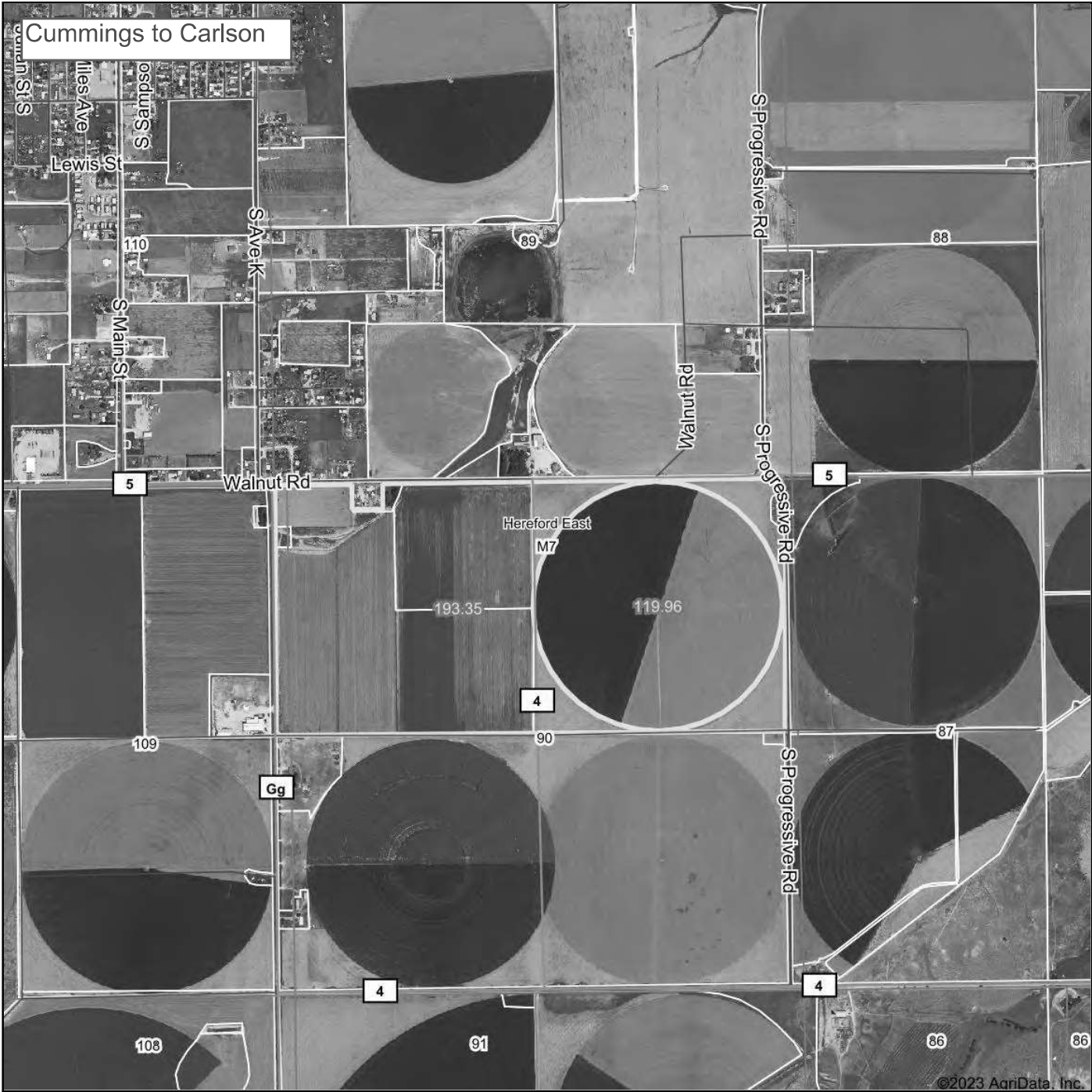
FARM SALE NO. 1 - INCOME ANALYSIS AND OVERALL RATE					
LAND TYPE	ACRES		RENT / ACRE		INCOME
Irrigated Land	120.000	@	\$175	=	\$21,000
CRP	0.000	@	\$0	=	\$0
Dryland Cropland (Corners)	199.840	@	\$40	=	\$7,994
Native / Improved Pasture	0.000	@	\$0	=	\$0
Farmstead Area	0.000	@	\$0	=	\$0
Roads & Waste	0.000	@	\$0	=	\$0
Gross Income	319.840				\$28,994
Gross Income					\$28,994
Real Estate Tax Expense			\$2,000		
Water Usage Expense			\$0		
Insurance Expense	3%		\$870		
Maintenance Expense	4%		\$1,160		
Management Expense	5%		\$1,450		
Expense Total			\$5,479		\$5,479
Net Operating Income					\$23,514
Expense Ratio					18.90%
Sale Price					\$707,000
Overall Rate Lease Back Above Market					3.33%
Irrigated Acres Only					120.0000
Total Gross Rent Per Irrigated Acre					\$242
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	120.00	x	\$3,706	Acre	\$444,720	Irrig. Land	0.000	x	\$3,706	Acre	\$0
CRP	0.00	x	\$1,112	Acre	\$0	CRP	0.000	x	\$1,112	Acre	\$0
Dry Corners	199.84	x	\$1,112	Acre	\$222,222	Dry Corners	30.0300	x	\$1,112	Acre	\$33,393
Pasture	0.00	x	\$741	Acre	\$0	Pasture	0.000	x	\$741	Acre	\$0
FS / Bldg Site	0.00	x	\$3,706	Acre	\$0	FS / Bldg Site	26.000	x	\$3,706	Acre	\$96,356
R / W	0.00	x	\$371	Acre	\$0	R / W	0.000	x	\$371	Acre	\$0
Total	319.84				\$666,942	Total	56.030				\$129,749
Price / Acre					\$2,085	Price / Acre					\$2,316
Land Adj.					\$230						

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					319.840	Size Acres					56.0300
Price / Acre					\$0	Price / Acre					\$0
Bldg. Adj.					\$0						

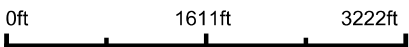
FARM SALE NO. 1 - SPRINKLER COMPARISON ANALYSIS												
Sale 1		Sale Size LF		Sale Price Per Unit LF		Total Contributory Value	Subject		Subject Size LF		Subject Price Per Unit LF	Total Contributory Value
1 Sprinkler	1,300	x	\$30.80	LF	\$40,040		Sprinkler	0	x	\$0.00	LF	\$0
Sprinkler	0	x	\$0	LF	\$0		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					\$40,040		Total CV					\$0
Size Acres					319.8400		Size Acres					56.0300
Price / Acre					\$125		Price / Acre					\$0
Sprinkler Adj.					(\$125)							

Aerial Map



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Boundary Center: 34° 47' 20.79, -102° 22' 45.16



Deaf Smith County
Texas



8/17/2023

Maps Provided By:
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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 located 2.0 miles north of the Hereford Central Business District along the west side of US-385 and the north side of CR 8, in Deaf Smith County, Texas.		
Legal Description	Approximately 262.18 acres out os the S/2 of Section 77, Block K-3, AB&M Survey, A-40, Deaf Smith County, Texas.		
Grantor	Ralph and Melody Hill		
Grantee	Nathan and Amy Betzen		
Recording / Sale Information	Document 22-0076		
Terms	Cash to Seller		
Sale Date	January 11, 2022 Closed		
Sale Price	\$776,000		
Other Contribution	\$0		
Net Sale Price	\$776,000		
Size / Acres	262.18		
Sale Price / Acre	\$2,960		
Topography and Land Features	Level to gently rolling.		
Structural Improvements	None		
Irrigation Improvements and Equipment	The farm is improved with one (1) Mid 1990's Valley 7-Tower 1,310 LF quarter mile sprinkler (west pivot) and one (1) Mid 1990's Valley 7-Tower 1,280 LF quarter mile sprinkler (east pivot). The sprinklers do not make full circles. 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 250 GPM or 1.77 GPM per irrigated acre based on 141.53 irrigated acres. Saturated thickness 100 feet.		
LAND BREAKDOWN			
Site Breakdown / Land Acres	Irrigated Land	53.98%	141.530
	CRP	0.00%	0.000
	Dryland Cropland or Grass Corners	21.28%	55.780
	Pasture	24.74%	64.870
	Farmstead	0.00%	0.000
	Roads / Waste	0.00%	0.000
	Total Acres	100.00%	262.180
COMMENTS			

The buyer is a local large land owner and cattle operator and was leasing the property at the time of sale. The buyer and seller negotiated a sale price privately. The broker involved reported a higher offer of \$3,000 per acre for the property, but the seller preferred selling the property to the tenant Betzen. Based on the separate offer and area sales, the property was purchased at market value. Property Tax ID 6433. Annual taxes are \$1,221.0

FARM SALE NO. 2 - SPRINKLER ANALYSIS

Sprinklers	Sprinkler 1	Sprinkler 2	Sprinkler 3	Sprinkler 4	Sprinkler 5	Sprinkler 6
Improvement Type	1 x 7-Tower Valley West	1 x 7-Tower Valley East	0	0	0	0
Size	1,310	1,280	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	18	18	0	0	0	0
Remaining Economic Life	7	7	25	25	25	25
RCN/Unit	\$70	\$70	\$0	\$0	\$0	\$0
Total RCN	\$91,700	\$89,600	\$0	\$0	\$0	\$0
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$91,700	\$89,600	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	72.00%	72.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Dep. \$	\$66,024	\$64,512	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$25,676	\$25,088	\$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	\$25,676	\$25,088	\$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.	\$25,676	\$25,088	\$0	\$0	\$0	\$0
Contribution Per Unit	\$19.60	\$19.60	??	??	??	??
RCN Sprinklers 1-6						\$181,300
Phy. Dep. Value Spk. 1-6						\$50,764
Physically Depreciation 1-6						\$130,536
Total CV of Sprinklers 1-6						\$50,764

Total Sprinkler Linear Feet						2,590
Total CV of Sprinklers						\$50,764
Total Sprinkler LF						2,590
CV of Sprinklers Per LF						\$19.60
Gross Acres						262.180
CV of Sprinklers Per Acre						\$193.62

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	\$776,000	262.180	\$2,960
Property Rights Adjustment	\$0	262.180	\$0
Adjusted Sale Price	\$776,000	262.180	\$2,960
Financing Adjustment	\$0	262.180	\$0
Adjusted Sale Price	\$776,000	262.180	\$2,960
Conditions of Sale Adjustment	\$0	262.180	\$0
Adjusted Sale Price	\$776,000	262.180	\$2,960
Market Conditions Adjustment	\$0	262.180	\$0
Adjusted Sale Price	\$776,000	262.180	\$2,960
Adjusted Price Used in Following Land Ratio Analysis	\$776,000	262.180	\$2,960
Less Building Contribution	\$0	262.180	\$0
Less Sprinkler Contribution	(\$50,764)	262.180	(\$194)
Adjusted Unimproved Land Value Used in Following Land Ratio Analysis	\$725,236	262.180	\$2,766
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	141.530	x	100%	=	141.530
CRP	0.000	x	30%	=	0.000
Dry Crop or Corners	55.780	x	30%	=	16.734
Pasture	64.870	x	20%	=	12.974
Farmstead	0.000	x	100%	=	0.000
Roads / Waste	0.000	x	10%	=	0.000
	262.18				171.238
Total Sale Price Including Imp.	Land Sale Price Excluding Imp.		Adjusted Acreage		Land Price Per Acre 100 Percent
\$776,000	\$725,236	/	171.238	=	\$4,235
	Land Price Per Acre 100 Percent		Land Ratio		Adjusted Land Prices
Irrigated Land	\$4,235	x	100%	=	\$4,235
CRP	\$4,235	x	30%	=	\$1,271
Dry Crop	\$4,235	x	30%	=	\$1,271
Pasture	\$4,235	x	20%	=	\$847
Farmstead	\$4,235	x	100%	=	\$4,235
Roads / Waste	\$4,235	x	10%	=	\$424

