Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-36405

FARMLAND PARTNERS INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	**46-3769850** (IRS Employer Identification No.)
4600 South Syracuse Street, Suite 1450 **Denver, Colorado** (Address of Principal Executive Offices)	**80237-2766** (Zip Code)

(720) 452-3100
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of August 7, 2018, 32,867,817 shares of the Registrant’s common stock were outstanding.

Farmland Partners Inc.

FORM 10-Q FOR THE QUARTER ENDED
June 30, 2018

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Farmland Partners Inc.
Consolidated Balance Sheets
As of June 30, 2018 (Unaudited) and December 31, 2017
(in thousands except par value and share data)

	June 30, 2018	December 31, 2017
ASSETS		
Land, at cost	$ 974,264	$ 947,899
Grain facilities	11,533	11,463
Groundwater	11,473	12,107
Irrigation improvements	52,372	51,678
Drainage improvements	11,981	9,964
Permanent plantings	52,955	52,870
Other	8,247	8,245
Construction in progress	13,189	8,137
Real estate, at cost	1,136,014	1,102,363
Less accumulated depreciation	(14,217)	(10,285)
Total real estate, net	1,121,797	1,092,078
Deposits	84	239
Cash	26,414	53,536
Notes and interest receivable, net	12,469	9,760
Deferred offering costs	430	292
Deferred financing fees, net	305	348
Accounts receivable, net	3,986	6,650
Inventory	420	126
Prepaid and other assets	2,185	3,057
TOTAL ASSETS	$ 1,168,090	$ 1,166,086
LIABILITIES AND EQUITY		
LIABILITIES		
Mortgage notes and bonds payable, net	$ 533,799	$ 514,071
Dividends payable	4,767	4,847
Derivative liability	495	—
Accrued interest	4,158	3,193
Accrued property taxes	1,907	1,584
Deferred revenue	7,905	3,907
Accrued expenses	1,762	2,800
Total liabilities	554,793	530,402
Commitments and contingencies (See Note 8)		
Series B Participating Preferred Stock, $0.01 par value, 100,000,000 shares authorized; 6,037,500 shares issued and outstanding at June 30, 2018, and December 31, 2017	144,223	144,223
Redeemable non-controlling interest in operating partnership, Series A preferred units	118,755	120,510
EQUITY		
Common stock, $0.01 par value, 500,000,000 shares authorized; 32,867,817 shares issued and outstanding at June 30, 2018, and 33,334,849 shares issued and outstanding at December 31, 2017	323	329
Additional paid in capital	346,600	350,147
Retained earnings	178	5,161
Cumulative dividends	(39,580)	(31,199)
Other comprehensive income	(495)	—
Non-controlling interests in operating partnership	43,293	46,513
Total equity	350,319	370,951
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS IN OPERATING PARTNERSHIP AND EQUITY	$ 1,168,090	$ 1,166,086

See accompanying notes.

Farmland Partners Inc.
Consolidated Statements of Operations
For the three and six months ended June 30, 2018 and 2017
(Unaudited)
(in thousands except per share amounts)

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
OPERATING REVENUES:				
Rental income	$ 10,057	$ 10,471	$ 19,998	$ 17,274
Tenant reimbursements	774	652	1,542	756
Crop sales	331	175	410	437
Other revenue	257	162	677	142
Total operating revenues	11,419	11,460	22,627	18,609
OPERATING EXPENSES				
Depreciation, depletion and amortization	2,126	2,056	4,256	3,544
Property operating expenses	2,109	1,196	3,797	2,999
Acquisition and due diligence costs	—	183	141	698
General and administrative expenses	1,701	2,052	3,665	4,133
Legal and accounting	284	302	747	701
Other operating expenses	11	120	11	276
Total operating expenses	6,231	5,909	12,617	12,351
OPERATING INCOME	5,188	5,551	10,010	6,258
OTHER (INCOME) EXPENSE:				
Other income	(90)	(16)	(171)	(22)
(Gain) loss on disposition of assets	(143)	92	(135)	92
Interest expense	4,440	3,454	8,832	6,169
Total other expense	4,207	3,530	8,526	6,239
Net income before income tax expense	981	2,021	1,484	19
Income tax expense	—	—	—	—
NET INCOME	981	2,021	1,484	19
Net (income) loss attributable to non-controlling interests in operating partnership	(121)	(334)	(183)	41
Net income attributable to the Company	860	1,687	1,301	60
Nonforfeitable distributions allocated to unvested restricted shares	(41)	(37)	(83)	(80)
Distributions on redeemable non-controlling interests in operating partnership, Series A preferred units and dividends on Series B Participating Preferred Stock	(3,142)	(878)	(6,283)	(1,755)
Net (loss) income available to common stockholders of Farmland Partners Inc.	$ (2,323)	$ 772	$ (5,065)	$ (1,775)
Basic and diluted per common share data:				
Basic net (loss) income available to common stockholders	$ (0.07)	$ 0.02	$ (0.15)	$ (0.06)
Diluted net (loss) income available to common stockholders	$ (0.07)	$ 0.02	$ (0.15)	$ (0.06)
Basic weighted average common shares outstanding	32,542	32,457	32,777	29,594
Diluted weighted average common shares outstanding	32,542	32,457	32,777	29,594
Dividends declared per common share	$ 0.1275	$ 0.1275	$ 0.2550	$ 0.2550

See accompanying notes.

Farmland Partners Inc.
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2018 and 2017
(Unaudited)
(in thousands)

	Stockholders' Equity							
	Common Stock							
	Shares	Par Value	Additional Paid in Capital	Retained Earnings	Cumulative Dividends	Non-controlling Interests in Operating Partnership	Other Comprehensive Income	Total Equity
Balance at December 31, 2016	17,351	$ 172	$ 172,100	$ 4,103	$ (14,473)	$ 53,692	$ —	$215,594
Net loss	—	—	—	60	—	(41)	—	19
Issuance of stock under the at-the-market offering, net of costs of $60	—	—	(104)	—	—	—	—	(104)
Grant of unvested restricted stock	206	—	—	—	—	—	—	—
Stock based compensation	—	—	788	—	—	—	—	788
Dividends and distributions accrued or paid	—	—	—	(1,755)	(8,323)	(1,666)	—	(11,744)
Issuance of stock as partial consideration for business combination	14,815	148	168,835	—	—	—	—	168,983
Issuance of Common units as partial consideration for business combination	—	—	—	—	—	2,493	—	2,493
Issuance of Common units as partial consideration for asset acquisition	—	—	—	—	—	10,033	—	10,033
Conversion of Common units to shares of common stock	457	4	4,491	—	—	(4,495)	—	—
Adjustments to non-controlling interests resulting from changes in ownership of operating partnership	—	—	(3,219)	—	—	3,219	—	—
Balance at June 30, 2017	32,829	$ 324	$ 342,891	$ 2,408	$ (22,796)	$ 63,235	-	$386,062
Balance at December 31, 2017	33,334	329	350,147	5,161	(31,199)	46,513	—	370,951
Net income	—	—	—	1,301	—	183	—	1,484
Grant of unvested restricted stock	160	—	—	—	—	—	—	—
Stock based compensation	—	—	730	—	—	—	—	730
Dividends and distributions accrued or paid	—	—	—	(6,284)	(8,381)	(1,168)	—	(15,833)
Repurchase and cancellation of shares	(780)	(8)	(6,510)	—	—	—	—	(6,518)
Forfeiture of unvested restricted stock	(3)	—	—	—	—	—	—	—
Derivative liability	—	—	—	—	—	—	(495)	(495)
Conversion of Common units to shares of common stock	157	2	1,543	—	—	(1,545)	—	—
Adjustments to non-controlling interests resulting from changes in ownership of operating partnership	—	—	690	—	—	(690)	—	—
Balance at June 30, 2018	32,868	$ 323	$ 346,600	$ 178	$ (39,580)	$ 43,293	$ (495)	$350,319

See accompanying notes.

Farmland Partners Inc.
Consolidated Statements of Cash Flows
For the six months ended June 30, 2018 and 2017
(Unaudited)
(in thousands)

	For the Six Months Ended June 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,484	$ 19
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	4,256	3,544
Amortization of deferred financing fees and discounts/premiums on debt	221	103
Amortization of net origination fees related to notes receivable	(5)	(5)
Stock based compensation	729	788
(Gain) loss on disposition of assets	(135)	92
Bad debt expense	556	206
Changes in operating assets and liabilities:		
Decrease in accounts receivable	2,108	1,579
(Increase) in interest receivable	(60)	(10)
Decrease (increase) in other assets	665	(492)
(Increase) decrease in inventory	(295)	306
Increase in accrued interest	966	1,541
(Decrease) in accrued expenses	(135)	(14,256)
Increase in deferred revenue	3,428	4,508
Increase in accrued property taxes	320	367
Net cash provided by (used in) operating activities	14,103	(1,710)
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate acquisitions	(26,820)	(91,675)
Real estate and other improvements	(8,970)	(11,270)
Principal receipts on notes receivable	3,469	—
Casualty loss insurance recovery	(2)	—
Issuance of note receivable	(6,113)	(3,101)
Proceeds from the sale of property	2,000	—
Net cash used in investing activities	(36,436)	(106,046)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from mortgage notes payable	21,000	101,790
Repayments on mortgage notes payable	(1,218)	—
Common stock repurchased	(6,517)	—
Payment of offering costs	(152)	(274)
Payment of debt issuance costs	(235)	(659)
Dividends on common stock	(8,381)	(6,350)
Dividends on Series A preferred units	(3,510)	(2,915)
Dividends on Series B participating preferred stock	(4,528)	—
Distributions to non-controlling interests in operating partnership, common	(1,248)	(1,580)
Net cash (used in) provided by financing activities	(4,789)	90,012
NET DECREASE IN CASH	(27,122)	(17,744)
CASH, BEGINNING OF PERIOD	53,536	47,166
CASH, END OF PERIOD	$ 26,414	$ 29,422
Cash paid during period for interest	$ 7,761	$ 4,712
Cash paid during period for taxes	$ —	$ —
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Dividend payable, common stock	$ 4,191	$ 4,186
Distributions payable, Common units	$ 584	$ 812
Distibutions payable, Series A preferred units	$ 1,755	$ 1,755
Distibutions payable, Series B participating preferred stock	$ —	$ —
Additions to real estate improvements included in accrued expenses	$ 626	$ 1,286
Financing fees included in accrued expenses	$ —	$ 104
Issuance of equity and contributions from redeemable non-controlling interests and non-controlling interest in operating partnership in conjunction with acquisitions	$ —	$ 181,510
Deferred offering costs amortized through equity in the period	$ —	$ 104
Real estate acquisition costs included in accrued expenses	$ —	$ 1
Property tax liability assumed in acquisitions	$ 5	$ —
Offering costs included in accrued expenses	$ —	$ 31

See accompanying notes.

Note 1—Organization and Significant Accounting Policies

Organization

Farmland Partners Inc., collectively with its subsidiaries (the "Company"), is an internally managed real estate company that owns and seeks to acquire high-quality farmland located in agricultural markets throughout North America. The Company was incorporated in Maryland on September 27, 2013. The Company is the sole member of the general partner of Farmland Partners Operating Partnership, LP (the "Operating Partnership"), which was formed in Delaware on September 27, 2013. As of June 30, 2018, the Company owned a portfolio of approximately 165,000 acres which are consolidated in these financial statements. All of the Company's assets are held by, and its operations are primarily conducted through, the Operating Partnership and the wholly owned subsidiaries of the Operating Partnership. As of June 30, 2018, the Company owned an 87.9% interest in the Operating Partnership (see "Note 9—Stockholders' Equity and Non-controlling Interests" for additional discussion regarding Class A Common units of limited partnership interest in the Operating Partnership ("Common units"), Series A preferred units of limited partnership interest in the Operating Partnership ("Series A preferred units") and Series B participating preferred units of limited partnership interest in the Operating Partnership ("Series B participating preferred units")). Unlike holders of the Company's common stock, holders of Common units and Series A preferred units do not have voting rights or the power to direct our affairs. On August 17, 2017, the Company issued 6,037,500 shares of its newly designated 6.00% Series B Participating Preferred Stock, $0.01 par value per share (the "Series B Participating Preferred Stock") in an underwritten public offering. Shares of Series B Participating Preferred Stock, which represent equity interests in the Company, generally have no voting rights and rank senior to the Company's common stock with respect to dividend rights and rights upon liquidation (See "Note 9—Stockholders' Equity—Series B Participating Preferred Stock" for more information on the Series B Participating Preferred Stock).

The Company elected to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its short taxable year ended December 31, 2014.

On March 16, 2015, the Company formed FPI Agribusiness Inc., a wholly owned subsidiary (the "TRS" or "FPI Agribusiness"), as a taxable REIT subsidiary. The TRS was formed to provide volume purchasing services to the Company's tenants and also to operate a small-scale custom farming business. As of June 30, 2018, the TRS performs these custom farming operations on 625 acres of farmland owned by the Company located in Florida.

AFCO Mergers

On February 2, 2017, the Company completed a merger with American Farmland Company ("AFCO"), at which time one of the Company's wholly owned subsidiaries was merged with and into American Farmland Company L.P. ("AFCO OP") with AFCO OP surviving as a wholly owned subsidiary of the Operating Partnership (the "Partnership Merger"), and AFCO merged with and into another one of our wholly owned subsidiaries with such wholly owned subsidiary surviving (the "Company Merger" and together with the Partnership Merger, the "AFCO Mergers").

At the effective time of the Company Merger, each share of common stock of AFCO, par value $0.01 per share ("AFCO Common Stock"), issued and outstanding immediately prior to the effective time of the Company Merger (other than any shares of AFCO Common Stock owned by any wholly owned subsidiary of AFCO or by the Company or the Operating Partnership or any wholly owned subsidiary of the Company or the Operating Partnership), was automatically converted into the right to receive, subject to certain adjustments, 0.7417 shares of the Company's common stock (the "Company Merger Consideration"). In addition, in connection with the Company Merger, each outstanding AFCO restricted stock unit that had become fully earned and vested in accordance with its terms was, at the effective time of the Company Merger, converted into the right to receive the Company Merger Consideration. The Company issued 14,763,604 shares of its common stock as consideration in the Company Merger, 17,373 shares of its common stock in respect of fully earned and vested AFCO restricted stock units, and 218,535 Common units in connection with the Partnership Merger at a share price of $11.41 per share on the date of the merger for a total consideration of $171.1 million, net of $75.0 million in assumed debt.