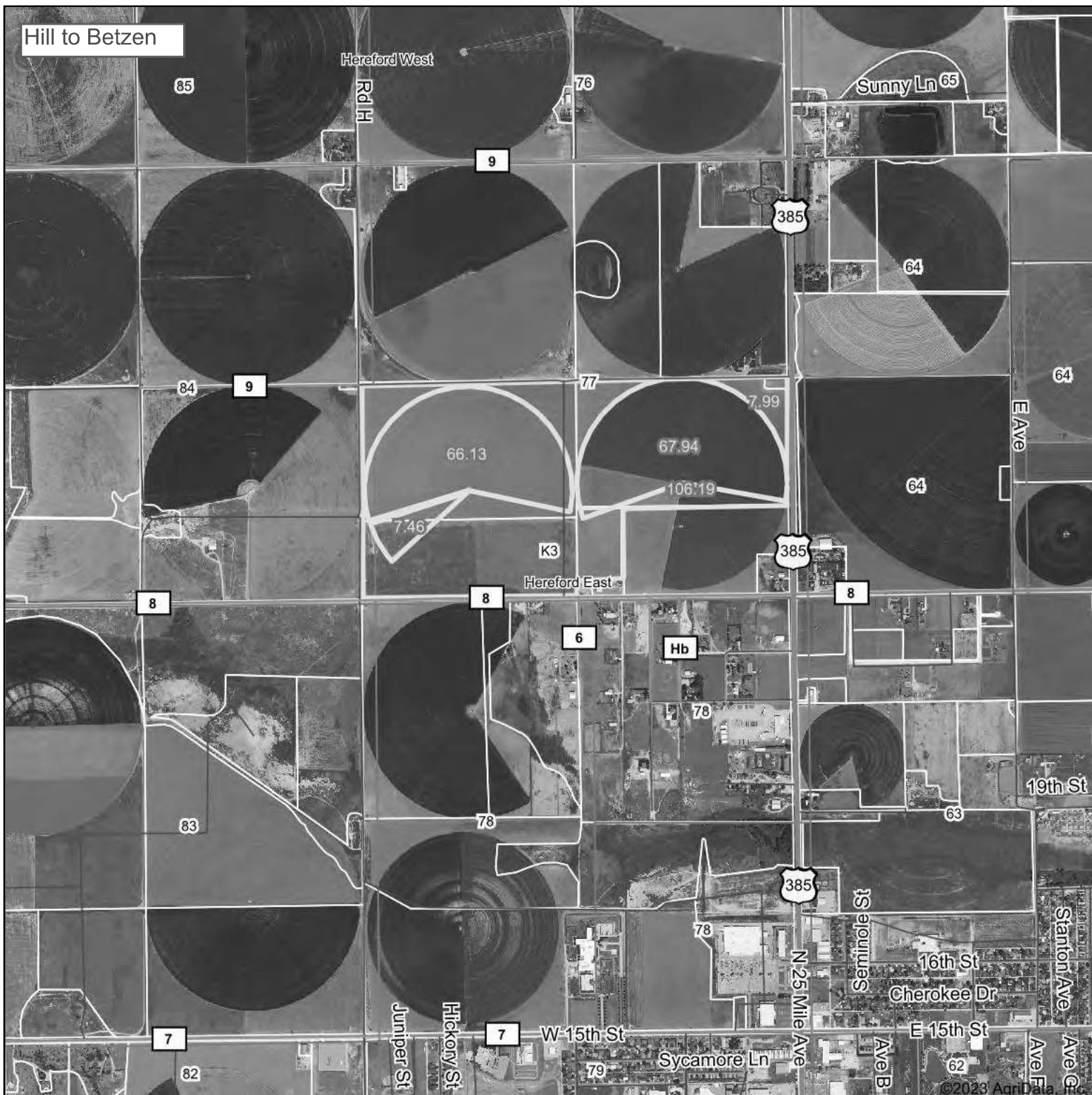
FARM SALE NO. 2 - INCOME ANALYSIS AND OVERALL RATE					
LAND TYPE	ACRES		RENT / ACRE		INCOME
Irrigated Land	141.530	@	\$145	=	\$20,522
CRP	0.000	@	\$0	=	\$0
Dryland Cropland (Corners)	55.780	@	\$40	=	\$2,231
Native / Improved Pasture	64.870	@	\$10	=	\$649
Farmstead Area	0.000	@	\$0	=	\$0
Roads & Waste	0.000	@	\$0	=	\$0
Gross Income	262.180				\$23,402
Gross Income					\$23,402
Real Estate Tax Expense			\$1,221		
Water Usage Expense			\$0		
Insurance Expense	3%		\$702		
Maintenance Expense	4%		\$936		
Management Expense	5%		\$1,170		
Expense Total			\$4,029		\$4,029
Net Operating Income					\$19,373
Expense Ratio					17.22%
Sale Price					\$776,000
Overall Rate Lease Back Above Market					2.50%
Irrigated Acres Only					141.5300
Total Gross Rent Per Irrigated Acre					\$165
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	141.53	x	\$4,235	Acre	\$599,380	Irrig. Land	0.000	x	\$4,235	Acre	\$0
CRP	0.00	x	\$1,271	Acre	\$0	CRP	0.000	x	\$1,271	Acre	\$0
Dry Corners	55.78	x	\$1,271	Acre	\$70,896	Dry Corners	30.0300	x	\$1,271	Acre	\$38,168
Pasture	64.87	x	\$847	Acre	\$54,945	Pasture	0.000	x	\$847	Acre	\$0
FS / Bldg Site	0.00	x	\$4,235	Acre	\$0	FS / Bldg Site	26.000	x	\$4,235	Acre	\$110,110
R / W	0.00	x	\$424	Acre	\$0	R / W	0.000	x	\$424	Acre	\$0
Total	262.18				\$725,221	Total	56.030				\$148,278
Price / Acre					\$2,766	Price / Acre					\$2,646
Land Adj.					(\$120)						

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
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					262.180	Size Acres					56.0300
Price / Acre					\$0	Price / Acre					\$0
Bldg. Adj.					\$0						

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
2 Sprinklers	2,590	x	\$19.60	LF	\$50,764		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					\$50,764		Total CV					\$0
Size Acres					262.1800		Size Acres					56.0300
Price / Acre					\$194		Price / Acre					\$0
Sprinkler Adj.					(\$194)							

Aerial Map



Boundary Center: 34° 51' 17.89, -102° 24' 50.13

0ft 1887ft 3774ft



Maps Provided By:



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Deaf Smith County Texas

8/21/2023

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 11.5 miles west of Hereford along the north and south sides of FM 1058 and the west side of CR MM, in Deaf Smith County, Texas.		
Legal Description	1,262.16 acres of land out of T2, R5, Section 5; T2, R5, Section 6; Prestridge Tract South of Highway; Prestridge Tract, Westway Estates, Lots 1, 10, 12-17, A-521; Deaf Smith County, Texas.		
Grantor	Edwin and Patricia Axe		
Grantee	D&J Dairy GP		
Recording / Sale Information	Document 21-0817		
Terms	Cash to Seller		
Sale Date	April 21, 2021 Closed		
Sale Price	\$3,156,250		
Other Contribution	\$0		
Net Sale Price	\$3,156,250		
Size / Acres	1262.16		
Sale Price / Acre	\$2,501		
Topography and Land Features	Level to gently rolling ranging in elevation from 3,952 to 3,972 feet.		
Structural Improvements	None with contributory value.		
Irrigation Improvements and Equipment	The irrigation equipment includes 1 x 21-Tower 3,070 LF Valley sprinkler, 1 x 7-Tower 1,350 LF Valley sprinkler, 1 x 7-Tower 1,300 LF Valley sprinkler, 1 x 6-Tower 1,100 LF Valley sprinkler, 1 x 11-Tower 1,920 LF Valley sprinkler, and 1 x 9-Tower 1,550 LF Valley Sprinkler. The 21-Tower sprinkler, two 7-Tower sprinklers, and 6-Tower sprinkler are approximately 8 to 10 years old and the 9-Tower and 11-Tower sprinklers are approximately 20 years old.		
Irrigation Wells and Site Improvements	The farm has 10 irrigation wells with a total pumping capacity of 1,750 GPM or 1.73 GPM per irrigated acre based on 1,013 irrigated acres. The wells, motors and pumps are a component of the land value. Saturated thickness 20 to 40 feet.		
LAND BREAKDOWN			
Site Breakdown / Land Acres	Irrigated Land	80.26%	1,013.000
	CRP	0.00%	0.000
	Dryland Cropland or Grass Corners	19.74%	249.160
	Pasture	0.00%	0.000
	Farmstead	0.00%	0.000
	Roads / Waste	0.00%	0.000
	Total Acres	100.00%	1,262.160

COMMENTS	
FSA Bases include corn, wheat, cotton, and sorghum. Topography is level to gently rolling from 3,952 to 3,972 feet elevation	

FARM SALE NO. 3 - SPRINKLER ANALYSIS						
Sprinklers	Sprinkler 1	Sprinkler 2	Sprinkler 3	Sprinkler 4	Sprinkler 5	Sprinkler 6
Improvement Type	1 x 21-Tower	1 x 7-Tower	1 x 7-Tower	1 x 6-Tower	1 x 11-T	1 x 9-Tower
Size	3,070	1,350	1,300	1,100	1,920	1,550
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	10	10	10	10	20	20
Remaining Economic Life	15	15	15	15	5	5
RCN/Unit	\$65	\$65	\$65	\$65	\$65	\$65
Total RCN	\$199,550	\$87,750	\$84,500	\$71,500	\$124,800	\$100,750
Physical Curable Dep.	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$199,550	\$87,750	\$84,500	\$71,500	\$124,800	\$100,750
Physical Incurable Dep. %	40.00%	40.00%	40.00%	40.00%	80.00%	80.00%
Phys. Incurable Dep. \$	\$79,820	\$35,100	\$33,800	\$28,600	\$99,840	\$80,600
Physically Depreciated Value	\$119,730	\$52,650	\$50,700	\$42,900	\$24,960	\$20,150
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	\$119,730	\$52,650	\$50,700	\$42,900	\$24,960	\$20,150
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.	\$119,730	\$52,650	\$50,700	\$42,900	\$24,960	\$20,150
Contribution Per Unit	\$39.00	\$39.00	\$39.00	\$39.00	\$13.00	\$13.00
RCN Sprinklers 1-6						\$668,850
Phy. Dep. Value Spk. 1-6						\$311,090
Physically Depreciation 1-6						\$357,760
Total CV of Sprinklers 1-6						\$311,090
Total Sprinkler Linear Feet						10,290

Total CV of Sprinklers						\$311,090
Total Sprinkler LF						10,290
CV of Sprinklers Per LF						\$30.23
Gross Acres						1,262.160
CV of Sprinklers Per Acre						\$246.47

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	\$3,156,250	1,262.160	\$2,501
Property Rights Adjustment	\$0	1,262.160	\$0
Adjusted Sale Price	\$3,156,250	1,262.160	\$2,501
Financing Adjustment	\$0	1,262.160	\$0
Adjusted Sale Price	\$3,156,250	1,262.160	\$2,501
Conditions of Sale Adjustment	\$0	1,262.160	\$0
Adjusted Sale Price	\$3,156,250	1,262.160	\$2,501
Market Conditions Adjustment	\$0	1,262.160	\$0
Adjusted Sale Price	\$3,156,250	1,262.160	\$2,501
Adjusted Price Used in Following Land Ratio Analysis	\$3,156,250	1,262.160	\$2,501
Less Building Contribution	\$0	1,262.160	\$0
Less Sprinkler Contribution	(\$311,090)	1,262.160	(\$246)
Adjusted Unimproved Land Value Used in Following Land Ratio Analysis	\$2,845,160	1,262.160	\$2,254
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	1,013.000	x	100%	=	1,013.000
CRP	0.000	x	30%	=	0.000
Dry Crop or Corners	249.160	x	30%	=	74.748
Pasture	0.000	x	20%	=	0.000
Farmstead	0.000	x	100%	=	0.000
Roads / Waste	0.000	x	10%	=	0.000
	1,262.16				1,087.748
Total Sale Price Including Imp.	Land Sale Price Excluding Imp.		Adjusted Acreage		Land Price Per Acre 100 Percent
\$3,156,250	\$2,845,160	/	1,087.748	=	\$2,616
	Land Price Per Acre 100 Percent		Land Ratio		Adjusted Land Prices
Irrigated Land	\$2,616	x	100%	=	\$2,616
CRP	\$2,616	x	30%	=	\$785
Dry Crop	\$2,616	x	30%	=	\$785
Pasture	\$2,616	x	20%	=	\$523
Farmstead	\$2,616	x	100%	=	\$2,616
Roads / Waste	\$2,616	x	10%	=	\$262

FARM SALE NO. 3 - INCOME ANALYSIS AND OVERALL RATE					
LAND TYPE	ACRES		RENT / ACRE		INCOME
Irrigated Land	1,013.000	@	\$130	=	\$131,690
CRP	0.000	@	\$0	=	\$0
Dryland Cropland (Corners)	249.160	@	\$30	=	\$7,475
Native / Improved Pasture	0.000	@	\$8	=	\$0
Farmstead Area	0.000	@	\$0	=	\$0
Roads & Waste	0.000	@	\$0	=	\$0
Gross Income	1,262.160				\$139,165
Gross Income					\$139,165
Real Estate Tax Expense			\$6,238		
Water Usage Expense			\$0		
Insurance Expense	3%		\$4,175		
Maintenance Expense	4%		\$5,567		
Management Expense	5%		\$6,958		
Expense Total			\$22,938		\$22,938
Net Operating Income					\$116,227
Expense Ratio					16.48%
Sale Price					\$3,156,250
Overall Rate Lease Back Above Market					3.68%
Irrigated Acres Only					1,013.0000
Total Gross Rent Per Irrigated Acre					\$137
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	1,013.00	x	\$2,616	Acre	\$2,650,008	Irrig. Land	0.000	x	\$2,616	Acre	\$0
CRP	0.00	x	\$785	Acre	\$0	CRP	0.000	x	\$785	Acre	\$0
Dry Corners	249.15	x	\$785	Acre	\$195,583	Dry Corners	30.0300	x	\$785	Acre	\$23,574
Pasture	0.00	x	\$523	Acre	\$0	Pasture	0.000	x	\$523	Acre	\$0
FS / Bldg Site	0.00	x	\$2,616	Acre	\$0	FS / Bldg Site	26.000	x	\$2,616	Acre	\$68,016
R / W	0.00	x	\$262	Acre	\$0	R / W	0.000	x	\$262	Acre	\$0
Total	1,262.15				\$2,845,591	Total	56.030				\$91,590
Price / Acre					\$2,255	Price / Acre					\$1,635
Land Adj.					(\$620)						

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					1,262.160	Size Acres					56.0300
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
6 Sprinklers	10,290	x	\$30.23	LF	\$311,090	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					\$311,090	Total CV					\$0	
Size Acres					1,262.1600	Size Acres					56.0300	
Price / Acre					\$246	Price / Acre					\$0	
Sprinkler Adj.					(\$246)							

Aerial Map



Map Center: 34° 49' 12.42, -102° 36' 46.51

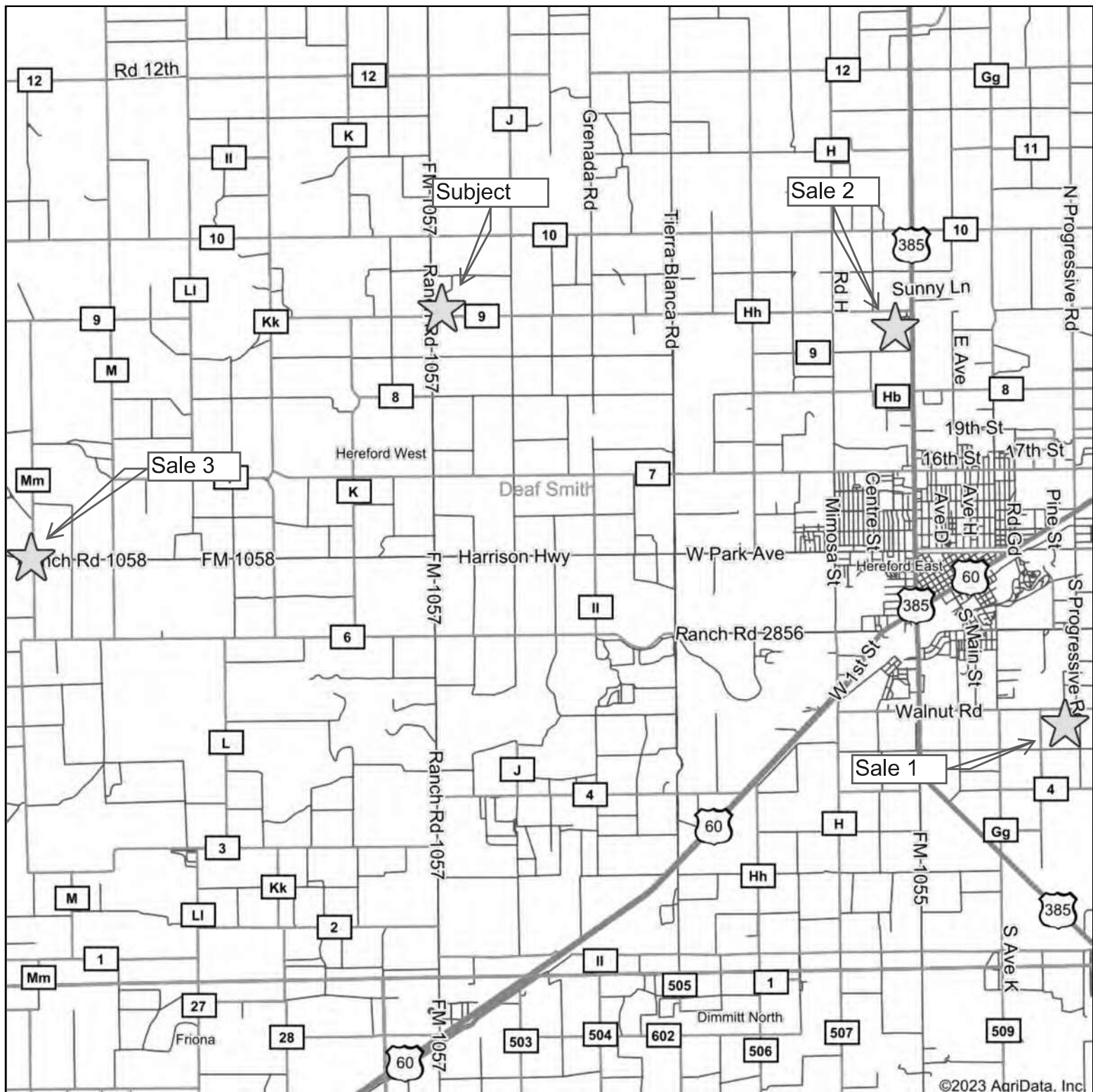
0ft 1510ft 3021ft

Maps Provided By:
surety
CUSTOMIZED ONLINE MAPPING
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**Deaf Smith County
Texas**



Overview Map



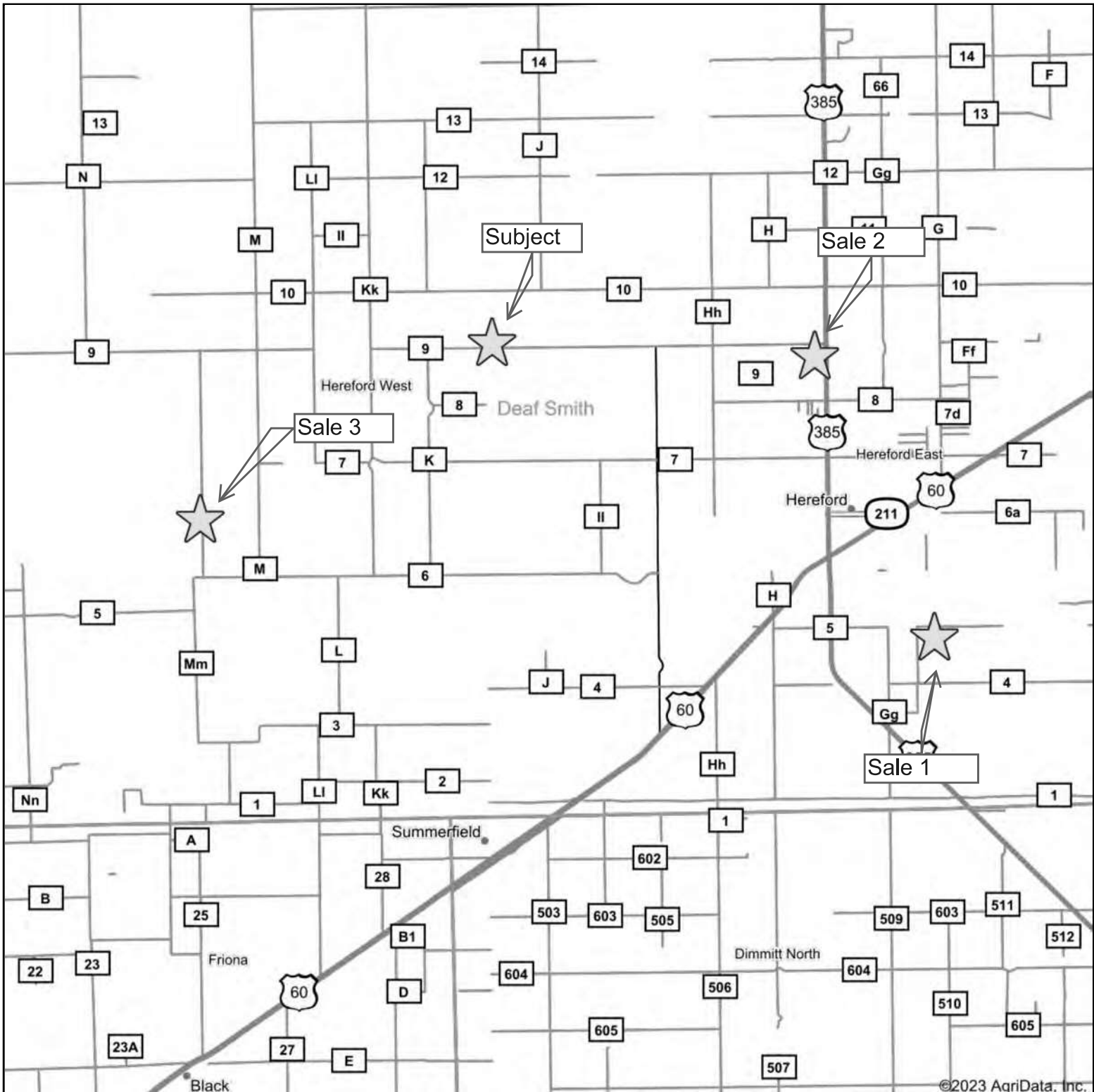
Map Center: 34° 49' 26.71, -102° 29' 9.87