Principles of Consolidation

The accompanying consolidated financial statements for the periods ended June 30, 2018 and 2017 are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and the Operating Partnership. All significant intercompany balances and transactions have been eliminated in consolidation.

Interim Financial Information

The information in the Company's consolidated financial statements for the three and six months ended June 30, 2018 and 2017 is unaudited. The accompanying financial statements for the three and six months ended June 30, 2018 and 2017 include adjustments based on management's estimates (consisting of normal and recurring accruals), which the Company considers necessary for a fair statement of the results for the periods. The financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017, included in the Company's Annual Report on Form 10-K, which the Company filed with the U.S. Securities and Exchange Commission (the "SEC") on March 2, 2018. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of actual operating results for the entire year ending December 31, 2018.

The consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the SEC for interim financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Real Estate Acquisitions

When the Company acquires farmland where substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets it is not considered a business. As such, the Company accounts for these types of acquisitions as asset acquisitions. When substantially all of the fair value of the gross assets acquired is not concentrated in a single identifiable asset or a group of similar assets and contains acquired inputs, processes and outputs, these acquisitions are accounted for as business combinations.

The Company considers single identifiable assets as tangible assets that are attached to and cannot be physically removed and used separately from another tangible asset without incurring significant cost or significant diminution in utility or fair value. The Company considers similar assets as assets that have a similar nature and risk characteristics.

Whether the Company's acquisitions are treated as an asset acquisition under ASC 360 or a business combination under ASC 805, the fair value of the purchase price is allocated among the assets acquired and any liabilities assumed by valuing the property as if it was vacant. The "as-if-vacant" value is allocated to land, buildings, improvements, permanent plantings and any liabilities, based on management's determination of the relative fair values of such assets and liabilities as of the date of acquisition.

Upon acquisition of real estate, the Company allocates the purchase price of the real estate based upon the fair value of the assets and liabilities acquired, which historically have consisted of land, drainage improvements, irrigation improvements, groundwater, permanent plantings (bushes, shrubs, vines and perennial crops) and grain facilities, and may also consist of intangible assets including in-place leases, above market and below market leases and tenant relationships. The Company allocates the purchase price to the fair value of the tangible assets by valuing the land as if it were unimproved. The Company values improvements, including permanent plantings and grain facilities, at replacement cost, adjusted for depreciation.

Management's estimates of land value are made using a comparable sales analysis. Factors considered by management in its analysis of land value include soil types and water availability and the sales prices of comparable farms. Management's estimates of groundwater value are made using historical information obtained regarding the applicable aquifer. Factors considered by management in its analysis of groundwater value are related to the location of the aquifer and whether or not the aquifer is a depletable resource or a replenishing resource. If the aquifer is a replenishing resource, no value is allocated to the groundwater. The Company includes an estimate of property taxes in the purchase price allocation of acquisitions to account for the expected liability that was assumed.

When above or below market leases are acquired, the Company values the intangible assets based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above market leases and the initial term plus the term of any below market fixed rate renewal options for below market leases that are considered bargain renewal options. The above market lease values are amortized as a reduction of rental income over the remaining term of the respective leases. The fair value of acquired below market leases, included in deferred revenue on the accompanying consolidated balance sheets, is amortized as an increase to rental income on a straight-line basis over the remaining non-cancelable terms of the respective leases, plus the terms of any below market fixed rate renewal options that are considered bargain renewal options of the respective leases.

As of June 30, 2018 and December 31, 2017, the Company had $1.4 million and $1.4 million, respectively, recorded for tenant relationship intangibles, net of accumulated amortization of $0.8 million and $0.6 million, respectively. The purchase price is allocated to in-place lease values and tenant relationships, if they are acquired, based on the Company's evaluation of the specific characteristics of each tenant's lease, availability of replacement tenants, probability of lease renewal, estimated down time and its overall relationship with the tenant. The value of in-place lease intangibles and tenant relationships are included as an intangible asset and will be amortized over the remaining lease term (including expected renewal periods of the respective leases for tenant relationships) as amortization expense. If a tenant terminates its lease prior to its stated expiration, any unamortized amounts relating to that lease, including (i) above and below market leases, (ii) in-place lease values, and (iii) tenant relationships, would be recorded to revenue or expense as appropriate.

The Company capitalizes acquisition costs and due diligence costs if the asset is expected to qualify as an asset acquisition. If the asset acquisition is abandoned, the capitalized asset acquisition costs are expensed to acquisition and due diligence costs in the period of abandonment. Costs associated with a business combination are expensed to acquisition and due diligence costs as incurred. During the three and six months ended June 30, 2018, the company did not expense any costs in relation to business combinations.

Total consideration for acquisitions may include a combination of cash and equity securities. When equity securities are issued, the Company determines the fair value of the equity securities issued based on the number of shares of common stock and Common units issued multiplied by the price per share of the Company's common stock on the date of closing in the case of common stock and Common units and by liquidation preference in the case of preferred stock and preferred units.

Using information available at the time of business combination, the Company allocates the total consideration to tangible assets and liabilities and identified intangible assets and liabilities. During the measurement period, which may be up to one year from the acquisition date, the Company may adjust the preliminary purchase price allocations after obtaining more information about assets acquired and liabilities assumed at the date of acquisition.

Real Estate Sales

We recognize gains from the sales of real estate assets, generally at the time the title is transferred, consideration is received and we no longer have substantial continuing involvement with the real estate sold.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts, reducing the receivables balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for doubtful accounts are based on historical collection experience, current trends, aging of accounts receivable and periodic credit evaluations of our customers' financial condition. We write off accounts receivable when it becomes apparent, based upon age or customer circumstances, that such amounts will not be collected. As of June 30, 2018 and December 31, 2017, we have an allowance of $0.8 million and $0.5 million, respectively.

Inventory

The costs of growing crops are accumulated until the time of harvest at the lower of cost or market value and are included in inventory in the consolidated balance sheets. Costs are allocated to growing crops based on a percentage of the total costs of production and total operating costs that are attributable to the portion of the crops that remain in inventory at the end of the period. The costs of growing crops incurred by FPI Agribusiness consist primarily of costs related to land preparation, cultivation, irrigation and fertilization. Growing crop inventory is charged to cost of products sold when the related crop is harvested and sold. The cost of harvested crop was $0.0 million and $0.0 million, and $0.2 million and $0.2 million, respectively, for the three and six months ended June 30, 2018 and 2017.

Harvested crop inventory includes costs accumulated both during the growing and harvesting phases and are stated at the lower of those costs or the estimated net realizable value, which is the market price, based upon the nearest market in the geographic region, less any cost of disposition. Cost of disposition includes broker's commissions, freight and other marketing costs.

General inventory, such as fertilizer, seeds and pesticides, is valued at the lower of cost or market.

As of June 30, 2018 and December 31, 2017 inventory consisted of the following:

(in thousands)	June 30, 2018	December 31, 2017
Harvested crop	$ 125	$ 126
Growing crop	142	—
General inventory	153	—
	$ 420	$ 126

Hedge Accounting

ASC 815 requires the Company to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the consolidated statements of operations during the period.

The Company uses derivative instruments to manage certain interest rate risks. More specifically, interest rate swaps are entered into to manage the risk associated with the Company's floating-rate borrowings when such risk management is deemed appropriate by the Company's management and a fixed interest rate is not available or not economical, or when it is contractually required by a lender. In accordance with ASC 815, the Company designates interest rate swaps as cash flow hedges of said floating-rate borrowings.

The Company entered into an interest rate swap effective April 1, 2018 and chose to early adopt ASU No. 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities* effective on that date. As a result of the adoption of ASU 2017-12 the entire change in the fair value of the Company's designated cash flow hedges is recorded to accumulated other comprehensive income, a component of shareholders' equity in the Company's consolidated balance sheets.

The Company has entered into an interest rate swap agreement to manage interest rate risk exposure. An interest rate swap agreement utilized by the Company effectively modifies the Company's exposure to interest rate risk by converting the Company's floating-rate debt to a fixed rate basis for the next five years on 50% of the currently outstanding amount to Rabobank, thus reducing the impact of interest rate changes on future interest expense. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

As of June 30, 2018, the total notional amount of the Company's receive-variable/pay-fixed interest rate swap was $33.2 million. For a summary of the fair value and related disclosures in relation to hedge accounting, please refer to "Note 10 – Hedge Accounting."

New or Revised Accounting Standards

Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: (Topic 606)* ("ASU 2014-09"). ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. ASU 2014-09 implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The Company completed its assessment of the impact of this guidance and determined that the primary impact relates to reporting crop sales revenue separately from other revenue the Company records in relation to interest income received from the Company's loan program on the Consolidated Statements of Operations. There was no cumulative effect to retained earnings upon adoption. The majority of the Company's contracts with customers relate to leases that fall within the scope of ASC 840 and ASU No. 2016-02, *Leases: (Topic 842)* ("ASU 2016-02").

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 is intended to reduce diversity in practice across all industries. The amendments in this update provide guidance on the following eight specific cash flow issues: 1) Debt Prepayment or Debt Extinguishment Costs; 2) Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing; 3) Contingent Consideration Payments Made after a Business Combination; 4) Proceeds from the Settlement of Insurance Claims; 5) Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies; 6) Distributions Received from Equity Method Investees; 7) Beneficial Interests in Securitization Transactions; and 8) Separately Identifiable Cash Flows and Application of the Predominance Principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and retrospective restatement is required. Early adoption is permitted. The Company has assessed the impact and determined that the only impact would be to separately recognize cash receipts from casualty insurance claims on damaged company assets.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). ASU 2017-12 is intended to improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and reduce the complexity of and simplify the application of hedge accounting by preparers. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018 with early application permitted in any interim period after the issuance of the updated guidance. The Company entered into an interest rate swap effective April 1, 2018 and as such chose to early adopt the new guidance effective April 1, 2018. The impact on the Company is set out in the accounting policies above and in "Note 10 – Hedge Accounting."

Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases: (Topic 842)* ("ASU 2016-02") which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. While the Company is still completing its assessment of the impact of this guidance, the following is anticipated to reflect the primary effects of this guidance on the Company's reporting:

(i) For leases in which the Company is the lessee, the Company does not expect the guidance to have a material impact as there are only two operating leases for office space and for subleased property in Nebraska. Once of these leases has terms less than 12 months, and the Company will elect not to apply the recognition requirements of ASU 2016-02. The Company will record a right-of-use asset and a lease liability for the second lease that has a term greater than 12 months, but the Company does not expect it to have a significant impact on the consolidated financial statements;

(ii) For leases in which the Company is the lessor, the Company does not expect there to be a material impact as the majority of the Company's leases do not contain a non-lease component. While the Company is expecting there to be other ancillary impacts for leases in which the Company is the lessor, they are not expected to be material to the consolidated financial statements. Under the new guidance, lease procurement costs that were previously capitalized will be expensed as incurred. Lastly, under the new guidance, there are certain circumstances in which buyer-lessors in sale and leaseback transactions could potentially result in recording the transaction as a financial receivable if such transaction fails sale and leaseback criteria, which the Company is still evaluating.

The standard is effective for annual and interim reporting periods beginning after December 15, 2018, with modified retrospective restatement for each reporting period presented at the time of adoption. Early adoption is permitted. The Company has not yet determined whether this guidance will be early adopted.

Note 2—Revenue Recognition

For the majority of its leases, the Company receives at least 50% of the annual lease payment from tenants either during the first quarter of the year or at the time of acquisition of the related farm, with the remaining 50% of the lease payment due in the second half of the year. Rental income is recorded on a straight-line basis over the lease term. The lease term generally includes periods when a tenant: (1) may not terminate its lease obligation early; (2) may terminate its lease obligation early in exchange for a fee or penalty that the Company considers material enough such that termination would not be probable; (3) possesses renewal rights and the tenant's failure to exercise such rights imposes a penalty on the tenant material enough such that renewal appears reasonably assured; or (4) possesses bargain renewal options for such periods. Payments received in advance are included in deferred revenue until they are earned.

Certain of the Company's leases provide for a rent payment determined as a percentage of the gross farm proceeds (contingent rent). Revenue under leases providing for a payment equal to a percentage of the gross farm proceeds are recorded at the guaranteed crop insurance minimums and recognized ratably over the lease term during the crop year. Upon notification from the grain or packing facility that a future contract for delivery of the harvest has been finalized or when the tenant has notified the Company of the total amount of gross farm proceeds, revenue is recognized for the excess of the actual gross farm proceeds and the previously recognized minimum guaranteed insurance. Contingent rent recognized for the three and six months ended June 30, 2018 and 2017 totaled $0.6 million and $1.2 million, and $1.4 million and $2.0 million, respectively.

Most of our farming leases range from two to three years for row crops and one to seven years for permanent crops. Leases in place as of June 30, 2018 have terms ranging from one to 25 years. Payments received in advance are included in deferred revenue until they are earned. As of June 30, 2018 and December 31, 2017, the Company had $7.9 million and $3.9 million, respectively, in deferred revenue.

The following sets forth a summary of rental income recognized for the three months ended June 30, 2018 and 2017:

	Rental income recognized			
	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	2018	2017	2018	2017
Leases in effect at the beginning of the year	$ 5,487	$ 2,958	$ 13,680	$ 6,160
Leases entered into during the year	4,570	7,513	6,318	11,114
	$ 10,057	$ 10,471	$ 19,998	$ 17,274

Future minimum lease payments from tenants under all non-cancelable leases in place as of June 30, 2018, including lease advances, when contractually due, but excluding, crop share and tenant reimbursement of expenses for the remainder of 2018 and each of the next four years and thereafter as of June 30, 2018 are as follows:

(in thousands) **Year Ending December 31,**	**Future rental payments**
2018 (remaining six months)	$ 13,035
2019	27,633
2020	15,938
2021	3,952
2022	916
Thereafter	3,268
	$ 64,742

Since lease renewal periods are exercisable at the option of the lessee, the preceding table presents future minimum lease payments due during the initial lease term only.

The Company records revenue from the sale of harvested crops when the harvested crop has been delivered to a grain or packing facility and title has transferred. Revenues from the sale of harvested crops totaling $0.3 million and $0.4 million, and $0.2 million and $0.4 million were recognized for the three and six months ended June 30, 2018 and 2017, respectively. Harvested crops delivered under marketing contracts are recorded using the fixed price of the marketing contract at the time of delivery to a grain facility. Harvested crops delivered without a marketing contract are recorded using the market price at the date the harvested crop is delivered to the grain facility and title has transferred.