0ft	10275ft	20551ft
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8/28/2023

Overview Map



Map Center: 34° 48' 54.63, -102° 29' 32.82

0mi 2.8mi 5.5mi



8/28/2023

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, CRP, and native pasture (grass) properties located in Deaf Smith 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, size, and existing use.

Several sales were identified within the area. Three (3) of the most recent and similar sales were chosen for comparison with the subject. The three (3) sales were used because of their date of sale, land mix, location, water, 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.

Note: No small acreage sales similar to the subject have occurred recently in the subject market, therefore, the appraiser has used larger acreage sales to compare to the subject in the adjustment process.

The sales varied in land mix, 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 property is used as a 2,000 to 3,000 head feedyard site with associated land for waste management and expansion purposes. As if vacant, with the on-site 150 GPM water well in place, the property would more than likely be a mixed use irrigated and dryland farm tract. 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 land are numerous. The elements typically 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.

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 April 2021 and January 2023.

Due to the respective transaction dates displayed by the available market data, an adjustment for market conditions was not indicated. The rural land market appears to have been stable from January 2021 through January 2023 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 in a predominate farming and ranching area of the Texas Panhandle, along the east side of FM 1057 and the north side of CR 9, in Deaf Smith County, Texas. The subject is a mix of dryland cropland and feedyard / grow yard site. There is one (1) 150 GPM water well located on the north end of the feedyard / grow yard site that could be used for irrigation purposes if the building site was vacant. Based on the highest and best use of the subject site and the surrounding properties, as if vacant, the subject would more than likely be used as a mixed irrigated and dryland cropland farm tract.

The subject is appraised as if vacant in this section of the report. Mixed irrigated and dryland farm sales from the subject market were used for comparison with the subject. As if vacant, the subject would be approximately 26.0 acres of irrigated land and 30.03 acres of dryland cropland or 46.41 percent irrigated and 53.59 percent dryland. Sale 1 is inferior to the subject in irrigated land ratio, therefore, a positive adjustment was required. Sales 2 and 3 are superior to the subject in irrigated land ratio, therefore, negative adjustments were required.

Building or Structural Improvements

This adjustment takes into consideration the contributory value of structural and other improvements. The subject land is improved with numerous building structures 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. None of the sales included building improvements with contributory value. All of these sales were estimated to be similar to the subject from a market standpoint, therefore, no adjustments were required.

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 with no improvements or attached sprinkler irrigation equipment. All of the sales were improved with sprinkler systems at the time of sale and were considered to be 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 property is located in a rural area northwest of Hereford, in Deaf Smith County, Texas. The rural area consists of irrigated farms, dryland farms, ranches, dairies, feedyards, grow yards, and rural farmsteads-homesteads. All of the sales are located in similar rural developed areas of Deaf Smith County and surrounding counties as the subject, therefore, no adjustments were required.

The subject property has good public access along State FM Road 1057 and CR 9, in Deaf Smith County. Access is considered to be average to good. All of the sales have public and legal access, therefore, no adjustments were required.

Ground Water, Irrigation Wells, Water Saturated Thickness, and Stock Water Wells

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 be available to use. Therefore, a well informed educated buyer purchases irrigated farmland in the subject market based on these two (2) factors related to the irrigation water.

The subject site is improved with one (1) 150 GPM water well currently used for the cattle feeding operation. The saturated thickness of the subsurface irrigation water is 80 to 100 feet with a 90 foot average. If the site was vacant, the water well would more than likely be used for irrigation purposes. The developed site area of the subject property that contains the grow-yard improvements is considered to be similar in value to irrigated land in the subject area. Therefore, the 26.0 acre developed site area will be analyzed as irrigated land as if vacant. The 26.0 acres with a 150.0 GPM well could be watered at a rate of 5.8 GPM per irrigated acre. The remaining 30.03 acres of the subject site is dryland cropland that has not been plowed for some time and is growing up in grass.

There were very few recent irrigated farm sales available in Deaf Smith 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 4.6 GPM per irrigated acre and a saturated water thickness of 140 feet. A positive adjustment was required GPM per irrigated acre and a negative adjustment was required for saturated thickness.

Sale 2 has an irrigation well water production rate of 1.8 GPM per irrigated acre and a saturated water thickness of 100 feet. A positive adjustment was required GPM per irrigated acre and a negative adjustment was required for saturated thickness.

Sale 3 has an irrigation well water production rate of 1.7 GPM per irrigated acre and a saturated water thickness of 30 feet. A positive adjustment was required GPM per irrigated acre and a positive 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 property is approximately 56.03 acres in size. The sales range in size from 262.18 to 1,262.16 acres. **No smaller land sales similar in size to the subject have occurred.** There is no indication of a size adjustment for rural farm sales ranging in size from 50.0 to 1,500.0 acres in the subject market. 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.

SALES COMPARISON APPROACH - PRICE PER ACRE METHOD				
Sale No.	Subject	1	2	3
Location	NW of Hereford	SE of Hereford	N of Hereford	W of Hereford
County	Deaf Smith	Deaf Smith	Deaf Smith	Deaf Smith
State	Texas	Texas	Texas	Texas
Grantor	N/A	Cummings Revocable Living Trust	Ralph Hill	Edwin Axe
Grantee	N/A	Hayden Carlson	Nathan Betzen	D&J Dairy GP
Sale Date	Jul-2023 Insp.	Jan-2023	Jan-2022	Apr-2021
Land Value Type	As if Vacant	As Is	As Is	As Is
Recording	N/A	Doc 345	Doc 22-0076	Doc 21-0817
Irrigated Land or Land with Irrigation Potential	46.41%	37.52%	53.98%	80.26%
CRP Land	0.00%	0.00%	0.00%	0.00%
Dryland Crop	53.59%	62.48%	21.28%	19.74%
Pasture Land	0.00%	0.00%	24.74%	0.00%
Farmstead	0.00%	0.00%	0.00%	0.00%
Roads / Waste	0.00%	0.00%	0.00%	0.00%
Total Land %	100.00%	100.00%	100.00%	100.00%
Irrigation Water GPM Per Irrigated Acre	5.77 GPM	4.59 GPM	1.77 GPM	1.73 GPM
GPM Per Irrigated Acre Rounded	5.8	4.6	1.8	1.7
Subject GPM Per Irrigated Acre	5.8	5.8	5.8	5.8
Difference in GPM Per Irrigated Acre		(1.2)	(4.0)	(4.1)
Saturated Thickness Feet	90	140	100	30
Subject Saturated Thickness Feet	90	90	90	90
Saturated Thickness Difference Feet		50	10	(60)
Area Crops Grown	Corn, Cotton, Wheat, Grain Sorghum	Corn, Cotton, Wheat, Grain Sorghum	Corn, Cotton, Wheat, Grain Sorghum	Corn, Cotton, Wheat, Grain Sorghum
Structural Improvement CV Per Acre	\$0	\$0	\$0	\$0
Sprinkler CV Value Per Acre	\$0	\$125	\$194	\$246
Land Size	56.030	319.840	262.180	1,262.160
Sale Price	N/A	\$707,000	\$776,000	\$3,156,250

Price / Acre		\$2,210	\$2,960	\$2,501
Prop. Rights		-0-	-0-	-0-
Adj. Price		\$2,210	\$2,960	\$2,501
Financing		-0-	-0-	-0-
Adj. Price		\$2,210	\$2,960	\$2,501
Sale Cond.		-0-	-0-	-0-
Adj. Price		\$2,210	\$2,960	\$2,501
Mkt. Cond.		-0-	-0-	-0-
Adj. Price		\$2,210	\$2,960	\$2,501
Land and Improvement Adjustments				
Land Adj.		\$230	(\$120)	(\$620)
Imp. Adj.		-0-	-0-	-0-
Spk. Adj.		(\$125)	(\$194)	(\$246)
Adj. Price		\$2,315	\$2,646	\$1,635
Other Adjustments				
Location		-0-	-0-	-0-
Access		-0-	-0-	-0-
Terrain		-0-	-0-	-0-
Water GPM		\$23	\$106	\$65
Water Sat. Thickness		(\$116)	(\$26)	\$98
Size		-0-	-0-	-0-
Adj. Price		\$2,223	\$2,725	\$1,798
Mean				\$2,249
Median				\$2,223

Land Sales Comparison Method - Price Per Acre Method - As if Vacant Value Opinion

Range of Comparable Sales				
Date of Sale	Apr-2021	to	Jan-2023	
Size / Acres	262.180	to	1,262.160	
Adjusted Value Per Acre	\$1,798	to	\$2,725	

The adjusted sales range was from \$1,798 to \$2,725 per acre. The mean price per acre indicated by the sales was \$2,249 per acre and the median was \$2,223 per acre.

Greatest weight was given to Sale 1 based on date of sale, land mix, and irrigation water availability. Sales 2 and 3 were given remaining weight.

Given the physical attributes of the subject property including date of sale, land mix, improvements, location, access, and irrigation water potential, the indicated market value of the subject property, as if vacant, as of the effective date of the appraisal, is:

Land Sales Comparison Approach - Value Opinion As if Vacant				
Subject Acres	X	Value Per Acre	=	Value Opinion
56.030	X	\$2,225	=	\$124,667
Rounded			=	\$125,000

Land Value Breakdown From Previous Analysis - As if Vacant - Cost Approach - 56.03 Acres				
Component Type	Ratio	Acres	\$ / Acre	Indicated Value
Irrigated Land (Potential Irrigated)	100%	26.0000	\$3,560	\$92,560
Dryland Cropland	30%	30.0300	\$1,068	\$32,072
CRP Land or Small Grassland	30%	0.0000	\$1,068	\$0
Native Pasture	20%	0.0000	\$712	\$0
Farmstead / Building Site	100%	0.0000	\$3,560	\$0
Roads / Waste	10%	0.0000	\$356	\$0
Total Land Value Indication Excluding Structures and Sprinklers				\$124,632
Value Opinion Rounded				\$125,000
Subject Total Acres				56.0300
Price Per Acre				2,231

Replacement Cost New of the Improvements

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.
- 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.⁴¹

The appraiser has used the replacement cost method.

There are generally three methods of estimating replacement cost. The methods include 1) extracting cost estimates from the local market by obtaining information on newly constructed buildings; 2) procuring a reproduction cost estimate prepared by a local construction company familiar with the construction of commercial feedyard improvements; or 3) using a cost service company.

Comparable Cost Estimate Sources

The appraiser has obtained cost information from several sources familiar with feedyard and feedmill construction costs. The following sources were surveyed:

⁴¹ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, Chicago, Illinois, 2013, Page 569-570.

Cost Source Survey			
Source No.	Cost Sources		Survey Dates
Source 1	Marshall Valuation Service cost manual has been surveyed to estimate the replacement cost of the subject improvements. Marshall Valuation has been tested against bids on other construction projects and found to be a fairly reliable indicator. However, Marshall Valuation does not have detailed cost information for specific feedyard items. Information can be found in Marshall Valuation in the following sections relating to some Feedyard items: Feedyard Improvements: Section 17 Single Family Residences Section 12 When using Marshall Valuation, consideration must be given to building and location cost multipliers, direct and indirect cost, and entrepreneurial profit. <i>Since most agricultural improvements are constructed for special purpose uses where there is no anticipation of additional profit, an entrepreneurial profit percentage would not be applied.</i>	Limited Cost for Beef Cattle Feedyard Improvements, Dairy Heifer Growing Yard Improvements, and Dairy Improvements	2004-2023
Source 2	AgPro-LandPro, Longmont, Colorado	Feedyard and Dairy Design, Feedyard Sales, Agricultural Environmental Consulting, and CAFO Permit Compliance	2007, 2008, 2009, 2013, 2016, 2018
Source 3	The Nay Company, Waxahachie, Texas	Feed Mill Design and Construction	2004, 2007, 2008, 2010, 2013, 2016, 2017, 2018
Source 4	Gearn Industries, Inc., Hereford, Texas	Feed Mill Design and Construction	2008, 2010, 2011, 2012, 2013, 2014, 2017, 2018, 2020, 2021
Source 5	English Feedlot, Inc., Fort Morgan, Colorado	Feedyard Owner and Operator, Feed Mill Cost	2007, 2008, 2013
Source 6	Burnett Land and Livestock, Carpenter, Wyoming	Feedyard Owner and Operator, Feed Mill Cost	2007, 2008, 2009, 2010, 2012
Source 7	Teague Enterprises LLC Feedyard, Fort Morgan, Colorado	Feedyard Owner and Operator, Feed Mill Cost	2008, 2009, 2010, 2011, 2012, 2013, 2014, 2016, 2017, 2018, 2020, 2022, 2023
Source 8	Mark Cluck Feedyard - Frans Brand, Hart, Texas	Feedyard Owner and Operator, Feed Mill Cost	2007, 2008
Source 9	Max Jantz Excavation and Construction (MJE), Kansas	Feedyard and Dairy Design and Construction	2010, 2011, 2012, 2014, 2017, 2018, 2019
Source 10	James Vine, ARA, FRICS, San Antonio, Texas	Feed Mill and Feedyard Cost	2009, 2010, 2011, 2012, 2013, 2014
Source 11	Clint Bumguardner, MAI, ASA, W.T. Appraisal, Inc., Abilene, Texas	Feed Mill and Feedyard Cost	2004-2017, 2018
Source 12	Bill Beam, ARA, Western Appraisal, Abilene, Texas	Feed Mill and Feedyard Cost	2004-2017, 2018, 2020, 2021, 2022, 2023
Source 13	Richard Bretz, Esabon Properties, Amarillo, Texas	Feed Mill and Feedyard Cost	2010, 2011, 2012, 2013,

			2014, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023
Source 14	Ordway Feedyard, Ordway, Crowley County, Colorado	Feedyard Owner and Operator, Feed Mill Cost	2013, 2018, 2019, 2020
Source 15	Trans Pecos Real Estate, Inc., In-House Database, Waxahachie, Texas	Feed Mill and Feedyard Cost	2004-2017, 2018, 2019, 2020, 2021, 2022, 2023
Source 16	West Texas Millrights, Hereford, Texas, Feed Mill Construction	Feed Mill Construction Cost	2018
Source 17	R & R Mill Manufacturing, Dalhart, Texas, Mill Manufacturing	Mill Manufacturing Cost	2018, 2023
Source 18	Max Jantz Excavating, Kansas, Feedyard Construction	Feedyard Construction Cost	2018, 2020
Source 19	SETTJE Agri-Services and Engineering Inc.	Feedyard Construction Cost	2020, 2021
Source 20	Regency Mill Services LLC	Feed Mill Construction Cost	2020, 2021
Source 21	Enviro-Ag Engineering, Amarillo, Texas	Environmental Engineering and Waste Management Design and Cost	2006-2023
Source 22	Environmental Engineer 5 Rivers	Environmental Engineering and Waste Management Design and Cost	2020, 2021, 2022, 2023
Source 23	Hicks Construction Group, Lubbock, Texas	Grain Elevator and Grain Bin Cost	2023

Cost Source Summary

The most recent cost sources were surveyed and analyzed. The most recent cost sources included the Trans Pecos Real Estate Database; R&R Mill Construction in Dalhart; West Texas Mill Rights of Hereford, Texas; Renner Consulting; Teichroeb Construction; Max Jantz Excavating, from Montezuma, Kansas; SETTJE Agri-Services and Engineering Inc.; Komline-Sanderson; Five Rivers Engineering; and Hicks Construction Group. The market cost information was used to estimate the replacement cost new of the subject feedyard facility. The costs include all soft cost, hard cost, and builder's profit.

Since most agricultural improvements are constructed for special purpose uses where there is no anticipation of additional profit, an entrepreneurial profit percentage would not be applied.

Accrued Depreciation

Loss in value due to accrued depreciation is considered for all existing improvements of the subject property as of the date of the appraisal. Accrued depreciation is the difference between an improvement's replacement or replacement cost and its value as of the date of the appraisal. It is necessary for an appraiser to identify depreciation due to physical deterioration, functional obsolescence, and external obsolescence by analyzing improvements and the market's reaction to their observed condition.

The five basic types of accrued depreciation are 1) curable physical deterioration which refers to items of deferred maintenance, 2) incurable physical deterioration which refers to deterioration that is not practical or currently feasible to correct, 3) curable functional obsolescence which refers to defects in design which are economically feasible to correct, 4) incurable functional obsolescence which refers to deficiencies or superadequacies which are not economically feasible to correct and 5) external obsolescence which refers to external influences which result in a loss in value to the subject.

Physical Deterioration

Physical deterioration is classified as either curable or incurable.

Curable physical deterioration - refers to items of deferred maintenance. The estimate of curable physical deterioration applies only to the items in need of repair on the date of the appraisal. It is measured by the cost of restoring to new or reasonably new condition. The subject feedyard facility and associated improvements and attached equipment are estimated to be in fair to average condition with some deferred maintenance.

Structures with deferred maintenance:

1) The exterior of the office building appears to be in average condition. The interior of the office building has not been maintained well. The door was open on the building to the weather outside when I made my appraisal walk through inspection. The interior of the structure needs floor covering, painting, cleaning, and miscellaneous repairs. The estimated cost to bring the office to average condition is \$10,000. This is an estimate only and does not account for any unknown or hidden deferred maintenance such as plumbing, electrical, termite damage and etc.

2) The subject grow-yard has approximately 2,218 linear feet (LF) of concrete feed bunk and 1,237 linear feet (LF) of older metal feed bunk. The total linear feet of feed bunk attached to metal confinement pens is 3,455 feet. The legal permitted capacity of the grow-yard is 3,000 head. Old feed was sitting in the metal feed bunks and there was a significant amount of rusting inside the metal bunk on the date of the appraisal inspection. Because of the rusting in the metal bunk, the difficulty in removing the rust and the old feed, and the difficulty in determining if any of the metal bunk is usable, no value was given to the metal bunk. The attached concrete bunk appears to be in average condition and all usable. Prior to the deterioration of the metal bunk, the grow yard could adequately confine and feed up to the full permitted capacity of 3,000 head. By utilizing the concrete bunk only and the available pen space attached to the concrete bunk, the maximum feeding capacity of the grow-yard is estimated to be 2,500 head. This is a reduction of feeding capacity of 500 head. It is noted that the grow-yard has enough pen space for the permitted capacity of 3,000 head. If the metal bunk is repaired or replaced with an adequate amount of concrete bunk, the feeding capacity can be increased back to 3,000 head. As of the effective date of value, the highest and best use of the subject based on its current condition is a beef cattle grow-yard with a 2,500 head feeding capacity. Therefore, the appraiser has valued the subject as a 2,500 head grow-yard.

3) Approximately 150 linear feet of the 2,218 feet of the pre-cast concrete bunk needs to be moved away from the pipe fence and neck rail (cable) in the south center pen and the ground under the bunk needs to be re-surfaced and leveled before moving the pre-cast concrete bunk back and attaching it to the fence and neck rail (cable). The estimated cost to bring the bunk line to average condition and a similar condition to the other bunk is estimated at approximately \$10,000. The bunk is usable in its current condition and does not affect the feeding capacity.

The total estimated deferred maintenance is \$20,000 or \$8.00 per head based on a 2,500 head feeding capacity.

It is noted that the subject grow-yard is currently vacant. The deferred maintenance cost estimated in this appraisal is based on items that were identified from a physical walk-through appraisal inspection of the property. Because there was no owner-operator or manager to obtain additional information from, there could be additional deferred maintenance unknown to the appraiser. If it is determined that there is additional deferred maintenance that affects the function of the feedyard, the physical condition of structures, and the overall value of the property, the appraiser reserves the right to re-evaluate the property to account for the additional deferred maintenance and adjust the value based on market evidence.

Incurable physical deterioration - is the normal wear and tear that a property has incurred. To estimate incurable physical deterioration, the age/life method which provides for a depreciation percentage based on the estimated effective age of the improvements as compared to the typical economic life of such an improvement has been used. Physical depreciation percentages have been calculated by extracting them from the comparable feedyard sales.

It is noted that feedyard facilities, dairies, feed mills and other types of farm and ranch structures are usually constructed over a period of several years, therefore, improvements and equipment can vary in age, effective age, and remaining economic lives. The depreciation attributable to the subject's improvements and attached equipment was estimated based on the effective age and remaining economic life of each separate improvement or piece of attached equipment.