Note 3—Concentration Risk

Credit Risk

For the three and six months ended June 30, 2018, the Company had one significant tenant representing a tenant concentration as presented in the table below. If the Company's significant tenant fails to make rental payments to the Company or elects to terminate its leases, and the land cannot be re-leased on satisfactory terms, there could be a material adverse effect on the Company's financial performance and the Company's ability to continue operations. Rental income received is recorded on a straight-line basis over the applicable lease term. The following table presents the amount of the rental income and percentage of the Company's total rental income received from the Company's significant tenant.

	Rental income recognized For the three months ended June 30,				Rental income recognized For the six months ended June 30,			
($ in thousands)	2018		2017		2018		2017	
Tenant A	$ 1,111	11.0 %	$ 1,201	11.3 %	$ 2,215	11.1 %	$ 1,978	11.5 %

(1) Tenant A is a tenant who is currently leasing a number of permanent crop farms in California.

Geographic Risk

The following table summarizes the percentage of approximate total acres owned as of June 30, 2018 and 2017 and the percentage of rental income recorded by the Company for the three and six months ended June 30, 2018 and 2017 by region:

	Approximate % of total acres As of June 30,		Rental Income [1] For the three months ended June 30,		For the six months ended June 30,	
Location of Farm [2]	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Cornbelt	28.7 %	30.8 %	36.6 %	32.7 %	36.8 %	36.7 %
Delta and South	17.6 %	18.8 %	10.3 %	14.2 %	10.4 %	13.3 %
High Plains	19.0 %	20.4 %	8.6 %	8.9 %	8.5 %	9.7 %
Southeast	27.7 %	25.8 %	24.1 %	22.3 %	24.5 %	20.2 %
West Coast	7.0 %	4.2 %	20.4 %	21.9 %	19.8 %	20.1 %
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(1) Due to regional disparities in the use of leases with crop share components and seasonal variations in the recognition of crop share revenue, regional comparisons by rental income are not fully representative of each region's income producing capacity until a full year is taken into account.

(2) Corn Belt includes farms located in Illinois, Michigan and eastern Nebraska. Delta and South includes farms located in Arkansas, Louisiana and Mississippi. High Plains includes farms located in Colorado, Kansas, western Nebraska, South Dakota and Texas. Southeast includes farms located in Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia. West Coast includes farms located in California.

Note 4—Related Party Transactions

On July 21, 2015, the Company entered into a lease agreement with American Agriculture Aviation LLC ("American Ag Aviation") for the use of a private plane. American Ag Aviation is a Colorado limited liability company that is owned 100% by Mr. Pittman. The Company incurred costs of $0.04 million and $0.07 million, and $0.05 million and $0.1 million, respectively, during the three and six months ended June 30, 2018 and 2017 from American Ag Aviation for use of the aircraft in accordance with the lease agreement. These costs were recognized based on the nature of the associated use of the aircraft, as follows: (i) general and administrative - expensed as general and administrative expenses within the Company's consolidated statements of operations; (ii) land acquisition (accounted for as an asset acquisition) - allocated to the acquired real estate assets within the Company's consolidated balance sheets; and (iii) land acquisition (accounted for as a business combination) - expensed as acquisition and due diligence costs within the Company's consolidated statements of operations.

Note 5—Real Estate

During the six months ended June 30, 2018, the Company completed 4 acquisitions that were accounted for as asset acquisitions in the Cornbelt and Southeast regions. Consideration totaled $26.8 million and consisted of cash. No intangible assets were acquired through these acquisitions.

During the six months ended June 30, 2018, no acquisitions were accounted for as business combinations.

During the six months ended June 30, 2018 the Company sold one property in the High Plains region for proceeds of $2.0 million and a recognized gain of $0.2 million.

During the six months ended June 30, 2017, the Company completed 15 acquisitions that were accounted for as asset acquisitions in the Cornbelt, Southeast, High Plains, Delta + South, and West Coast regions. Consideration totaled $111.6 million and was comprised of both cash and Common Units. No intangible assets were acquired through these acquisitions.

During the six months ended June 30, 2017, the Company completed one acquisition, the AFCO Mergers, that was accounted for as a business combination. The accounting for the AFCO Mergers has been completed, and the following outlines the impact of the completion of the AFCO Mergers:

($ in thousands)		
Land, at cost	$	181,072
Irrigation improvements		26,155
Permanent plantings		48,513
Buildings		1,499
In-place leases [(1)]		1,139
Lease origination costs		264
Cash		3,832
Other		1,831
Inventory		99
Deferred revenue		(4,434)
Other liabilities		(13,826)
		246,144
Mortgage notes and bonds payable, net		(75,000)
Total Consideration	$	171,144

(1) Weighted average amortization period of the in-place lease liability is 3 years.

The unaudited pro forma information presented below does not purport to represent what the actual results of operations of the Company would have been had the business combination outlined above occurred as of the beginning of the periods presented, nor does it purport to predict the results of operations of future periods. The unaudited following table sets forth pro forma information as if the real estate acquired in the business combination during the three and six months ended June 30, 2017 had been acquired as of January 1, 2017.

($ in thousands)	For the three months ended June 30,		For the six months ended June 30,	
Pro forma	**2017**	**2016**	**2017**	**2016**
Revenue	$ 11,460	$ 6,031	$ 18,609	$ 10,723
Pro forma estimate[(1)]	-	4,305	993	7,098
Total operating revenue	$ 11,460	$ 10,336	$ 19,602	$ 17,821
Net loss	$ 2,021	$ 1,317	$ 19	$ (612)
Pro forma estimate	-	2,742	(367)	1,710
Total net loss	$ 2,021	$ 4,059	$ (348)	$ 1,098
Net income available to common stockholders of Farmland Partners Inc.	$ 773	$ 1,915	$ (2,042)	$ (377)
Earnings per share basic and diluted				
Income per basic share attributable to common stockholders	$ 0.02	$ 0.07	$ (0.06)	$ (0.01)
Income per diluted share attributable to common stockholders	$ 0.02	$ 0.07	$ (0.06)	$ (0.01)
Weighted-average number of common shares - basic	31,927	26,598	31,927	26,598
Weighted-average number of common shares - diluted	31,927	26,598	31,927	26,598

(1) Represents a linear extrapolation of revenues over the three and six months ended June 30, 2017 and therefore does not take into account the irregularity of certain of the Company's revenue components, such as crop share lease payments.

Prudential Termination Agreement

On February 18, 2017, the Company entered into a Termination Agreement (the "Termination Agreement") with Prudential Capital Mortgage Company (the "Prudential Sub-Advisor") pursuant to which the Company and the Prudential Sub-Advisor agreed to terminate, effective as of March 31, 2017, the Amended and Restated Sub-Advisory Agreement (the "Sub-Advisory Agreement"), dated as of October 23, 2015, by and among American Farmland Company, American Farmland Advisors, American Farmland Company L.P. and Prudential, and certain related property management agreements (together with the Sub-Advisory Agreement, the "Prudential Agreements").

The Termination Agreement provided that, as of March 31, 2017, Prudential no longer provides services to the Company under the Prudential Agreements. The Company paid the Prudential Sub-Advisor $1.6 million in cash, which is

equal to the fee that would have been owed to Prudential for services through the quarter ended March 31, 2017, plus a termination fee of approximately $0.2 million. The statements of operations impact to the Company for the six months ended June 30, 2017 totaled $0.7 million, which is included in property operating expenses, with the remaining $0.9 million being included in the accruals as a component of the purchase accounting surrounding the AFCO Mergers as this represented the costs incurred by AFCO prior to the AFCO Mergers.

Note 6—Notes Receivable

In August 2015, the Company introduced an agricultural lending product aimed at farmers as a complement to the Company's business of acquiring and owning farmland and leasing it to farmers (the "FPI Loan Program"). Under the FPI Loan Program, the Company makes loans to third-party farmers (both tenant and non-tenant) to provide financing for working capital requirements and operational farming activities, farming infrastructure projects and for other farming and agricultural real estate related projects. The Company seeks to make loans that are collateralized by farm real estate and in principal amounts of $100,000 or more at fixed interest rates with maturities of up to six years. The Company expects the borrower to repay the loans in accordance with the loan agreements based on farming operations and access to other forms of capital, as permitted.

In addition to loans made under the FPI Loan Program, the Company, on certain occasions, makes short-term loans to tenants secured by collateral other than real estate, such as growing crops, equipment or inventory, when the Company believes such loans will ensure the orderly completion of farming operations on a property owned by the Company for a given crop year and other credit is not available to the borrower.

Notes receivable are stated at their unpaid principal balance and include unamortized direct origination costs and accrued interest through the reporting date, less any allowance for losses and unearned borrower paid points.

As of June 30, 2018 and December 31, 2017, the Company had the following notes receivable:

($ in thousands) Loan	Payment Terms	Principal Outstanding as of June 30, 2018	Principal Outstanding as of December 31, 2017	Maturity Date
Mortgage Note [(1)]	Principal & interest due at maturity	$ 1,800	$ 1,800	1/15/2017
Mortgage Note [(2)]	Principal & interest due at maturity	240	240	3/16/2022
Mortgage Note [(2)]	Principal due at maturity & interest due monthly	2,194	2,194	3/16/2022
Mortgage Note [(6)]	Principal & interest due at maturity	1,647	1,647	3/1/2020
Mortgage Note [(3)]	Principal & interest due at maturity	-	100	1/31/2018
Mortgage Note [(4)]	Principal due at maturity & interest paid in advance	-	669	2/15/2018
Mortgage Note [(5)]	Principal due at maturity & interest paid in advance	-	2,700	1/29/2018
Mortgage Note	Principal & interest due at maturity	5,250	-	8/19/2020
Mortgage Note [(7)]	Principal & interest due at maturity	116	-	12/31/2018
Line of Credit [(8)]	Principal & interest due at maturity	747	-	11/15/2018
Total outstanding principal		11,994	9,350	
Points paid, net of direct issuance costs		-	(6)	
Interest receivable (net prepaid interest)		612	461	
Provision for interest receivable		(137)	(45)	
Total notes and interest receivable		$ 12,469	$ 9,760	

(1) In January 2016, the maturity date of the note was extended to January 15, 2017 with year one interest received at the time of the extension and principal and remaining interest due at maturity. On July 28, 2017, the Company notified the borrower of default under the Promissory Note. The Company currently believes that collectability is reasonably assured as the fair value of the mortgaged farm is greater than the amount owed under the loan.

(2) The original note was renegotiated and a second note was entered into simultaneously with the borrower during the three months ended March 31, 2017. The notes include mortgages on two additional properties in Colorado that include repurchase options for the properties at a fixed price that are exercisable between the second and fifth anniversary of the notes by the borrower.

(3) The note was fully settled and outstanding amounts paid on the maturity date of January 1, 2018.

(4) The note was fully settled and outstanding amounts paid on the maturity date of February 2, 2018.

(5) The note was fully settled and outstanding amounts paid on the closing of an acquisition in North Carolina, which was completed on January 12, 2018.

(6) On April 17, 2018, the Company amended the loan to extend the term of the loan through March 1, 2020 and increased the interest rate to 7.5% per annum.

(7) On April 2, 2018, the Company entered into a loan secured against farm equipment.

(8) On April 2, 2018, the Company entered into a line of credit relationship with a tenant farmer with this line of credit secured against growing crops on the farms farmed by the tenant.

The collateral for the mortgage notes receivable consists of real estate, personal property and improvements present on such real estate.

Fair Value

FASB ASC 820-10 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1*—Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- *Level 2*—Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable or can be substantially corroborated for the asset or liability, either directly or indirectly.
- *Level 3*—Inputs to the valuation methodology are unobservable, supported by little or no market activity and are significant to the fair value measurement.

The fair value of notes receivable is valued using Level 3 inputs under the hierarchy established by GAAP and is calculated based on a discounted cash flow analysis, using interest rates based on management’s estimates of market interest rates on mortgage notes receivable with comparable terms whenever the interest rates on the notes receivable are

deemed not to be at market rates. As of June 30, 2018 and December 31, 2017, the fair value of the notes receivable was $12.5 million and $9.4 million, respectively.

Note 7—Mortgage Notes, Lines of Credit and Bonds Payable

As of June 30, 2018 and December 31, 2017, the Company had the following indebtedness outstanding:

($ in thousands) Loan	Payment Terms	Interest Rate Terms	Annual Interest Rate as of June 30, 2018	Principal Outstanding as of June 30, 2018	Principal Outstanding as of December 31, 2017	Maturity Date	Book Value of Collateral as of June 30, 2018
Farmer Mac Bond #6	Semi-annual interest only	3.69%	3.69%	$ 14,915	$ 14,915	April 2025	$ 22,009
Farmer Mac Bond #7	Semi-annual interest only	3.68%	3.68%	11,160	11,160	April 2025	18,569
Farmer Mac Bond #8A	Semi-annual interest only	3.20%	3.20%	41,700	41,700	June 2020	80,989
Farmer Mac Bond #9	Semi-annual interest only	3.35%	3.35%	6,600	6,600	July 2020	7,814
MetLife Term Loan #1 (1)	Semi-annual interest only	3.48% adjusted every three years	3.48%	90,000	90,000	March 2026	199,841
MetLife Term Loan #2	Semi-annual interest only	2.66% adjusted every three years	2.66%	16,000	16,000	March 2026	31,753
MetLife Term Loan #3	Semi-annual interest only	2.66% adjusted every three years	2.66%	21,000	21,000	March 2026	27,523
MetLife Term Loan #4 (1)	Semi-annual interest only	3.48% adjusted every three years	3.48%	15,685	15,685	June 2026	31,108
MetLife Term Loan #5	Semi-annual interest only	3.26% adjusted every three years	3.26%	8,379	8,379	January 2027	13,947
MetLife Term Loan #6	Semi-annual interest only	3.21% adjusted every three years	3.21%	27,158	27,158	February 2027	56,861
MetLife Term Loan #7	Semi-annual interest only	3.45% adjusted every three years	3.45%	21,253	21,253	June 2027	48,468
MetLife Term Loan #8	Semi-annual interest only	4.12% adjusted every three years	4.12%	44,000	44,000	December 2042	110,042
MetLife Term Loan #9	Semi-annual interest only	4.19% adjusted every three years	4.19%	21,000	—	May 2028	40,193
Farm Credit of Central Florida	(2)	LIBOR + 2.6875% adjusted monthly	4.81%	5,102	5,102	September 2023	10,227
Prudential	(3)	3.20%	3.20%	5,263	6,481	July 2019	10,536
Rabobank	Semi-annual interest only	LIBOR + 1.70% adjustable every three years	3.70%	66,400	66,400	March 2028	138,463
Rutledge Note Payable #1	Quarterly interest only	3 month LIBOR + 1.3% adjusted quarterly	3.39%	25,000	25,000	January 2022	46,332
Rutledge Note Payable #2	Quarterly interest only	3 month LIBOR + 1.3% adjusted quarterly	3.39%	25,000	25,000	January 2022	39,749
Rutledge Note Payable #3	Quarterly interest only	3 month LIBOR + 1.3% adjusted quarterly	3.39%	25,000	25,000	January 2022	57,957
Rutledge Note Payable #4	Quarterly interest only	3 month LIBOR + 1.3% adjusted quarterly	3.39%	15,000	15,000	January 2022	29,170
Rutledge Note Payable #5	Quarterly interest only	3 month LIBOR + 1.3% adjusted quarterly	3.39%	30,000	30,000	January 2022	86,327
Total outstanding principal				535,615	515,833		$ 1,107,878
Debt issuance costs				(1,816)	(1,762)		
Total mortgage notes and bonds payable, net				$ 533,799	$ 514,071		

(1) During the year ended December 31, 2017, the Company converted the interest rate on Metlife Term Loans 1 and 4 from variable to fixed rates for a term of three years. Once the term expires, the new rate will be determined based on the loan agreements.
(2) Loan is an amortizing loan with quarterly interest payments that commenced on January 1, 2017 and quarterly principal payments that commence on October 1, 2018, with all remaining principal and outstanding interest due at maturity.
(3) Loan is an amortizing loan with semi-annual principal and interest payments that commence on July 1, 2017, with all remaining principal and outstanding interest due at maturity.