The subject feedyard improvements and attached equipment were constructed from 2001 to 2016. New concrete bunk and pens were added in 2016 and a new Silencer hydraulic chute was installed in 2018-2019. Normal physical incurable depreciation was noted.

The total economic life of the feedyard improvements was estimated at 40 years. The effective ages ranged from 15 to 17 years. The remaining economic lives ranged from 23 to 25 years.

The total economic life of the feedyard attached hydraulic working chute and scales was estimated at 30 years. The effective ages ranged from 4 to 15 years. The remaining economic lives ranged from 15 to 26 years.

The total economic life of the attached mobile home was estimated at 30 years. The effective age was estimated at 2 years. The remaining economic life was estimated at 28 years.

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 have been renovated and updated and are in fair to average condition. There is no apparent functional obsolescence noted in the subject improvements or attached equipment.

External Obsolescence

The last form of depreciation observed was external obsolescence. External obsolescence is defined as: "Impairment of desirability or useful life arising from factors external to the property, such as economic forces or environmental changes which affect supply-demand relationships in the market." Traditionally, external obsolescence has always been considered to be incurable. External obsolescence is that loss from cost new, as of the date of the report, due to influences outside the site and is incurable on the part of the owner, landlord, or tenant. External obsolescence can be caused by a decline in either the property's location, the neighborhood, the city and region, or in a decline in overall market conditions.

There was external obsolescence noted in the subject grow-yard / feedyard. The obsolescence is due to the overall soft market for commercial cattle grow-yard and feedyard facilities. Historically, it has always cost more to construct a grow-yard and feedyard facility on land than what it would sell for in the market. This type of external obsolescence was considered to be typical and exists in most all grow-yard / feedyard facility improvements and attached grow-yard / feedyard equipment. An external obsolescence charge was applied to subject improvements and attached equipment. The subject site is improved with a lagoon system and 150 GPM irrigation well. External obsolescence charges are typically not applied to site improvements or related attached sprinkler irrigation systems.

External obsolescence percentages were extracted from the comparable grow-yard / feedyard sales. Please see the comparable grow-yard / feedyard sale write-ups in the Sales Comparison Analysis and the following External Obsolescence chart and analysis. Also see the appraisal addendum for the Definitions of Market Extraction.

Grow-yards and feedyards usually have improvements that are constructed over a period of several years. Due to the difficulty in determining the exact actual ages of multiple improvements, effective ages were used to analyze the subject and the comparable sales and extract depreciation percentages. The following depreciation rates were extracted from the market.

Depreciation Extraction - External Obsolescence								
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Ext. Sale A	Ext. Sale B
Location	Deaf Smith County Texas	Deaf Smith County Texas	Donley County Texas	Hutchinson County Texas	Wheeler County Texas	Hodgeman County Kansas	Castro County Texas	Deaf Smith County Texas
Date	Jul-2023	Jan-2023	Nov-2020	Oct-2022	Sep-2019	Sep-2021	Sep-2019	Mar-2018
Feedyard	McClain Grow-Yard	Dawn CCF Feedyard	Dry Fork Grow-Yard	McCloy Grow-Yard	Hall County Feeders	Capstone Feeders LLC	Double D Feedyard	Tierra Blanca Feed
Capacity Head	2,500	18,000	10,000	7,500	4,000	7,500	20,000	24,000
RCN Excluding Sprinklers		\$7,551,680	\$3,313,705	\$3,256,830	\$1,693,979	\$2,533,824	\$6,980,220	\$8,802,909
Phy. Depreciation		\$2,861,255	\$2,157,732	\$1,343,811	\$431,828	\$962,684	\$2,635,433	\$3,568,458
Phy. Dep. %		37.89%	65.12%	41.26%	25.49%	37.99%	37.76%	40.54%
Phy. Dep Value		\$4,690,425	\$1,155,973	\$1,913,019	\$1,262,151	\$1,571,140	\$4,344,787	\$5,234,451
Imp. Value from Sale		\$3,575,700	\$393,978	\$1,144,083	\$557,344	\$278,120	\$1,657,988	\$2,118,633
Diff. in Phy. Dep. Value and Imp. Value		\$1,114,725	\$761,995	\$768,936	\$704,807	\$1,293,020	\$2,686,799	\$3,115,818
Ext. Obsolescence %		23.77%	65.92%	40.19%	55.84%	82.30%	61.84%	59.53%
Cont. Value of Imp.		\$3,575,700	\$393,978	\$1,144,083	\$557,344	\$278,120	\$1,657,988	\$2,118,633
Cont. Value of Sprinklers		\$0	\$9,120	\$0	\$0	\$68,680	\$127,949	\$88,400
Land Value		\$424,300	\$471,902	\$315,918	\$142,656	\$1,003,200	\$1,704,815	\$1,302,967
Sale Price		\$4,000,000	\$875,000	\$1,460,001	\$700,000	\$1,350,000	\$3,490,752	\$3,510,000
External Obsolescence Extraction		23.77%	65.92%	40.19%	55.84%	82.30%	61.84%	59.53%
Mean								55.63%
Median								59.53%

External obsolescence remainder, expressed as a percentage of the physically and functionally depreciated value, mostly due to the soft real estate market, ranged from 23.77 to 82.30 percent. The mean is 55.63 percent and the median is 59.53 percent.

The following physical incurable depreciation rates were extracted from the market sales.

Total economic life for feedyard and feed mill building improvements was estimated at 40 years. Forty (40) years x 2.5 percent per year = 100 percent.

Total economic life for attached feedyard and feed mill equipment was estimated at 30 years. Thirty (30) years x 3.33 percent per year = 100 percent.

Total economic life for attached sprinkler irrigation equipment was estimated at 25 years. Twenty-five (25) years x 4.0 percent per year = 100 percent.

Total economic life for the dwelling improvements was estimated at 60 years. Sixty (60) years x 1.67 percent per year = 100 percent.

Total economic life for the mobile home improvements was estimated at 30 years. Thirty (30) years x 3.33 percent per year = 100 percent.

Based on recent market sales, the current demand for grow-yards, the subject's location, the smaller size, the current condition of the improvements with some deferred maintenance, and because the subject is vacant with possible additional unknown repairs, an external obsolescence charge in the mid to upper range of the comparable sales was considered reasonable. A 65.0 percent external obsolescence charge for soft market will be applied to the subject in the following cost and depreciation analysis. The external obsolescence charge will be expressed as a percentage of the physically and functionally depreciated value of the subject's improvements.

Depreciation Extraction Summary

Feedyards usually have improvements that are constructed over a period of several years. Due to the difficulty in determining exact actual ages of multiple feedyard improvements, the effective ages of the improvements and equipment were used to analyze the subject for physical depreciation. There was physical curable depreciation present in the grow-yard / feedyard improvements. Physical incurable depreciation was estimated at 2.5 percent per year for the grow-yard / feedyard building improvements; 3.33 percent per year for the attached feedyard equipment; and 3.33 percent per year for the mobile home. No functional obsolescence was noted. External obsolescence percentages have been extracted from the comparable feedyard sales. A 65.0 percent external obsolescence charge for soft market will be applied to the subject in the following cost and depreciation analysis. The external obsolescence charge will be expressed as a percentage of the physically and functionally depreciated value of the subject's improvements.

SUBJECT FEEDYARD IMPROVEMENTS - COST ANALYSIS						
Item	Imp. 1	Imp. 2	Imp. 3	Imp. 4	Imp. 5	Imp. 6
Improvement Type	Bunk-Pens 2,500 Head	Office Building	Processing Hospital Barn	Horse Barn, Sheds, Runs	Commodity Shed	8 Loafing Sheds
Size	2,218	685	4,425	2,826	1,800	5,395
Unit	LF	SF	SF	SF	SF	SF
Utility	A	A	A	A	A	A
Condition	A	F	A	A	A	A
Total Economic Life	40	40	40	40	40	40
Effective Age	17	17	17	17	17	17
Remaining Economic Life	23	23	23	23	23	23
RCN/Unit	\$230	\$55	\$30	\$30	\$12	\$12
Total RCN	\$510,140	\$37,675	\$132,750	\$84,780	\$21,600	\$64,740
Physical Curable Depreciation	\$10,000	\$10,000	\$0	\$0	\$0	\$0
RCN Remainder	\$500,140	\$27,675	\$132,750	\$84,780	\$21,600	\$64,740
Physical Incurable Dep. %	42.50%	42.50%	42.50%	42.50%	42.50%	42.50%
Phys. Incurable Depreciation \$	\$212,560	\$11,762	\$56,419	\$36,032	\$9,180	\$27,515
Physically Depreciated Value	\$287,581	\$15,913	\$76,331	\$48,749	\$12,420	\$37,226
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	\$287,581	\$15,913	\$76,331	\$48,749	\$12,420	\$37,226
External Obsolescence %	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
External Obsolescence \$	\$186,927	\$10,344	\$49,615	\$31,687	\$8,073	\$24,197
Total Cont. Value of Imp.	\$100,653	\$5,570	\$26,716	\$17,062	\$4,347	\$13,029
Contribution Per Unit	\$45.38	\$8.13	\$6.04	\$6.04	\$2.42	\$2.42
RCN Imp. 1-6						\$851,685
Phy. Dep. Value Imp. 1-6						\$478,219
Physical Depreciation 1-6						\$373,466
Functional Obsolescence 1-6						\$0
External Obsolescence 1-6						\$310,842
Total CV of Imp. 1-6						\$167,377

Item	Imp. 7	Imp. 8	Imp. 9	Imp. 10	Imp. 11	Imp. 12
Improvement Type	Well House	Silencer Hyd. Chute	10' x 30' Cattle Scales	Site Improvement	Mobile Home 2021	0
Size	1	1	1	1	1,064	1
Unit	Unit	Unit	Unit	Unit	SF	Unit
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	40	30	30	40	30	40
Effective Age	17	4	12	17	2	0
Remaining Economic Life	23	26	18	23	28	40
RCN/Unit	\$2,500	\$30,000	\$40,000	\$300,000	\$50	\$0
Total RCN	\$2,500	\$30,000	\$40,000	\$300,000	\$53,200	\$0
Physical Curable Depreciation	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$2,500	\$30,000	\$40,000	\$300,000	\$53,200	\$0
Physical Incurable Dep. %	42.50%	13.33%	40.00%	42.50%	6.67%	0.00%
Phys. Incurable Depreciation \$	\$1,063	\$4,000	\$16,000	\$127,500	\$3,547	\$0
Physically Depreciated Value	\$1,438	\$26,000	\$24,000	\$172,500	\$49,653	\$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	\$1,438	\$26,000	\$24,000	\$172,500	\$49,653	\$0
External Obsolescence %	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
External Obsolescence \$	\$934	\$16,900	\$15,600	\$112,125	\$32,275	\$0
Total Cont. Value of Imp.	\$503	\$9,100	\$8,400	\$60,375	\$17,379	\$0
Contribution Per Unit	\$503.13	\$9,100.00	\$8,400.00	\$60,375.00	\$16.33	\$0.00
RCN Imp. 7-12						\$425,700
Phy. Dep. Value Imp. 7-12						\$273,591
Physical Depreciation 7-12						\$152,109
Functional Obsolescence 7-12						\$0
External Obsolescence 7-12						\$177,834
Total CV of Imp. 7-12						\$95,757

Item	Imp. 13	Imp. 14	Imp. 15	Imp. 16	Imp. 17	Imp. 18
Improvement Type	0	0	0	0	0	0
Size	1	1	1	1	1	1
Unit	Unit	Unit	Units	Unit	Unit	Unit
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	40	40	40	40	40	40
Effective Age	0	0	0	0	0	0
Remaining Economic Life	40	40	40	40	40	40
RCN/Unit	\$0	\$0	\$0	\$0.00	\$0	\$0
Total RCN	\$0	\$0	\$0	\$0	\$0	\$0
Physical Curable Depreciation	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$0	\$0	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Depreciation \$	\$0	\$0	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$0	\$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	\$0	\$0	\$0	\$0	\$0	\$0
External Obsolescence %	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
External Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Total Cont. Value of Imp.	\$0	\$0	\$0	\$0	\$0	\$0
Contribution Per Unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RCN Imp. 13-18						\$0
Phy. Dep. Value Imp. 13-18						\$0
Physical Depreciation 13-18						\$0
Functional Obsolescence 13-18						\$0
External Obsolescence 13-18						\$0
Total CV of Imp. 13-18						\$0

Item	Imp. 19	Imp. 20	Imp. 21	Imp. 22	Imp. 23	Imp. 24
Improvement Type	0	0	0	0	0	0
Size	1	1	1	1	1	1
Unit	Unit	Unit	Unit	Unit	Unit	Unit
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	40	40	40	40	40	40
Effective Age	0	0	0	0	0	0
Remaining Economic Life	40	40	40	40	40	40
RCN/Unit	\$0	\$0	\$0.00	\$0	\$0	\$0
Total RCN	\$0	\$0	\$0	\$0	\$0	\$0
Physical Curable Depreciation	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$0	\$0	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Depreciation \$	\$0	\$0	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$0	\$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	\$0	\$0	\$0	\$0	\$0	\$0
External Obsolescence %	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
External Obsolescence \$	\$0	\$0	\$0	\$0	\$0	\$0
Total Cont. Value of Imp.	\$0	\$0	\$0	\$0	\$0	\$0
Contribution Per Unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RCN Imp. 13-18						\$0
Phy. Dep. Value Imp. 19-24						\$0
Physical Depreciation 19-24						\$0
Functional Obsolescence 19-24						\$0
External Obsolescence 19-24						\$0
Total CV of Imp. 19-24						\$0

Improvement Analysis and Obsolescence Conclusion						
Total RCN Imp. 1-24						\$1,277,385
Total Physical Dep. 1-24					41.14%	\$525,575
Physical Dep. Value Imp. 1-24					58.86%	\$751,810
Functional Obsolescence 1-24						\$0
External Obsolescence 1-24					65.00%	\$488,676
Total CV of Improvements 1-24						\$263,133
Gross Acres						56.030
CV of Improvements Per Acre						\$4,696.29
Feedyard Capacity						2,500
RCN Per Head						\$510.95
CV Per Head						\$105.25

CONTRIBUTORY VALUE OF REPLACEABLE FEEDYARD EQUIPMENT						
Attached Equipment						Contributory Value
Silencer Hydraulic Chute						\$9,100
10' x 30' Cattle Scales						\$8,400
Contributory Value						\$17,500
Rounded						\$18,000

Cost Approach Summary

In applying this approach, the first step is to form an opinion of value of the land, as if vacant. An as vacant land value opinion of \$125,000 was indicated for the subject 56.03 acre grow-yard / feedyard tract. The total estimated cost new (RCN) of the feedyard improvements and attached equipment including all soft and hard cost and engineering and permit fees amounted to \$1,277,385. Physical curable depreciation was estimated at \$20,000. Physical incurable depreciation was estimated at \$525,575. The physical curable depreciation was deducted from RCN. The physical incurable depreciation was deducted from RCN less deferred maintenance cost leaving the physically depreciated value of the improvements and attached equipment of \$751,810. No functional obsolescence was noted. An external obsolescence charge of \$488,676 was deducted from the physically and functionally depreciated value of the improvements and attached equipment of \$751,810, leaving a final depreciated value of the improvements and attached equipment of \$263,133.

The depreciated value of the grow-yard / feedyard improvements and attached equipment of \$263,133 was added to the value opinion of the land as if vacant of \$125,000, resulting in an overall value opinion of \$388,000 rounded. The following is a breakdown of the subject values determined in the Cost Approach.

Cost Approach Value Breakdown			
Subject	Contributory Value Conclusion Rd.	Feedyard Capacity (Head)	Value Per Head Rounded
Land Value Opinion As if Vacant (Includes Wells, Motors, Gearheads, and Pumps)	\$125,000	2,500	\$50
Feed Mill Complex Improvements and Attached Equipment	\$0	2,500	\$0
Feedyard Improvements and Attached Equipment	\$263,133	2,500	\$105
Attached Sprinkler Irrigation Equipment	\$0	2,500	\$0
Indicated Value of Land, Improvements and Attached Equipment	\$388,133	2,500	\$155
Rounded	\$388,000	2,500	\$155

The Sales Comparison Approach to Value

The Sales Comparison Approach Definition - ASFMRA

The Sales Comparison Approach is a set of procedures in which the appraiser derives a value by comparing the property being appraised to similar properties that have recently been sold, applying appropriate units of comparison, and making adjustments to the sale prices of the comparable sales.⁴²

The Sales Comparison Approach - Appraisal Institute

The sales comparison approach to value is the process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though when an adequate supply of comparable sales is available.⁴³

In the sales comparison approach, the appraiser develops an opinion of value by analyzing closed sales, listings, or pending sales of properties that are similar to the subject property. The comparative techniques of analysis applied in the sales comparison approach are fundamental to the valuation process. Estimates of market rent, expenses, land value, cost, depreciation, and other value parameters may be derived in the other approaches to value using comparative techniques.

Similarly, in applying the sales comparison approach appraisers often analyze conclusions derived in the other approaches to determine the adjustments to be made to the sale prices of comparable properties. In the sales comparison approach, an opinion of market value is developed by comparing properties similar to the subject property that have recently sold, are listed for sale, or are under contract (i.e., for which purchase offers and a deposit have been recently submitted). A major premise of the sales comparison approach is that an opinion of the market value of a property can be supported by studying the market's reaction to comparable and competitive properties.

Comparative analysis of properties and transactions focuses on similarities and differences that affect value, called *elements of comparison*, which may include variations in property rights, financing terms, market conditions, and physical characteristics, among others. Appraisers examine market evidence using paired data analysis, trend analysis, statistics, and other techniques to identify which elements of comparison within the data set of comparable sales are responsible for value differences.

⁴² Valuing Rural America Foundations of Data Analysis, 2019, ASFMRA, Page 348.

⁴³ The Appraisal of Real Estate, 14th Edition, Appraisal Institute, 2013, Page 377.

Applicability - Appraisal Institute

The sales comparison approach is applicable to most types of real property interests when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market. For property types that are bought and sold regularly, the sales comparison approach often provides a credible indication of market value. When data is available, sales comparison can be the most straightforward and simple way to explain and support an opinion of market value.

Procedure - Appraisal Institute

To apply the sales comparison approach, appraisers follow a systematic procedure:

1. Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract. Information on agreements of sale, options, listings, and bona fide offers may also be collected. The characteristics of the properties such as property type, date of sale, size, physical condition, location, and land use constraints should be considered. The goal is to find a set of comparable sales or other evidence such as property listings or contracts as similar as possible to the subject property to ensure they reflect the actions of similar buyers. Market analysis and highest and best use analysis set the stage for the selection of appropriate comparable sales.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's-length market considerations. Verification should elicit additional information about the property such as buyer motivation, economic characteristics (if the property is income-producing), value component allocations, and other significant factors as well as information about the market to ensure that comparisons are credible.
3. Select the most relevant units of comparison used by participants in the market (e.g., price per acre, price per square foot, price per front foot, price per dwelling unit) and develop a comparative analysis for each unit. The appraiser's goal is to define and identify a unit of comparison that explains market behavior.
4. Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison. Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate that property as a comparable. This step typically involves using the most similar sale properties and then adjusting for any remaining differences. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about comparability.

5. Reconcile the various value indications produced from the analysis of comparables into a value conclusion. A value opinion can be expressed as a single point estimate, as a range of values, or in terms of a relationship (e.g., more or less than a given amount).

The analysis and comparison of the market information utilized in this approach is included in this section of the report. A description and analysis of comparable feedyard properties follows.

Feedyard Sale 1

Dawn Custom Cattle Feeders to F Troop Feeders, Inc.

Transaction Data

Location	The feedyard is located 14 miles NE of Hereford and 5.5 miles north of US-60, along the north side of FM 1062, in Deaf Smith County, Texas.
Sale Date	January 31, 2023 Closed
Grantor	Dawn Custom Cattle Feeders
Grantee	F Troop Feeders, Inc.
Recording	Document 2023-0201
Legal Description	189.72 acres of land being the S W/4 of Section 21 and 29.72 acres out of the E/2 of S section 21, Block 7, Deaf Smith County, Texas.
Property Tax Parcel Numbers	25481, 25793, 26637
Terms of Sale	Cash to Seller
Sale Price	\$5,000,000
Declared Business Value (-)	\$0
Rolling Stock (-)	\$1,000,000
Personal Prop. (-)	\$0
Excess Land Allocation (-)	\$0
Sale Price for Real Property	\$4,000,000
Add Cost For Repairs (+)	\$0
Final Adjusted Sale Price	\$4,000,000
Feedyard Capacity (Head)	18,000
Total Sale Price Per Head Including Rolling Stock, Personal Property, and Excess Land	\$277.78
Business Value \$ Per Head	\$0.00
Rolling Stock \$ Per Head	\$55.56
Personal Property \$ Per Head	\$0.00
Excess Land \$ Per Head	\$0.00
Repair Cost \$ Per Head	\$0.00
Final Adjusted Price Per Head	\$222.22

Feedyard Sale 1

Dawn Custom Cattle Feeders to F Troop Feeders, Inc.

Land Data

Total Land Acres 189.720

Excess Land Acres 0.000

Land Acres Needed for CR 189.720

Total Acres / CR AU Ratio 0.011 1.0 Feedyard Animal Unit (AU)

Necessary Land Acres / CR AU 0.011 1.0 Feedyard Animal Unit (AU)

Topography The terrain is generally level ranging from 3,789 to 3,825 feet.

Minerals All owned conveyed.

Road Access Access is provided by FM 1062, 0.5 miles east of CR CC.