Farmer Mac Facility

The Company and the Operating Partnership are parties to the Amended and Restated Bond Purchase Agreement, dated as of March 1, 2015 and amended as of June 2, 2015 and August 3, 2015 (the “Bond Purchase Agreement”), with Federal Agricultural Mortgage Corporation (“Farmer Mac”) and Farmer Mac Mortgage Securities Corporation, a wholly owned subsidiary of Farmer Mac, as bond purchaser (the “Purchaser”), regarding a secured note purchase facility (the “Farmer Mac Facility”) that has a maximum borrowing capacity of $165.0 million. Pursuant to the Bond Purchase Agreement, the Operating Partnership may, from time to time, issue one or more bonds to the Purchaser that will be secured by pools of mortgage loans, which will, in turn, be secured by first liens on agricultural real estate owned by the Company. The mortgage loans may have effective loan-to-value of up to 60%. Prepayment of each bond issuance is not permitted unless otherwise agreed upon by all parties to the Bond Purchase Agreement.

On September 5, October 23, November 24 and December 15, 2017, the Company repaid $20.7 million, $5.5 million, $10.7 million and $44.3 million, respectively, in principal which was due and payable on those dates, and as a result these facilities have been fully repaid.

As of June 30, 2018 and December 31, 2017, the Operating Partnership had approximately \$74.4 million and approximately \$74.4 million outstanding, respectively, under the Farmer Mac facility. The Farmer Mac facility is subject to the Company's ongoing compliance with a number of customary affirmative and negative covenants, as well as financial covenants, including: a maximum leverage ratio of not more than 60%; a minimum fixed charge coverage ratio of 1.50 to 1.00; and a minimum tangible net worth requirement. The Company was in compliance with all applicable covenants at June 30, 2018.

In connection with the Bond Purchase Agreement, on March 1, 2015, the Company and the Operating Partnership also entered into an amended and restated pledge and security agreement (the "Pledge Agreement") in favor of the Purchaser and Farmer Mac, pursuant to which the Company and the Operating Partnership agreed to pledge, as collateral for the Farmer Mac Facility, all of their respective right, title and interest in (i) mortgage loans with a value at least equal to 100% of the aggregate principal amount of the outstanding bond held by the Purchaser and (ii) such additional collateral as necessary to have total collateral with a value at least equal to 110% of the outstanding notes held by the Purchaser. In addition, the Company agreed to guarantee the full performance of the Operating Partnership's duties and obligations under the Pledge Agreement.

The Bond Purchase Agreement and the Pledge Agreement include customary events of default, the occurrence of any of which, after any applicable cure period, would permit the Purchaser and Farmer Mac to, among other things, accelerate payment of all amounts outstanding under the Farmer Mac Facility and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the agricultural real estate underlying the pledged mortgage loans.

MetLife Term Loans

On March 29, 2016, five wholly owned subsidiaries of the Operating Partnership entered into a loan agreement (the "First MetLife Loan Agreement" and together with the Second MetLife Loan Agreement, the "MetLife Loan Agreements") with Metropolitan Life Insurance Company ("MetLife"), which provides for a total of $127.0 million of term loans, comprised of (i) a $90.0 million term loan ("Term Loan 1"), (ii) a $16.0 million term loan ("Term Loan 2") and (iii) a $21.0 million term loan ("Term Loan 3" and together with Term Loan 1 and Term Loan 2, the "Initial MetLife Term Loans" and together with Term Loan 4, Term Loan 5, Term Loan 6 and Term Loan 7 described below, the "MetLife Term Loans"). The proceeds of the Initial MetLife Term Loans were used to repay existing debt (including amounts outstanding under the Bridge Loan), to acquire additional properties and for general corporate purposes. Each Initial MetLife Term Loan is collateralized by first lien mortgages on certain of the Company's properties.

On June 29, 2016, five wholly owned subsidiaries of the Operating Partnership entered into a loan agreement (the "Second MetLife Loan Agreement") with MetLife, which provides for a loan of approximately $15.7 million to the Company with a maturity date of June 29, 2026 ("Term Loan 4"). Interest on Term Loan 4 is payable semi-annually and accrues at a floating rate that will be adjusted quarterly to a rate per annum equal to the greater of (a) the three-month LIBOR plus an initial floating rate spread of 1.750%, which may be adjusted by MetLife on each of September 29, December 29, March 29 and June 29 of each year or (b) 2.00% per annum. Effective March 29, 2017, the Company exercised its option to convert the interest rate on Term Loan 4 from a floating rate to an adjustable rate. The new adjustable rate is 3.48%, which may be adjusted by MetLife on each of March 29, 2020 and March 29, 2023. Proceeds from Term Loan 4 were used to acquire additional properties and for general corporate purposes.

Interest on Term Loan 1 is payable semi-annually and accrues at a floating rate that will be adjusted quarterly to a rate per annum equal to the greater of (a) the three-month LIBOR plus an initial floating rate spread of 1.750%, which may be adjusted by MetLife on each of March 29, 2019, March 29, 2022 and March 29, 2025 to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company's properties securing Term Loan 1 or (b) 2.000% per annum. Effective March 29, 2017, the Company exercised its option to convert the interest rate on Term Loan 4 from a floating rate to an adjustable rate. The new adjustable rate is 3.48%, which may be adjusted by MetLife on each of March 29, 2020 and March 29, 2023. Subject to certain conditions, the Company may at any time during the term of Term Loan 1 elect to have all or any portion of the unpaid balance of Term Loan 1 bear interest at a fixed rate that is initially established by the lender in its sole discretion that may be adjusted from time to time to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company's properties securing Term Loan 1. On any floating rate adjustment date, the Company may prepay any portion of Term Loan 1 that is not subject to a fixed rate without penalty.

Interest on Term Loan 2 and Term Loan 3 is payable semi-annually and accrues at an initial rate of 2.66% per annum, which may be adjusted by MetLife on each of March 29, 2019, March 29, 2022 and March 29, 2025 to an interest rate consistent with interest rates quoted by MetLife for substantially similar loans secured by real estate substantially similar to the Company's properties securing Term Loan 2 and Term Loan 3.

Subject to certain conditions, amounts outstanding under Term Loan 2 and Term Loan 3, as well as any amounts outstanding under Term Loan 1 that are subject to a fixed interest rate, may be prepaid without penalty up to 20% of the original principal amounts of such loans per year or in connection with any rate adjustments. Any other prepayments under the Initial MetLife Term Loans generally are subject to a minimum prepayment premium of 1.00%.

In connection with the Initial MetLife Term Loans, on March 29, 2016, the Company and the Operating Partnership each entered into a separate guaranty (the "Initial MetLife Guaranties") whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers' obligations under the First MetLife Loan Agreement.

In connection with the Term Loan 4, on June 29, 2016, the Company and the Operating Partnership each entered into a separate guaranty (the "Term Loan 4 Guaranties") whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers' obligations under the Second MetLife Loan Agreement.

On January 12, 2017, five wholly owned subsidiaries of the Operating Partnership entered into a loan agreement (the "Fifth MetLife Loan Agreement") with MetLife, which provides for a loan of approximately $8.4 million to the Company with a maturity date of January 12, 2027 ("Term Loan 5"). Interest on Term Loan 5 is payable semi-annually and accrues at a 3.26% per annum fixed rate, and it may be adjusted by MetLife on each of January 12, 2020, January 12, 2023 and January 12, 2026 at the option of the Lender to a rate that is consistent with similar loans. Proceeds from Term Loan 5 were used to acquire additional properties and for general corporate purposes.

In connection with the Term Loan 5, on January 12, 2017, the Company and the Operating Partnership each entered into a separate guaranty (the "Term Loan 5 Guaranties") whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers' obligations under the Fifth MetLife Loan Agreement.

On February 14, 2017, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement (the "Sixth MetLife Loan Agreement") with MetLife, which provides for a loan of approximately $27.2 million to the Company with a maturity date of February 14, 2027 ("Term Loan 6"). Interest on Term Loan 6 is payable semi-annually and accrues at a 3.21% per annum fixed rate, and it may be adjusted by MetLife on each of February 14, 2020, February 14, 2023 and February 14, 2026 at the option of the Lender to a rate that is consistent with similar loans. Proceeds from Term Loan 6 were used to acquire additional properties.

In connection with the Term Loan 6, on February 14, 2017, the Company and the Operating Partnership each entered into a separate guaranty (the "Term Loan 6 Guaranties") whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers' obligations under the Sixth MetLife Loan Agreement.

On June 7, 2017, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement (the "Seventh MetLife Loan Agreement") with MetLife, which provides for a loan of approximately $21.3 million to the Company with a maturity date of June 7, 2027 ("Term Loan 7"). Interest on Term Loan 7 is payable semi-annually and accrues at a 3.45% per annum fixed rate, and it may be adjusted by MetLife on each of June 7, 2020, June 7, 2023 and June 7, 2026 at the option of the Lender to a rate that is consistent with similar loans. Proceeds from Term Loan 7 were used to acquire additional properties.

In connection with the Term Loan 7, on June 7, 2017, the Company and the Operating Partnership each entered into a separate guaranty (the "Term Loan 7 Guaranties") whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers' obligations under the Seventh MetLife Loan Agreement.

On November 30, 2017, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement (the "Eighth MetLife Loan Agreement") with MetLife, which provides for a loan of approximately $44.0 million to the Company with a maturity date of December 5, 2042 ("Term Loan 8"). Interest on Term Loan 8 is payable semi-annually and accrues at a 4.12% per annum fixed rate, and it may be adjusted by MetLife on each of December 5, 2027 and December 5, 2037 at the option of the Lender to a rate that is consistent with similar loans. Proceeds from Term Loan 8 were used to acquire additional properties.

In connection with the Term Loan 8, on December 5, 2017, the Company and the Operating Partnership each entered into a separate guaranty (the "Term Loan 8 Guaranties") whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers' obligations under the Eighth MetLife Loan Agreement.

On June 6, 2018, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement (the "Ninth MetLife Loan Agreement") with MetLife, which provides for a loan of approximately $21.0 million to the Company with a maturity date of May 21, 2028 ("Term Loan 9"). Interest on Term Loan 9 is payable semi-annually and accrues at a 4.19% per annum fixed rate, and it may be adjusted by MetLife on each of May 5, 2021, May 5, 2024 and May 5, 2027 at the option of the Lender to a rate that is consistent with similar loans. Proceeds from Term Loan 9 were used to acquire additional properties and for general corporate purposes.

In connection with the Term Loan 9, on June 6, 2018, the Company and the Operating Partnership each entered into a separate guaranty (the "Term Loan 9 Guaranties" and together with the Initial MetLife Guaranties, the Term Loan 4 Guaranties, the Term Loan 5 Guaranties, the Term Loan 6 Guaranties, the Term Loan 7 Guaranties and the Term Loan 8 Guaranties, the "MetLife Guaranties") whereby the Company and the Operating Partnership jointly and severally agreed to unconditionally guarantee all of the borrowers' obligations under the Ninth MetLife Loan Agreement.

Each of the MetLife Loan Agreements contains a number of customary affirmative and negative covenants, including the requirement to maintain a loan to value ratio of no greater than 60%. The MetLife Guaranties also contain a number of customary affirmative and negative covenants. The Company was in compliance with all covenants under the MetLife Term Loans as of June 30, 2018.

Each of the MetLife Loan Agreements includes certain customary events of default, including a cross-default provision related to other outstanding indebtedness of the borrowers, the Company and the Operating Partnership, the occurrence of which, after any applicable cure period, would permit MetLife, among other things, to accelerate payment of all amounts outstanding under the MetLife Term Loans and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the Company's properties that collateralize the MetLife Term Loans.

Farm Credit of Central Florida Mortgage Note

On August 31, 2016, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement (the "Farm Credit Mortgage Note") with Farm Credit of Central Florida ("Farm Credit"), which provides for a loan of approximately $8.2 million to the Company with a maturity date of September 1, 2023. As of June 30, 2018 and December 31, 2017, approximately $5.1 million had been drawn down under this facility. Interest on Farm Credit Mortgage Note is payable quarterly and accrues at a floating rate that will be adjusted monthly to a rate per annum equal to the one-month LIBOR plus 2.6875%, which is subject to adjustment on the first day of September 2016, and on the first day of each month thereafter. Principal is payable quarterly commencing on October 1, 2018, with all remaining principal and outstanding interest due at maturity. Proceeds from the Farm Credit Mortgage Note are to be used for the acquisition and development of additional properties.

The Farm Credit Mortgage Note contains a number of customary affirmative and negative covenants, as well as a covenant requiring the Company to maintain a debt service coverage ratio of 1.25 to 1.00 beginning on December 31, 2019.

Prudential Note

On December 21, 2016, a wholly owned subsidiary of the Operating Partnership entered into a loan agreement with The Prudential Insurance Company of America ("Prudential"), which provides for a loan of approximately $6.6 million to the Company with a maturity date of July 1, 2019 (the "Prudential Note"). Interest on the Prudential Note is payable in cash semi-annually and accrues at a fixed rate of 3.20% per annum. Proceeds from the Prudential Note were used for the acquisition of additional properties.

Beginning on December 21, 2017, the Prudential Note requires the Company to maintain a loan to value no greater than 60%.

On June 21, 2018, in connection with the sale of a property in the High Plains region, the Company paid down $1.1 million under the Prudential Note.

Rutledge Credit Facilities

Upon closing of the AFCO Mergers, by virtue of AFCO OP becoming a subsidiary of the Company, the Company assumed AFCO's outstanding indebtedness under four loan agreements (the "Existing Rutledge Loan Agreements") between AFCO OP and Rutledge Investment Company ("Rutledge"), which are further described below:

1. Loan Agreement, dated as of December 5, 2013, with respect to a $25,000,000 senior secured credit facility bearing interest at an annual rate of 3 month LIBOR plus 1.3%. The loan agreement requires AFCO OP to make quarterly interest payments on April 1, July 1, October 1 and January 1 of each calendar year. Additionally, the loan agreement requires AFCO OP to pay a quarterly non-usage fee equal to 0.25% per annum of the committed loan amount minus the average outstanding principal balance of the loan amount over the prior three-month period.

2. Loan Agreement, dated as of January 14, 2015, with respect to a $25,000,000 senior secured credit facility bearing interest at an annual rate of 3 month LIBOR plus 1.3%. The loan agreement requires AFCO OP to make quarterly interest payments on April 1, July 1, October 1 and January 1 of each calendar year. Additionally, the loan agreement requires AFCO OP to pay a quarterly non-usage fee equal to 0.25% per annum of the committed loan amount minus the average outstanding principal balance of the loan amount over the prior three-month period.

3. Loan Agreement, dated as of August 18, 2015, with respect to a $25,000,000 senior secured credit facility bearing interest at an annual rate of 3 month LIBOR plus 1.3%. The loan agreement requires AFCO OP to make quarterly interest payments on April 1, July 1, October 1 and January 1 of each calendar year. Additionally, the loan agreement requires AFCO OP to pay a quarterly non-usage fee equal to 0.25% per annum of the committed loan amount minus the average outstanding principal balance of the loan amount over the prior three-month period.

4. Loan Agreement, dated as of December 22, 2015, with respect to a $15,000,000 senior secured credit facility bearing interest at an annual rate of 3 month LIBOR plus 1.3%. The loan agreement requires AFCO OP to make quarterly interest payments on April 1, July 1, October 1 and January 1 of each calendar year. Additionally, the loan agreement requires AFCO OP to pay a quarterly non-usage fee equal to 0.25% per annum of the committed loan amount minus the average outstanding principal balance over the loan amount of the prior three-month period.

In connection with the completion of the AFCO Mergers, on February 3, 2017, AFCO OP, in its capacity as a wholly owned subsidiary of the Company and the Operating Partnership, and Rutledge entered into the Second Amendment (the "Rutledge Amendment") to the Existing Rutledge Loan Agreements. Pursuant to the Rutledge Amendment, among other things, the maturity dates for each of the Existing Rutledge Loan Agreements were extended to January 1, 2022, and the aggregate loan value under the Existing Rutledge Loan Agreements may not exceed 50% of the appraised value of the collateralized properties. Certain AFCO properties acquired by the Company in the AFCO Mergers serve as collateral under the Existing Rutledge Loan Agreements.

On February 3, 2017, the Company and the Operating Partnership each entered into guaranty agreements (the "Existing Loan Guarantees") pursuant to which they unconditionally guarantee the obligations of AFCO OP under the Existing Loan Agreements.

In addition, in connection with the completion of the AFCO Mergers, on February 3, 2017, AFCO OP entered into a fifth loan agreement with Rutledge Investment Company (the "Fifth Rutledge Loan Agreement" and together with the Existing Rutledge Loan Agreements, as amended, the "Rutledge Loan Agreements"), with respect to a senior secured credit facility in the aggregate amount of $30.0 million, with a maturity date of January 1, 2022 and an annual interest rate of 3 month LIBOR plus 1.3%. The Fifth Rutledge Loan Agreement requires AFCO OP to make quarterly interest payments. Additionally, the Fifth Rutledge Loan Agreement contains certain customary affirmative and negative covenants, including (i) AFCO OP must pay a quarterly non-usage fee equal to 0.25% of the committed loan amount minus the average outstanding principal balance of the loan amount during the prior three-month period, (ii) AFCO OP must maintain a leverage ratio of 60% or less and (iii) the aggregate amounts outstanding under all of the Rutledge Loans may not exceed 50% of the aggregate appraised value of the properties serving as collateral under the Rutledge Loan Agreements.

On February 3, 2017, the Company and the Operating Partnership each entered into separate guarantees (the "Fifth Loan Guarantees" and together with the Existing Loan Guarantees, the "Guarantees") whereby they are required to unconditionally guarantee AFCO OP's obligations under the Fifth Rutledge Loan Agreement. As of June 30, 2018, $0 remains available under this facility.

As of June 30, 2018, the Company was in compliance with all covenants under the Rutledge Loan Agreements.

Rabobank Mortgage Note

On December 15, 2017, the Company, the Operating Partnership and five wholly owned subsidiaries of the operating partnership entered into a loan agreement (the "Rabobank Mortgage Note") with Rabo Agrifinance LLS ("Rabo"), which provides for a loan of approximately $66.4 million to the Company with a maturity date of March 1, 2028. Interest on the Rabobank Mortgage Note is payable semi-annually and accrues at a floating rate that will be adjusted monthly to a rate per annum equal to the six-month LIBOR plus 1.70%, which is subject to adjustment on the first day of March 2020, 2022, 2024 and 2026. Principal is payable annually commencing on March 1, 2024, with all remaining principal and outstanding interest due at maturity. Proceeds from the Rabobank Mortgage Note were used for the retirement of debt under the Farmer Mac Bonds. The Company was in technical default under the Rabobank Mortgage Note as of June 30, 2018 due to a property tax delinquency in a county in which the records had not been updated to reflect that the title of the land parcel is in the Company's name. Rabobank temporarily waived the technical default, and the technical default has now been cured. See "Note 11—Subsequent Events." The Company was otherwise in compliance with all covenants under the Rabobank Mortgage Note as of June 30, 2018.

Effective April 1, 2018 the Company entered into an interest rate swap with Rabobank to fix the interest rate on $33.2 million of the loan for five years, please refer to "Note 10 – Hedge Accounting."

Debt Issuance Costs

Costs incurred by the Company in obtaining debt are deducted from the face amount of mortgage notes and bonds payable. During the three and six months ended June 30, 2018, $0.04 million and $0.2 million, respectively in costs were incurred in conjunction with the Rabobank Mortgage Note and MetLife Term Loan 9. Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the respective terms of the related indebtedness. Any unamortized amounts upon early repayment of mortgage notes payable are written off in the period in which repayment occurs. Fully amortized deferred financing fees are removed from the balance sheet upon maturity or repayment of the underlying debt. Accumulated amortization of deferred financing fees was $0.4 million and $0.3 million as of June 30, 2018 and December 31, 2017, respectively.

Aggregate Maturities

As of June 30, 2018, aggregate maturities of long-term debt for the succeeding years are as follows:

($ in thousands)

Year Ending December 31,		Future Maturities
2018 (remaining six months)	$	188
2019		5,419
2020		48,574
2021		274
2022		120,274
Thereafter		360,886
	$	535,615

Fair Value

The fair value of the mortgage notes payable is valued using Level 3 inputs under the hierarchy established by GAAP and is calculated based on a discounted cash flow analysis, using interest rates based on management's estimates of market interest rates on long-term debt with comparable terms whenever the interest rates on the mortgage notes payable are deemed not to be at market rates. As of June 30, 2018 and December 31, 2017, the fair value of the mortgage notes payable was $532.3 million and $512.8 million, respectively.

Note 8—Commitments and Contingencies

In April 2015, the Company entered into a lease agreement for office space. The lease expires on July 31, 2019. The lease commenced on June 1, 2015 and had an initial monthly payment of $10,032, which increased to $10,200 in June 2016 and $10,366 in June 2017, with annual increases thereafter. As of June 30, 2018, future minimum lease payments are as follows:

($ in thousands)

Year Ending December 31,		Future rental payments
2018 (remaining six months)	$	63
2019		74
2020		—
2021		—
2022		—
	$	137

A sale of 26 of the 38 farms and any of the three grain storage facilities (the "Contributed Properties") formerly owned by FP Land LLC, a Delaware limited liability company ("FP Land", which was merged with and into the Operating Partnership concurrently with the completion of the Company's IPO, upon which time the Operating Partnership succeeded to the business and operations of FP Land, including FP Land's 100% fee simple interest in the Contributed Properties), that would not provide continued tax deferral to Pittman Hough Farms is contractually restricted until the fifth (with respect to certain properties) or seventh (with respect to certain other properties) anniversary of the completion of the formation transactions, on April 16, 2014. Furthermore, if any such sale or defeasance is foreseeable, the Company is required to notify Pittman Hough Farms and to cooperate with it in considering strategies to defer or mitigate the recognition of gain under the Code by any of the equity interest holders of the recipient of the Common units.

Note 9—Stockholders' Equity and Non-controlling Interests

Non-controlling Interests in Operating Partnership

The Company consolidates its Operating Partnership. As of June 30, 2018 and December 31, 2017, the Company owned an 87.9% and an 87.6% interest, respectively, in the Operating Partnership, and the remaining 12.1% and 12.4% interest, respectively, is included in non-controlling interests in Operating Partnership on the consolidated balance sheets. The non-controlling interests in the Operating Partnership are held in the form of Common units.

On or after 12 months of becoming a holder of Common units, unless the terms of an agreement with such Common unitholder dictate otherwise, each limited partner, other than the Company, has the right, subject to the terms and conditions set forth in the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as amended (the “Partnership Agreement”), to tender for redemption all or a portion of such Common units in exchange for cash, or in the Company’s sole discretion, for shares of the Company’s common stock on a one-for-one basis. If cash is paid in satisfaction of a redemption request, the amount will be equal to the number of tendered units multiplied by the fair market value per share of the Company’s common stock on the date of the redemption notice (determined in accordance with, and subject to adjustment under, the terms of the Partnership Agreement). Any redemption request must be satisfied by the Company on or before the close of business on the tenth business day after the Company receives a notice of redemption. During the year ended December 31, 2017 and the quarter ended June 30, 2018 the Company converted 1,107,757, and 157,393, respectively, of shares of common stock upon redemption of 1,107,757 and 157,393, respectively, of Common units that had been tendered for redemption. There were 4.6 million and 4.7 million outstanding Common units eligible to be tendered for redemption as of June 30, 2018 and December 31, 2017, respectively.

If the Company gives the limited partners notice of its intention to make an extraordinary distribution of cash or property to its stockholders or effect a merger, a sale of all or substantially all of its assets or any other similar extraordinary transaction, each limited partner may exercise its right to tender its Common units for redemption, regardless of the length of time such limited partner has held its Common units.

Regardless of the rights described above, the Operating Partnership will not have an obligation to issue cash to a unitholder upon a redemption request if the Company elects to redeem Common units for shares of common stock. When a Common unit is redeemed, non-controlling interest in the Operating Partnership is reduced, and stockholders’ equity is increased.

The Operating Partnership intends to continue to make distributions on each Common unit in the same amount as those paid on each share of the Company’s common stock, with the distributions on the Common units held by the Company being utilized to pay dividends to the Company’s common stockholders.

Pursuant to the consolidation accounting standard with respect to the accounting and reporting for non-controlling interest changes and changes in ownership interest of a subsidiary, changes in parent’s ownership interest when the parent retains controlling interest in the subsidiary should be accounted for as equity transactions. The carrying amount of the non-controlling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. As a result of equity issuances including and subsequent to the IPO, changes in the ownership percentages between the Company’s stockholders’ equity and non-controlling interest in the Operating Partnership occurred during the six months ended June 30, 2018 and June 30, 2017. During the six months ended June 30, 2018, the Company decreased the non-controlling interest in the Operating Partnership and increased additional paid in capital by $0.7 million. During the six months ended June 30, 2017, the Company increased the non-controlling interest in the Operating Partnership and decreased additional paid in capital by $3.2 million.

Redeemable Non-controlling Interests in Operating Partnership, Series A preferred units

On March 2, 2016, the sole general partner of the Operating Partnership entered into Amendment No. 1 (the “Amendment”) to the Partnership Agreement in order to provide for the issuance, and the designation of the terms and conditions, of the Series A preferred units. Pursuant to the Amendment, among other things, each Series A preferred unit has a $1,000 liquidation preference and is entitled to receive cumulative preferential cash distributions at a rate of 3.00% per annum of the $1,000 liquidation preference, which is payable annually in arrears on January 15 of each year or the next succeeding business day. The cash distributions are accrued ratably over the year and credited to redeemable non-controlling interest in operating partnership, preferred units on the balance sheet with the offset recorded to retained earnings. Dividends on Series A preferred units have been recorded through retained earnings in 2017 as opposed to additional paid in capital in 2016 due to the Company generating retained earnings during 2017. On March 2, 2016, 117,000 Series A preferred units were issued as partial consideration in the March 2, 2016 Illinois farm acquisition. Upon any voluntary or involuntary liquidation or dissolution, the Series A preferred units are entitled to a priority distribution ahead of Common units in an amount equal to the liquidation preference plus an amount equal to all distributions accumulated and unpaid to the date of such cash distribution. Total liquidation value of such preferred units as of June 30, 2018 and December 31, 2017 was $118.8 million and $120.5 million, respectively, including accrued distributions.