Land Mix and Improvement Contribution	Land Type	Ratio	Acres	\$ / Acre	Value
	Irrigated	100.00%	0.000	\$2,500	\$0
	Dry Crop	30.00%	0.000	\$750	\$0
	CRP	30.00%	0.000	\$750	\$0
	Pasture	20.00%	25.000	\$500	\$12,500
	Building Site	100.00%	164.720	\$2,500	\$411,800
	Roads / Waste	10.00%	0.000	\$250	\$0
	Total		189.720		\$424,300
	Total Price/Acre				\$2,236
	CEV Sale Price				\$4,000,000
	Imp. Contribution				\$3,575,700

Utilities and Water Typical rural utilities. There are irrigation/feedyard wells on the property that service the feedyard. There is no irrigated land. The feedyard pens are watered by a gravity continuous flow water system from the storage reservoirs through a system of underground pipelines.

Feedyard Sale 1

Dawn Custom Cattle Feeders to F Troop Feeders, Inc.

Sprinklers	Sprinkler 1	Sprinkler 2	Sprinkler 3	Sprinkler 4	Sprinkler 5	Sprinkler 6
Improvement Type	0	0	0	0	0	0
Size	0	0	0	0	0	0
Unit	LF	LF	LF	LF	LF	LF
Utility	A	A	A	A	A	A
Condition	G	G	G	G	G	G
Total Economic Life	25	25	25	25	25	25
Effective Age	0	0	0	0	0	0
Remaining Economic Life	25	25	25	25	25	25
RCN/Unit	\$68	\$68	\$68	\$68	\$68	\$68
Total RCN	\$0	\$0	\$0	\$0	\$0	\$0
Physical Curable Depreciation	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$0	\$0	\$0	\$0	\$0	\$0
Physical Incurable Dep. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Phys. Incurable Depreciation \$	\$0	\$0	\$0	\$0	\$0	\$0
Physically Depreciated Value	\$0	\$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	\$0	\$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.	\$0	\$0	\$0	\$0	\$0	\$0
Contribution Per Unit	??	??	??	??	??	??
RCN Imp. 1-6						\$0
Phy. Dep. Value Imp. 1-6						\$0
Physically Depreciation 1-6						\$0
Total CV of Sprinklers 1-6						\$0
Imp. + Spk CV to Sale Price						\$3,575,700
Less CV of Sprinklers						\$0
Remainder CV of Improvements to Sale						\$3,575,700

Feedyard Sale 1

Dawn Custom Cattle Feeders to F Troop Feeders, Inc.

Improvement Data	
Feed Bunk and Pens	The feedyard has 17,300 linear feet of concrete bunk space with attached feed pens. Based on an 11.53 inch spacing, the total feeding capacity of the pens with attached bunk is estimated at 18,000 head. The pens are constructed on an excavated site sloped for drainage. There are approximately 188 feeding pens. The pens have a total of 3,460,000 square feet of space which calculates to 192 square feet per animal. The pens are steel pipe and cable construction attached to concrete bunk with 10 foot and 6 foot aprons. The cattle are watered in the feed pens with livestock drinkers and a continuous flow water system. The feedyard has adequate shipping and receiving areas with confinement pens, loading chutes, and scales which are attached to the feed pens. The CAFO Permit at the time of sale was for 18,000 head. Beef Plotter says 18,000 head.
Processing and Hospital Barns	One (1) 972 SF processing barn with a total area of 972 square feet and two (2) hospital sheds. The processing barn has a medicine room, work area, snake, tub, and hydraulic working chute. The smaller hospital sheds have attached snakes and hydraulic chutes.
Office Building	The feedyard has one (1) one-story wood frame 2,000 SF office building with a steel panel roof and concrete slab. The building has private offices, break room, scale room and rest rooms. The building has textured and painted walls, vinyl floors, commercial ceiling tiles, florescent lighting and central heat and air. There is a 12' x 70' in-ground truck-cattle scale located adjacent to the front of the building. The scale room has a digital weight indicator.
Hay Barn	The feedyard is improved with one (1) hay barn.
Horse Barn	The horse barn is a steel construction structure containing 2,160 S F. The horse barn has horse stalls, runs, a tack room, feed room, and break room.
Additional Equipment	One 12' x 70' truck-cattle scale, hydraulic working chutes, and emergency power-plant.
Feed Mill and Equipment	The feed mill complex includes three (3) buildings totaling 7,440 S F. The feed mill has 22,000 bushels of dry grain storage in upright steel grain bins; 2 x 18" x 36" Ferroll Ross Steam Flakers with attached 20' stainless steel steam cabinets; and one (1) Superior 150 HP boiler. The mill has a truck receiving bay with dump pit with 12' roll-up doors and one (1) load-out bay with 12' roll-up doors. The mill building also has a separate micro ingredient system room. The commodity barn and 7,500 S F loading apron are located adjacent to the mill building. The finished feed and commodities are mixed on the trucks.
Site Improvements and Land Use	The site improvements include excavation and dirt work for the pens and feed lanes, the building improvements, roads, parking, and lagoons. A dditional site improvements included underground pipe lines and utilities. Water is provided by private wells that are attached to a continuous flow water system to the feed pens. The water wells are considered to be a component of the land value.
Rolling Stock	The rolling stock was calculated at \$1,000,000.
YOC and Effective Age	The feedyard was constructed in 1995. The mill was renovated in 2019. The overall composite effective age was estimated at 15 years.
Comments	Beef Plotter indicated 18,000 head. The feedyard has a feeding capacity of 18,000 head and the CA FO Permit is for 18,000 head.

Feedyard Sale 1

Dawn Custom Cattle Feeders to F Troop Feeders, Inc.

Imp. Analysis 1-6

Item	Imp. 1	Imp. 2	Imp. 3	Imp. 4	Imp. 5	Imp. 6
Improvement Type	Pens Bunk 18,000 head	Processing Barn	2 x Hospitals	Office	Horse Barn	Hay Barn
Size	17,300	972	700	2,000	2,160	1
Unit	LF	SF	SF	SF	SF	Unit
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	40	40	40	40	40	40
Effective Age	15	15	15	15	15	15
Remaining Economic Life	25	25	25	25	25	25
RCN/Unit	\$275	\$30	\$13	\$90	\$12	\$30,000
Total RCN	\$4,757,500	\$29,160	\$9,100	\$180,000	\$25,920	\$30,000
Physical Curable Depreciation	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$4,757,500	\$29,160	\$9,100	\$180,000	\$25,920	\$30,000
Physical Incurable Dep. %	37.50%	37.50%	37.50%	37.50%	37.50%	37.50%
Phys. Incurable Depreciation \$	\$1,784,063	\$10,935	\$3,413	\$67,500	\$9,720	\$11,250
Physically Depreciated Value	\$2,973,438	\$18,225	\$5,688	\$112,500	\$16,200	\$18,750
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	\$2,973,438	\$18,225	\$5,688	\$112,500	\$16,200	\$18,750
External Obsolescence %	23.77%	23.77%	23.77%	23.77%	23.77%	23.77%
External Obsolescence \$	\$706,666	\$4,331	\$1,352	\$26,737	\$3,850	\$4,456
Total Cont. Value of Imp.	\$2,266,771	\$13,894	\$4,336	\$85,763	\$12,350	\$14,294
Contribution Per Unit	\$131.03	\$14.29	\$6.19	\$42.88	\$5.72	\$14,293.88
RCN Imp. 1-6						\$5,031,680
Phy. Dep. Value Imp. 1-6						\$3,144,800
Physically Depreciation 1-6						\$1,886,880
Total CV of Imp. 1-6						\$2,397,408

Feedyard Sale 1

Dawn Custom Cattle Feeders to F Troop Feeders, Inc.

Imp. Analysis 7-12

Item	Imp. 7	Imp. 8	Imp. 9	Imp. 10	Imp. 11	Imp. 12
Improvement Type	Feed Mill Complex	Truck-Cattle Scales	3 Hydraulic Chutes	Powerplant	Water Reservoirs	Site Imps.
Size	18,000	1	1	1	1	1
Unit	Head	Unit	Unit	Unit	Unit	Unit
Utility	A	A	A	A	A	A
Condition	A	A	A	A	A	A
Total Economic Life	40	40	30	30	30	40
Effective Age	15	15	15	15	15	15
Remaining Economic Life	25	25	15	15	15	25
RCN/Unit	\$95	\$75,000	\$60,000	\$75,000	\$100,000	\$500,000
Total RCN	\$1,710,000	\$75,000	\$60,000	\$75,000	\$100,000	\$500,000
Physical Curable Depreciation	\$0	\$0	\$0	\$0	\$0	\$0
RCN Remainder	\$1,710,000	\$75,000	\$60,000	\$75,000	\$100,000	\$500,000
Physical Incurable Dep. %	37.50%	37.50%	50.00%	50.00%	50.00%	37.50%
Phys. Incurable Depreciation \$	\$641,250	\$28,125	\$30,000	\$37,500	\$50,000	\$187,500
Physically Depreciated Value	\$1,068,750	\$46,875	\$30,000	\$37,500	\$50,000	\$312,500
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	\$1,068,750	\$46,875	\$30,000	\$37,500	\$50,000	\$312,500
External Obsolescence %	23.77%	23.77%	23.77%	23.77%	23.77%	23.77%
External Obsolescence \$	\$253,999	\$11,140	\$7,130	\$8,912	\$11,883	\$74,269
Total Cont. Value of Imp.	\$814,751	\$35,735	\$22,870	\$28,588	\$38,117	\$238,231
Contribution Per Unit	\$45.26	\$35,734.70	\$22,870.21	\$28,587.76	\$38,117.02	\$238,231.34
RCN Imp. 7-12						\$2,520,000
Phy. Dep. Value Imp. 7-12						\$1,545,625
Physically Depreciation 7-12						\$974,375
Total CV of Imp. 7-12						\$1,178,292

Feedyard Sale 1

Dawn Custom Cattle Feeders to F Troop Feeders, Inc.

**Improvement Analysis and
Obsolescence Conclusion**

Total RCN Imp. 1-12		\$7,551,680
Total Phy. Dep Value Imp. 1-12		\$4,690,425
Total Physical Dep. 1-12	37.89%	\$2,861,255
Improvement Value From Sale		\$3,575,700
Difference in Physically Depreciated Value and Improvement Value	23.77%	\$1,114,725
Obsolescence Estimate % (Ext)		23.77%
Total CV of Improvements 1-12		\$3,575,700
CV of Sprinklers		\$0
Land Value		\$424,300
Total Value = Sale Price		\$4,000,000

Income Analysis

Market Rates Typical lease rates range from \$0.03 to \$0.06 per head per year. Vacancy Rates are estimated at 10 to 20 percent. Lease rates are triple net. Expenses are estimated at 5 percent for management only.

	Head / AU	Lease Rate Per Head	Days, Months, or Year	
Feedyard Income	18,000.000	\$0.050	365	\$328,500
Irrigated Cropland	0.000	\$0.000	1	\$0
Dry Cropland	0.000	\$0.00	1	\$0
Potential Gross Income				\$328,500
Vacancy and Credit Loss			-15%	(\$49,275)
Effective Gross Income				\$279,225
Operating Expense			-5%	(\$13,961)
Net Operating Income				\$265,264
Sale Price				\$4,000,000
Overall Rate				6.63%

Aerial Map



Boundary Center: 34° 59' 23.87, -102° 14' 2.81

0ft 1057ft 2115ft



Maps Provided By:



Deaf Smith County
Texas

7/21/2023

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