On or after March 2, 2026, the tenth anniversary of the closing of the Forsythe acquisition (the "Conversion Right Date"), holders of the Series A preferred units have the right to convert each Series A preferred unit into a number of Common units equal to (i) the $1,000 liquidation preference plus all accrued and unpaid distributions, divided by (ii) the volume-weighted average price per share of the Company's common stock for the 20 trading days immediately preceding the applicable conversion date. All Common units received upon conversion may be immediately tendered for redemption for cash or, in the Company's sole discretion, for shares of common stock on a one-for-one basis, subject to the terms and conditions set forth in the Partnership Agreement. Prior to the Conversion Right Date, the Series A preferred units may not be tendered for redemption by the Holder.

On or after March 2, 2021, the fifth anniversary of the closing of the Forsythe acquisition, but prior to the Conversion Right Date, the Operating Partnership has the right to redeem some or all of the Series A preferred units, at any time and from time to time, for cash in an amount per unit equal to the $1,000 liquidation preference plus all accrued and unpaid distributions.

In the event of a Termination Transaction (as defined in the Partnership Agreement) prior to conversion, holders of the Series A preferred units generally have the right to receive the same consideration as holders of Common units and common stock, on an as-converted basis.

Holders of the Series A preferred units have no voting rights except with respect to (i) the issuance of partnership units of the Operating Partnership senior to the Series A preferred units as to the right to receive distributions and upon liquidation, dissolution or winding up of the Operating Partnership, (ii) the issuance of additional Series A preferred units and (iii) amendments to the Partnership Agreement that materially and adversely affect the rights or benefits of the holders of the Series A preferred units.

The Series A preferred units are accounted for as mezzanine equity on the consolidated balance sheet as the units are convertible and redeemable for shares at a determinable price and date at the option of the holder and upon the occurrence of an event not solely within the control of the Company.

The following table summarizes the changes in the Company's redeemable non-controlling interest in the Operating Partnership for the six months ended June 30, 2018 and 2017:

	Series A Preferred Units	
($ in thousands)	**Redeemable Preferred units**	**Redeemable non-controlling interests**
Balance at December 31, 2016	117	$ 119,915
Distribution paid to non-controlling interest	—	(2,915)
Accrued distributions to non-controlling interest	—	1,755
Balance at June 30, 2017	117	$ 118,755
Balance at December 31, 2017	117	$ 120,510
Distribution paid to non-controlling interest	—	(3,510)
Accrued distributions to non-controlling interest	—	1,755
Balance at June 30, 2018	117	$ 118,755

Series B Participating Preferred Stock

On August 17, 2017, the Company and the Operating Partnership entered into an underwriting agreement with Raymond James & Associates, Inc. and Jefferies LLC, as representatives of the underwriters, pursuant to which the Company sold 6,037,500 shares of its newly designated Series B Participating Preferred Stock, at a public offering price of $25.00 per share, which is the Initial Liquidation Preference (as defined below) of the Series B Participating Preferred Stock.

Shares of Series B Participating Preferred Stock, which represent equity interests in the Company, generally have no voting rights and rank senior to the Company's common stock with respect to dividend rights and rights upon liquidation. Each preferred share of Series B Participating Preferred Stock is entitled to receive cumulative preferential cash dividends at a rate of 6.00% per annum of the $25 liquidation preference, which is payable quarterly in arrears on the last day of each March, June, September and December (the "Initial Liquidation Preference"). Upon liquidation, before any payment or distribution of the assets of the Company is made to or set apart for the holders of equity securities ranking junior to the Series B Participating Preferred Stock, the holders of the Series B Participating Preferred Stock will be entitled to receive the sum of:

(i) the Initial Liquidation Preference,

(ii) adjusted by an amount equal to 50% of the cumulative change in the estimated value of farmland in the states in which the Company owned farmland as of June 30, 2017 (measured by reference to a publicly available report released annually by the National Agricultural Statistics Board, the Agricultural Statistics Board and the U.S. Department of Agriculture) (the "FVA Adjustment"), and

(iii) all accrued and unpaid dividends, subject to a 9.0% cap on total return (the "Final Liquidation Preference").

After September 30, 2021, but prior to September 30, 2024, the Company, at its option, may redeem all, but not less than all, of the then-outstanding shares of Series B Participating Preferred Stock at any time, for cash or for shares of common stock at a price equal to the Final Liquidation Preference plus an amount equal to the product of:

(i) the Final Liquidation Preference, and

(ii) the average change in land values in states in which the Company owned farmland as of June 30, 2017 over the immediately preceding four years and multiplied by a constant percentage of 50% and prorated for the number of days between the most recent release of the publicly available land value report used to calculate the FVA Adjustment (if such amount is positive) (the "Premium Amount").

At any time on or after September 30, 2024, the Company, at its option, may redeem or convert to shares of common stock all, but not less than all, of the then-outstanding shares of Series B Participating Preferred Stock at the redemption price per share equal to:

(i) the Initial Liquidation Preference, plus

(ii) the FVA Amount, plus

(iii) any accrued and unpaid dividends.

The total rate of return on shares of the Series B Participating Preferred Stock is subject to a cap such that the total rate of return, when considering the Initial Liquidation Preference, the FVA Adjustment and the Premium Amount plus accrued and unpaid dividends, will not exceed 9.0%.

In connection with the issuance of the Series B Participating Preferred Stock, the sole general partner of the Operating Partnership entered into Amendment No. 2 to the Partnership Agreement in order to provide for the issuance, and the designation of the terms and conditions, of newly classified 6.00% Series B participating preferred units of limited partnership interest in the Operating Partnership ("Series B participating preferred units"), the economic terms of which are identical to those of the Series B Participating Preferred Stock. The Company contributed the net proceeds from the offering of the Series B Participating Preferred Stock to the Operating Partnership in exchange for 6,037,500 Series B participating preferred units.

The shares of Series B Participating Preferred Stock are accounted for as mezzanine equity on the consolidated balance sheet as the Series B Participating Preferred Stock is convertible and redeemable for common shares at a determinable price and date at the option of the Company and upon the occurrence of an event not solely within the control of the Company.

The balance recorded in mezzanine equity relating to the Series B Participating Preferred Stock as of June 30, 2018 and December 31, 2017 was $144.2 million and $144.2 million, respectively.

Distributions

The Company's board of directors declared and paid the following distributions to common stockholders and holders of Common units for the three months ended June 30, 2018 and the year ended December 31, 2017:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distributions per Common Share/OP unit
2018	May 9, 2018	July 2, 2018	July 16, 2018	$ 0.1275
	March 27, 2018	April 2, 2018	April 16, 2018	0.1275
				$ 0.2550
2017	November 8, 2017	January 2, 2018	January 16, 2018	$ 0.1275
	July 19, 2017	October 2, 2017	October 13, 2017	0.1275
	May 8, 2017	June 30, 2017	July 14, 2017	0.1275
	February 22, 2017	April 1, 2017	April 14, 2017	0.1275
				$ 0.5100

Additionally, in connection with the 3.00% cumulative preferential distribution on the Series A preferred units, the Company has accrued $1.8 million in distributions payable as of June 30, 2018. The distributions are payable annually in arrears on January 15 of each year.

In connection with the Series B Participating Preferred Stock, the Company paid $2.3 million in distributions on April 2, 2018 to stockholders of record as of March 15, 2018 and $2.3 million in distributions on June 29, 2018 to stockholders of record as of June 15, 2018. As long as shares of Series B Participating Preferred Stock are outstanding, distributions on such shares are payable on the last day of March, June, September and December of each year to stockholders of record on the 15th day of such months.

In general, common stock cash dividends declared by the Company will be considered ordinary income to stockholders for income tax purposes. From time to time, a portion of the Company's dividends may be characterized as qualified dividends, capital gains or return of capital.

Stock Repurchase Plan

On March 15, 2017, the Company's board of directors approved a program to repurchase up to $25,000,000 in shares of the Company's common stock. Repurchases under this program may be made from time to time, in amounts and prices as the Company deems appropriate. Repurchases may be made in open market or privately negotiated transactions in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements, trading restrictions under the Company's insider trading policy and other relevant factors. This stock repurchase plan does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. The Company expects to continue to fund repurchases under the program using cash on hand. The Company repurchased 780,029 shares for $6.5 million at an average price of $8.36 per share during the six months ended June 30, 2018. As of June 30, 2018, the Company had approximately $8.5 million in shares that it can repurchase under the stock repurchase plan. On August 1, 2018, the Company's board of directors approved a $30 million increase to the stock repurchase plan such that the Company may now repurchase up to an aggregate of $38.5 million in shares of its common stock and Series B preferred stock.

Equity Incentive Plan

On May 3, 2017, the Company's stockholders approved the Second Amended and Restated Farmland Partners Inc. 2014 Equity Incentive Plan (the "Second Amended Plan"). The Second Amended Plan, among other things, increased the aggregate number of shares of the Company's common stock reserved for issuance from approximately 0.6 million, which was available under the First Amended and Restated Farmland Partners Inc. Equity Incentive Plan (together with the Second Amended Plan, the "Plan"), to approximately 1.3 million (including the approximate 0.5 million shares of restricted common stock that have been issued under the Plan and approximately 0.8 million shares reserved for future issuance). As of June 30, 2018, there were 0.6 million of shares available for future grant under the Plan.

The Company may issue equity-based awards to officers, non-employee directors, employees, independent contractors and other eligible persons under the Plan. The Plan provides for the grant of stock options, share awards (including restricted stock and restricted stock units), stock appreciation rights, dividend equivalent rights, performance awards, annual incentive cash awards and other equity based awards, including LTIP units, which are convertible on a one-for-one basis into Common units. The terms of each grant are determined by the compensation committee of the board of directors.

From time to time, the Company may award restricted shares of its common stock under the Plan, as compensation to officers, employees, non-employee directors and non-employee consultants. The shares of restricted stock vest over a period of time as determined by the compensation committee of the Company's board of directors at the date of grant. The Company recognizes compensation expense for awards issued to officers, employees and non-employee directors for restricted shares of common stock on a straight-line basis over the vesting period based upon the fair market value of the shares on the date of issuance, adjusted for forfeitures. The Company recognizes compensation expense for awards issued to non-employee consultants in the same period and in the same manner as if the Company paid cash for the underlying services.

A summary of the nonvested shares as of June 30, 2018 is as follows:

(shares in thousands)	**Number of shares**	**Weighted average grant date fair value**
Unvested at December 31, 2017	277	$ 11.16
Granted	158	7.69
Vested	(111)	8.20
Forfeited	(3)	8.08
Unvested at June 30, 2018	321	$ 10.50

For the six months ended June 30, 2018 and 2017, the Company recognized $0.7 million and $0.8 million, respectively, of stock-based compensation expense related to restricted stock awards. As of June 30, 2018 and December 31, 2017, there were $2.5 million and $2.8 million, respectively, of total unrecognized compensation costs related to nonvested stock awards, which are expected to be recognized over weighted-average periods of 1.67 years. The change in fair value of the shares issued to non-employees to be issued upon vesting is remeasured at the end of each reporting period and is recorded in general and administrative expenses on the consolidated statements of operations. The remaining restricted stock awards issued to non-employees vested during the year ended December 31, 2017, resulting in no change in fair value for the six months ended June 30, 2018.

At-the-Market Offering Program (the "ATM Program")

On September 15, 2015, the Company entered into equity distribution agreements under which the Company may issue and sell from time to time, through sales agents, shares of its common stock having an aggregate gross sales price of up to $25 million. During the six months ended June 30, 2018 and 2017, the Company made no sales under the ATM Program.

Deferred Offering Costs

Deferred offering costs include incremental direct costs incurred by the Company in connection with proposed or actual offerings of securities. At the completion of a securities offering, the deferred offering costs are charged ratably as a reduction of the gross proceeds of equity as stock is issued. If an offering is abandoned, the previously deferred offering costs will be charged to operations in the period in which the offering is abandoned. The Company incurred $0.1 million and $0.2 million in offering costs during the six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and December 31, 2017, the Company had $0.4 million and $0.3 million, respectively, in deferred offering costs related to regulatory, legal, accounting and professional service costs associated with proposed or completed offerings of securities.

Earnings (Loss) per Share

The computation of basic and diluted loss per share is as follows:

(in thousands, except per share amounts)	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Numerator:				
Net income (loss) attributable to Farmland Partners Inc.	$ 860	$ 1,687	$ 1,301	$ 60
Less: Nonforfeitable distributions allocated to unvested restricted shares	(41)	(37)	(83)	(80)
Less: Distributions on redeemable non-controlling interests in Operating Partnership, preferred	(3,142)	(878)	(6,283)	(1,755)
Net loss attributable to common stockholders	$ (2,323)	$ 772	$ (5,065)	$ (1,775)
Denominator:				
Weighted-average number of common shares - basic	32,542	32,457	32,777	29,594
Conversion of preferred units(1)	—	—	—	—
Unvested restricted shares(2)	—	—	—	—
Redeemable non-controlling interest(1)	—	—	—	—
Weighted-average number of common shares - diluted	32,542	32,457	32,777	29,594
Loss per share attributable to common stockholders - basic	$ (0.07)	$ 0.02	$ (0.15)	$ (0.06)

(1) Anti-dilutive for the three and six months ended June 30, 2018 and 2017.

(2) Anti-dilutive for the three and six months ended June 30, 2018 and for the three months ended June 30, 2017.

Unvested shares of the Company's restricted common stock are, and until May 26, 2016, the Excess Units were, considered participating securities, which requires the use of the two-class method for the computation of basic and diluted earnings per share. On May 25, 2016, the Company obtained stockholder approval allowing the Company to issue shares of common stock upon the redemption of the Excess Units, which allowed the Company to remove the Excess Units from the mezzanine section of the consolidated balance sheets. As such, as of June 30, 2018, the Company no longer has any Common units included as redeemable non-controlling interests outstanding in the mezzanine section of the consolidated balance sheets.

The limited partners' outstanding Common units (which may be redeemed for shares of common stock) and Excess Units have been excluded from the diluted earnings per share calculation as there would be no effect on the amounts since the limited partners' share of income would also be added back to net income. Any anti-dilutive shares have been excluded from the diluted earnings per share calculation. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Accordingly, distributed and undistributed earnings attributable to unvested restricted shares (participating securities) have been excluded, as applicable, from net income or loss attributable to common stockholders utilized in the basic and diluted earnings per share calculations. Net income or loss figures are presented net of non-controlling interests in the earnings per share calculations. The weighted average number of Common units held by the non-controlling interest was 4.6 million and 6.3 million for the six months ended June 30, 2018 and 2017, respectively.

The outstanding Series A preferred units are non-participating securities and thus are included in the computation of diluted earnings per share on an as-if converted basis. Any anti-dilutive shares are excluded from the diluted earnings per share calculation. For the three and six months ended June 30, 2018 and 2017, these shares were not included in the diluted earnings per share calculation as they would be anti-dilutive.

The outstanding shares of Series B Participating Preferred Stock are non-participating securities and thus are included in the computation of diluted earnings per share on an as-if converted basis. Any anti-dilutive shares are excluded from the diluted earnings per share calculation. For the three and six months ended June 30, 2018, these shares were not included in the diluted earnings per share calculation as they would be anti-dilutive.

For the six months ended June 30, 2018 and 2017, diluted weighted average common shares do not include the impact of 0.3 million and 0.3 million, respectively, unvested compensation-related shares as they would have been anti-dilutive.

The following equity awards and units were outstanding as of June 30, 2018 and December 31, 2017, respectively.

	June 30, 2018	December 31, 2017
Shares	32,547	33,058
Common Units	4,582	4,739
Unvested Restricted Stock Awards	321	276
	37,450	38,073

Note 10—Hedge Accounting

Cash Flow Hedging Strategy

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the entire change in the fair value of the Company's designated cash flow hedges is recorded to accumulated other comprehensive income, a component of shareholders' equity in the Company's consolidated balance sheets.

The Company has entered into an interest rate swap agreement to manage interest rate risk exposure. An interest rate swap agreement utilized by the Company effectively modifies the Company's exposure to interest rate risk by converting the Company's floating-rate debt to a fixed rate basis for the next five years on 50% of the currently outstanding amount to Rabobank, thus reducing the impact of interest rate changes on future interest expense. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

In determining hedge effectiveness of the interest rate swap the Company has utilized regression analysis. On an ongoing basis the Company with review hedge effectiveness, through regression analysis as well as assessing the hedge relationship by comparing the current terms of the swap and the associated debt to ensure they continue to coincide through the continued ability of the Counterparty to the swap to honor its obligations under the swap contract.

As of June 30, 2018, the total notional amount of the Company's receive-variable/pay-fixed interest rate swaps was $33.2 million.

The fair value of the Company's derivative instrument is set out below:

($ in thousands)

Instrument	Balance sheet location	Fair Value
Interest rate swap	Derivative liability	$ 495
	Other Comprehensive Income	495

The effect of derivative instruments on the consolidated statements of operations for the periods ended June 30, 2018 and 2017 is set out below:

($ in thousands)

Cash flow hedging relationships	Amount of Gain / (Loss) recognized in OCI on derivative (effective portion)	Location of Gain (Loss) reclassified from Accumulated OCI into income (effective portion)
Interest rate contracts	(495)	Interest expense

FASB ASC 820-10 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1*—Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

- *Level 2*—Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable or can be substantially corroborated for the asset or liability, either directly or indirectly.
- *Level 3*—Inputs to the valuation methodology are unobservable, supported by little or no market activity and are significant to the fair value measurement.

The fair values of the Company's interest rate swap agreements are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts, which is considered a Level 2 measurement under the fair value hierarchy. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The following table outlines the movements in the other comprehensive income account as at June 30, 2018 and December 31, 2017:

($ in thousands)	June 30, 2018	December 31, 2017
Beginning accumulated derivative instrument gain or loss	$ —	$ —
Net change associated with current period hedging transactions	495	—
Net amount of reclassification into earnings	—	—
Difference between a change in fair value of excluded components	—	—
Closing accumulated derivative instrument gain or loss	$ 495	$ —

Note 11—Subsequent Events

On July 6, 2018 and July 11, 2018, the Company completed the sale of five farms in the Corn Belt region for cash proceeds of $7.5 million and an approximate gain over book value of $1.1 million.

On July 11, 2018, a purported class action lawsuit was filed against the Company by a purported Company stockholder. The complaint alleges, among other things, that our disclosure related to the FPI Loan Program was materially false and misleading in violation of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. At this time, the class has not been certified and we do not know the amount of damages or other remedies being sought by the plaintiffs. The Company can provide no assurances as to the outcome of this litigation or provide an estimate of related expenses at this time.

On July 11, 2018, the Company completed the acquisition of one farm in the Corn Belt region for consideration of $5.9 million.

On July 24, 2018, the Company filed a lawsuit in the District Court, Denver, County Colorado, against “Rota Fortunae” (a pseudonym) and numerous co-conspirators (collectively, “Wheel of Fortune”) in response to an article posted on Seeking Alpha that makes numerous allegations about the Company that the Company believes to be false or materially misleading. The lawsuit that the Company filed alleges that Wheel of Fortune disseminated material false, misleading and defamatory information about us that has harmed us and our stockholders. The Company can provide no assurances as to the outcome of this litigation or provide an estimate of related expense at this time.

On July 25, 2018 and July 30, 2018, the Company entered into agreements to sell properties in the South East region, Corn Belt and Delta and South regions for an aggregate sales price of $41.6 million, subject to the completion of due diligence procedures conducted by the buyers. The Company can provide no assurances that the dispositions will be consummated on the terms currently contemplated or at all.

On August 1, 2018, the Company’s board of directors increased the amount available under the Company’s stock repurchase plan by $30 million. See “Note 9 – Stockholders’ Equity and Non-controlling Interests – Stock Repurchase Plan.”

On August 2, 2018, the Company obtained a temporary waiver of a technical default under the Rabobank Mortgage Note. The technical default related to a property tax delinquency on aparcel of land for which county property tax records in the applicable jurisdiction had not been updated to reflect that the Company held title to the parcel. This technical default under the Rabobank Mortgage Note has subsequently been cured by the Company, and the Company is no longer in default.

On August 6, 2018, the Company’s board of directors declared a quarterly cash dividend of $0.375 per share of 6.00% Series B Participating Preferred Stock payable on October 1, 2018 to stockholders of record as of September 14, 2018.

On August 8, 2018, the Company’s board of directors declared a quarterly cash dividend of $0.05 per share of common stock and Common units payable on October 15, 2018 to stockholder and unitholders of record as of October 1, 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes included elsewhere in this Quarterly Report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities Exchange Commission ("SEC") on March 2, 2018, which is accessible on the SEC's website at www.sec.gov. References to "we," "our," "us" and "our company" refer to Farmland Partners Inc., a Maryland corporation, together with our consolidated subsidiaries, including Farmland Partners Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), of which we are the sole member of the sole general partner.

Special Note Regarding Forward-Looking Statements

We make statements in this Quarterly Report on Form 10-Q that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). These forward-looking statements include, without limitation, statements concerning pending acquisitions and dispositions, projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results, future stock repurchases, our dividend policy, future economic performance, crop yields and prices and future rental rates for our properties, as well as statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts. When we use the words "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" or similar expressions or their negatives, as well as statements in future tense, we intend to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, beliefs and expectations, such forward-looking statements are not predictions of future events or guarantees of future performance, and our actual results could differ materially from those set forth in the forward-looking statements. Some factors that might cause such a difference include the following: general volatility of the capital markets and the market price of our common stock, changes in our business strategy, availability, terms and deployment of capital, our ability to refinance existing indebtedness at or prior to maturity on favorable terms, or at all, availability of qualified personnel, changes in our industry, interest rates or the general economy, the degree and nature of our competition, our ability to identify new acquisitions and close on pending acquisitions and the other factors described in the risk factors described in Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017, Part II Item 1A of this Quarterly Report on Form 10-Q and in other documents that we file from time to time with the SEC. Given these uncertainties, undue reliance should not be placed on such statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by law.

Overview and Background

We are an internally managed real estate company that owns and seeks to acquire high-quality farmland located in agricultural markets throughout North America. As of the date of this Quarterly Report on Form 10-Q, we own farms with an aggregate of approximately 165,000 acres in Alabama, Arkansas, California, Colorado, Florida, Georgia, Illinois, Kansas, Louisiana, Michigan, Mississippi, Nebraska, North Carolina, South Carolina, South Dakota, Texas and Virginia. As of the date of this Quarterly Report on Form 10-Q, approximately 75% of the acres in our portfolio are used to grow primary crops, such as corn, soybeans, wheat, rice and cotton, and approximately 25% of the acres in our portfolio produce specialty crops, such as blueberries, vegetables, citrus, nuts and edible beans. We believe our portfolio gives investors exposure to the increasing global food demand trend in the face of growing scarcity of high quality farmland and will reflect the approximate breakdown of U.S. agricultural output between primary crops and animal protein (whose production relies principally on primary crops as feed), on one hand, and specialty crops, on the other.

In addition, under the FPI Loan Program, we make loans to third-party farmers (both tenant and non-tenant) to provide financing for working capital requirements and operational farming activities, farming infrastructure projects and for other farming and agricultural real estate related purposes.

We were incorporated in Maryland on September 27, 2013, and we are the sole member of the general partner of the Operating Partnership, which is a Delaware limited partnership that was formed on September 27, 2013. All of our assets are held by, and our operations are primarily conducted through, the Operating Partnership and its wholly owned subsidiaries. As of June 30, 2018, we own a 87.9% interest in the Operating Partnership. See "Note 9 – Stockholders' Equity and Non-controlling Interests" within the notes to the consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding the non-controlling interests.

We have elected to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with our short taxable year ended December 31, 2014.

The following table sets forth our ownership of acreage by region:

Region [(1)]	**Total Acres**
Corn Belt	47,304
Delta and South	28,912
High Plains	31,279
Southeast	46,069
West Coast	11,586
	165,150

(1) Corn Belt includes farms located in Illinois, Michigan and eastern Nebraska. Delta and South includes farms located in Arkansas, Louisiana and Mississippi. High Plains includes farms located in Colorado, Kansas, western Nebraska, South Dakota and Texas. Southeast includes farms located in Florida, Georgia, North Carolina, South Carolina and Virginia. West Coast includes farms located in California.

We intend to continue to acquire additional farmland to achieve scale and further diversify our portfolio by geography, crop type and tenants. We also may acquire, and make loans secured by mortgages on, properties related to farming, such as grain storage facilities, grain elevators, feedlots, processing plants and distribution centers, as well as livestock farms or ranches. In addition, we engage directly in farming through FPI Agribusiness Inc., our taxable REIT subsidiary (the "TRS" or "FPI Agribusiness"). The TRS was formed to provide volume purchasing services to our tenants and also to operate a small-scale custom farming business. As of June 30, 2018, the TRS performs these custom farming operations on 625 acres of farmland located in Florida.

Our principal source of revenue is rent from tenants that conduct farming operations on our farmland. The majority of the leases that are in place as of the date of this Quarterly Report have fixed annual rental payments. Some of our leases have variable rents based on the revenue generated by our farm-operator tenants. We believe that this mix of fixed and variable rents will help insulate us from the variability of farming operations and reduce our credit-risk exposure to farm-operator tenants while making us an attractive landlord in certain regions where variable leases are customary. However, we may be exposed to tenant credit risk and farming operation risks, particularly with respect to leases that do not require advance payment of 100% of the annual rent, leases for which the rent is based on a percentage of a tenant's farming revenues and leases with terms greater than one year.

In addition, an increasing number of our leases provide for crop share lease payments, through which we only recognize revenue to the amount of the crop insurance minimum. The excess cannot be recognized as revenue until the tenant enters into a contract to sell their crop. Generally, we expect tenants to enter into contracts to sell their crop following the harvest of the crop.

Recent Developments

Completed Acquisitions

During the six months ended June 30, 2018, we completed four asset acquisitions. Consideration totaled $26.8 million and consisted of cash. No intangible assets were acquired through these acquisitions.

Factors That May Influence Future Results of Operations and Farmland Values

The principal factors affecting our operating results and the value of our farmland include global demand for food relative to the global supply of food, farmland fundamentals and economic conditions in the markets in which we own farmland and our ability to increase or maintain rental revenues while controlling expenses. Although farmland prices may show a decline from time to time, we believe that any reduction in U.S. farmland values overall is likely to be short-lived as global demand for food and agricultural commodities typically exceeds global supply. In addition, although prices for many crops experienced significant declines in 2014 and 2015 and many crops have still not recovered to their pre-2014 prices, we do not believe that such declines represent a trend that will continue over the long term. Rather, we believe that long-term growth trends in global population and GDP per capita will result in increased prices for primary crops over time.

Demand

We expect that global demand for food, driven primarily by significant increases in the global population and GDP per capita, will continue to be the key driver of farmland values. We further expect that global demand for most crops will continue to grow to keep pace with global population growth, which we anticipate will lead to either higher prices and/or higher yields and, therefore, higher rental rates on our farmland, as well as sustained growth in farmland values over the long term. We also believe that growth in global GDP per capita, particularly in developing nations, will contribute significantly to increasing demand for primary crops. As global GDP per capita increases, the composition of daily caloric intake is expected to shift away from the direct consumption of primary crops toward animal-based proteins, which is expected to result in increased demand for primary crops as feed for livestock. According to the United Nations' Food and Agriculture Organization ("UN FAO"), these factors are expected to require more than one billion additional tons of global annual grain production by 2050, a 43% increase from 2005-2007 levels and more than two times the 446 million tons of grain produced in the United States in 2014. Furthermore, we believe that, as GDP per capita grows, a significant portion of additional household income is allocated to food and that once individuals increase consumption of, and spending on, higher quality food, they will strongly resist returning to their former dietary habits, resulting in greater inelasticity in the demand for food. As a result, we believe that, as global demand for food increases, rental rates on our farmland and the value of our farmland will increase over the long term. Global demand for corn and soybeans as inputs in the production of biofuels such as ethanol and soy diesel also could impact the prices of corn and soybeans, which, in the long term, could impact our rental revenues and our results of operations. However, the success of our business strategy is not dependent on growth in demand for biofuels, and we do not believe that demand for corn and soybeans as inputs in the production of biofuels will materially impact our results of operations or the value of our farmland, primarily because we believe that growth in global population and GDP per capita will be more significant drivers of global demand for primary crops over the long term.

Supply

Global supply of agricultural commodities is driven by two primary factors, the number of tillable acres available for crop production and the productivity of the acres being farmed. Although the amount of global cropland in use has gradually increased over time, growth has plateaued over the last 20 years. Cropland area continues to increase in developing countries, but after accounting for expected continuing cropland loss, the UN FAO projects only 173 million acres will be added from 2005-2007 to 2050, an approximate 5% increase. In comparison, world population is expected to grow over the same period to 9.1 billion, a nearly 40% increase. While we expect growth in the global supply of arable land, we also expect that landowners will only put that land into production if increases in commodity prices and the value of farmland cause landowners to benefit economically from using the land for farming rather than alternative uses. We also believe that decreases in the amount of arable land in the United States and globally as a result of increasing urbanization will partially offset the impact of additional supply of farmland. Additionally, we believe that farmland lost to urban development disproportionately impacts higher quality farmland. According to a study published in 2017 in the Proceedings of the National Academy of Sciences, urban expansion is expected to take place on cropland that is 1.77 times more productive than the global average.The global supply of food is also impacted by the productivity per acre of tillable land. Historically, productivity gains (measured by average crop yields) have been driven by advances in seed technology, farm equipment, irrigation techniques and chemical fertilizers and pesticides. Furthermore, we expect the increasing shortage of water in many irrigated growing regions in the United States and other growing regions around the globe, often as a result of new water restrictions imposed by laws or regulations, to lead to decreased productivity growth on many acres and, in some cases, cause yields to decline on those acres.

Conditions in Our Existing Markets

Our portfolio spans numerous farmland markets and crop types, which provides us broad diversification across conditions in these markets. Across all regions, farmland acquisitions continue to be dominated by buyers who are existing farm owners and operators; institutional and investor acquirors remain a small fraction of the industry. We generally see firm demand for high quality properties across all regions and crop types, with farmland prices reflecting fundamental asset scarcity in the face of increasing global food demand more than fluctuations in commodity prices.

With regard to leasing dynamics, we believe quality farmland in the United States has a near-zero vacancy rate as a result of the supply and demand fundamentals discussed above. Our view is that rental rates for farmland are a function of farmland operators' view of the long-term profitability of farmland and that many farm operators will compete for farmland even during periods of decreased profitability due to the scarcity of farmland available to rent. In particular, we believe that due to the relatively high fixed costs associated with farming operations (including equipment, labor and knowledge), many farm operators in some circumstances will rent additional acres of farmland when they become available in order to allocate their fixed costs over additional acres. Furthermore, because it is generally customary in the industry to provide the existing tenant with the opportunity to re-lease the land at the end of each lease term, we believe that many farm operators will rent additional land that becomes available in order to control the ability to farm that land in future periods. As a result, in our experience, many farm operators will aggressively pursue rental opportunities in their operable geographic area, even when the farmer anticipates lower current returns or short-term losses.

In our primary row crop farmland, we see flat to modestly higher rent rates in connection with 2018 lease renewals. This is consistent with, on the one hand, headwinds in primary crop markets and, on the other, tenant demand for leasing high quality farmland. Due to the short-term nature of most of our primary crop leases, we believe that a recovery of crop prices and farm profitability will be reflected relatively rapidly in our revenues via increases in rent rates. Across specialty crops, operator profitability generally remains healthy. Participating lease structures are common in many specialty crops, and base lease rates are consistent with or slightly higher than those in 2017.

Lease Expirations

Farm leases are generally short-term in nature. As of June 30, 2018, our portfolio had the following lease expirations as a percentage of approximate acres leased and annual minimum cash rents:

($ in thousands)

Year Ending December 31,	**Approximate Acres**	**% of Approximate Acres**	**Annual Cash Rents**	**% of Annual Cash Rents**
2018 (remaining six months)	37,371	22.6 %	$ 7,263	21.8 %
2019	55,695	33.7 %	10,561	31.7 %
2020	47,075	28.4 %	11,605	34.8 %
2021	14,888	9.0 %	3,002	9.0 %
2022	4,069	2.4 %	579	1.7 %
2023 and beyond	6,372	3.9 %	341	1.0 %
	165,470	100.0 %	$ 33,351	100.0 %

As of June 30, 2018, we had approximately 48,000 acres for which lease payments are based on a percentage of farming revenues and 625 acres that are leased to our TRS. Acres leased to our TRS are not included in the table above.

From time to time, we may enter into recreational leases on our farms. We expect market rents in the coming year to be flat. Since lease renewal periods are exercisable at the option of the lessee, the preceding table presents future lease expirations during the initial lease term only.

Rental Revenues

Our revenues are primarily generated from renting farmland to operators of farming businesses. Our leases have terms ranging from one to ten years. Although the majority of our leases do not provide the tenant with a contractual right to renew the lease upon its expiration, we believe it is customary to provide the existing tenant with the opportunity to renew the lease, subject to any increase in the rental rate that we may establish. If the tenant elects not to renew the lease at the end of the lease term, the land will be offered to a new tenant.

The leases for the majority of the properties in our portfolio provide that tenants must pay us at least 50% of the annual rent in advance of each spring planting season. As a result, we collect a significant portion of total annual rents in the first calendar quarter of each year. We believe our use of leases pursuant to which at least 50% of the annual rent is payable in advance of each spring planting season mitigates the tenant credit risk associated with the variability of farming operations that could be adversely impacted by poor crop yields, weather conditions, mismanagement, undercapitalization or other factors affecting our tenants. Tenant credit risk is further mitigated by requiring that our tenants maintain crop insurance and by our claim on a portion of the related proceeds, if any, as well as by our security interest in the growing crop. Prior to acquiring farmland property, we take into consideration the competitiveness of the local farm-operator tenant environment in order to enhance our ability to quickly replace a tenant that is unwilling to renew a lease or is unable to pay a rent payment when it is due. Some of our leases provide for a reimbursement of the property taxes we pay.

Expenses

Substantially all of our farm leases are structured in such a way that we are responsible for major maintenance, certain insurance and taxes (which are sometimes reimbursed to us by our tenants), while our tenant is responsible for minor maintenance, water usage and all of the additional input costs related to farming operations on the property, such as seed, fertilizer, labor and fuel. We expect that substantially all of the leases for farmland we acquire in the future will continue to be structured in a manner consistent with substantially all of our existing leases. As the owner of the land, we generally only bear costs related to major capital improvements permanently attached to the property, such as irrigation systems, drainage tile, grain storage facilities, permanent plantings or other physical structures customary for farms. In cases where capital expenditures are necessary, we typically seek to offset, over a period of multiple years, the costs of such capital expenditures by increasing rental rates. We also incur the costs associated with maintaining liability and casualty insurance.

We incur costs associated with running a public company, including, among others, costs associated with employing our personnel and compliance costs. We incur costs associated with due diligence and acquisitions, including, among others, travel expenses, consulting fees and legal and accounting fees. We also incur costs associated with managing our farmland. The management of our farmland, generally, is not labor or capital intensive because farmland generally has minimal physical structures that require routine inspection and maintenance, and our leases, generally, are structured to require the tenant to pay many of the costs associated with the property. Furthermore, we believe that our platform is scalable, and we do not expect the expenses associated with managing our portfolio of farmland to increase significantly as the number of farm properties we own increases over time.

Crop Prices

We believe short-term crop price changes have had little effect historically on farmland values. They also have a limited impact on our rental revenue, as most of our leases provide for a fixed cash rental rate, a common approach in agricultural markets, especially with respect to row crops, for several reasons. This approach recognizes that the value of leased land to a tenant is more closely linked to the total revenue produced on the property, which is driven by crop yield and crop price. This approach simplifies the administrative requirements for the landlord and the tenant significantly. This approach supports the tenant’s desire to maintain access to its leased farms, which are in short supply, a concept expanded upon below, by providing the landlord consistent rents. Crop price exposure is also limited because tenants benefit from the fundamental revenue hedging that occurs when large crop yields mitigate the effect of lower crop prices. Similarly, lower crop yields have a tendency to trigger higher crop prices and help increase revenue even when confronted by lower crop yields. Such hedging effect also limits the impact of short-term crop price changes on revenues generated by leases with a bonus component based on farm revenues. Further risk mitigation is available to tenants, and indirectly to us, via crop insurance and hedging programs implemented by tenants. Our TRS also takes advantage of these risk mitigation programs and strategies.

We believe quality farmland in the United States has a near-zero vacancy rate as a result of supply and demand fundamentals. Our view is that rental rates for farmland are a function of farmland operators' view of the long-term profitability of farmland and that many farm operators will compete for farmland even during periods of decreased profitability due to the scarcity of farmland available to rent. In particular, we believe that due to the relatively high fixed costs associated with farming operations (including equipment, labor and knowledge), many farm operators in some circumstances will rent additional acres of farmland when they become available in order to allocate their fixed costs over additional acres. Furthermore, because it is generally customary in the industry to provide the existing tenant with the opportunity to re-lease the land at the end of each lease term, we believe that many farm operators will rent additional land that becomes available in order to control the ability to farm that land in future periods. As a result, in our experience, many farm operators will aggressively pursue rental opportunities in their operable geography, even when the farmer anticipates lower current returns or short-term losses.

The value of a crop is affected by many factors that can differ on a yearly basis. Weather conditions and crop disease in major crop production regions worldwide create a significant risk of price volatility, which may either increase or decrease the value of the crops that our tenants produce each year. Other material factors adding to the volatility of crop prices are changes in government regulations and policy, fluctuations in global prosperity, fluctuations in foreign trade and export markets and eruptions of military conflicts or civil unrest. Prices for many primary crops, particularly corn, experienced meaningful declines in 2014 and 2015 and have still not recovered to their pre-2014 prices. We do not believe such declines represent a trend over the long term. Rather, we believe those declines represented a combination of correction to historical norms (adjusted for inflation) and high yields due to favorable weather patterns. We expect that continued long-term growth trends in global population and GDP per capita will result in increased revenue per acre for primary crops over time. We expect pricing across specialty crops to generally remain firm relative to 2017 as U.S. and global consumer demand remain strong and supply is broadly balanced to demand. Although annual rental payments under the majority of our leases are not based expressly on the quality or profitability of our tenants' harvests, any of these factors could adversely affect our tenants' ability to meet their obligations to us and our ability to lease or re-lease properties on favorable terms.

Interest Rates

We expect that future increases in interest rates will impact our overall operating performance by, among other things, increasing our borrowing costs. While we may seek to manage our exposure to future increases in rates through interest rate swap agreements or interest rate caps, portions of our overall outstanding debt will likely remain at floating rates. In addition, a sustained material increase in interest rates may cause farmland prices to decline if the rise in real interest rates (which is defined as nominal interest rates minus the inflation rate) is not accompanied by rises in the general levels of inflation. However, our business model anticipates that the value of our farmland will increase, as it has in the past, at a rate that is equal to or greater than the rate of inflation, which may in part offset the impact of rising interest rates on the value of our farmland, but there can be no guarantee that this appreciation will occur to the extent that we anticipate or at all.

Impact of Trade Tensions

As trade tensions continue to increase between the United States and its key agricultural trading partners, agricultural products have become the target for many international tariff increases. We believe that a prolonged international trade conflict could significantly impact farms and farmers across the United States and that our tenants' financial results could be negatively impacted.

The U.S. Federal government has announced a farmer safety net program to help farmers impacted by other countries' newly imposed import tariffs. While we believe this program will help farmers in the United States in the short-term, a prolonged trade conflict may lead to adverse financial results for farms despite the implementation of the safety net program.

The short to medium-term impact on the Company's financial performance due to a trade conflict may be mitigated by the multi-year term structure of many of our leases. However, a long-term trade conflict would likely impact our rents and thereby negatively impact our business. Additionally, a long-term trade conflict would likely motivate non-US. agricultural businesses to strengthen their logistics and trade infrastructure. This may also lead to the weakening of U.S. agricultural trade relationships that would be difficult for the United States to reestablish in the future.

Critical Accounting Policies and Estimates

Except as set forth in Note 1 to the consolidated financial statements included in this Quarterly Report on Form 10-Q, there have been no changes to our critical accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

New or Revised Accounting Standards

For a summary of the new or revised accounting standards, please refer to "Note 1 – Organization and Significant Accounting Policies" within the notes to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

Results of Operations

Comparison of the three months ended June 30, 2018 to the three months ended June 30, 2017

	For the three months ended June 30,			
($ in thousands)	2018	2017	$ Change	% Change
OPERATING REVENUES:				
Rental income	$ 10,057	$ 10,471	$ (414)	(4)%
Tenant reimbursements	774	652	122	19 %
Crop sales	331	175	156	89 %
Other revenue	257	162	95	59 %
Total operating revenues	11,419	11,460	(41)	(0)%
OPERATING EXPENSES				
Depreciation, depletion and amortization	2,126	2,056	70	3 %
Property operating expenses	2,109	1,196	913	76 %
Acquisition and due diligence costs	—	183	(183)	(100)%
General and administrative expenses	1,701	2,052	(351)	(17)%
Legal and accounting	284	302	(18)	(6)%
Other operating expenses	11	120	(109)	(91)%
Total operating expenses	6,231	5,909	322	5 %
OPERATING INCOME	5,188	5,551	(363)	(7)%
OTHER (INCOME) EXPENSE:				
Other income	(90)	(16)	(74)	463 %
(Gain) loss on disposition of assets	(143)	92	(235)	(255)%
Interest expense	4,440	3,454	986	29 %
Total other expense	4,207	3,530	677	19 %
Net income (loss) before income tax expense	981	2,021	(1,040)	51 %
Income tax expense	—	—	—	NM
NET INCOME (LOSS)	$ 981	$ 2,021	$ (1,040)	51 %

NM=Not Meaningful

Our rental income for the three months ended June 30, 2018 was impacted by the three acquisitions completed in the last two quarters of 2017 and the four acquisitions and one disposition completed in the first two quarters of 2018. To highlight the effect of changes due to acquisitions and dispositions, we have separately discussed the rental income for the same-property portfolio, which includes only properties owned and operated for the entirety of both periods presented. The same-property portfolio for the quarter ended June 30, 2018 includes 143,360 acres, which represents 87% of our current portfolio on an acreage basis.

On a same-property basis, total rental income increased $0.1 million, or 1.7%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. Management does not believe that same-property rent comparisons for periods shorter than the full year are necessarily indicative of the expected full year comparison because the majority of bonus and crop share rent payments are expected in the fourth quarter.

Total rental income decreased $0.4 million, or 4%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, resulting from the timing of crop share revenue recognition in connection with the AFCO acquisition and one-time lease termination fees paid in 2017, only partially offset by a $0.8 million increase in farming rental revenue. The average annual cash rent for the entire portfolio increased from $200 per acre for the three months ended June 30, 2017 to $215 per acre for the three months ended June 30, 2018.

Revenues recognized from tenant reimbursement of property taxes increased $0.1 million, or 19%, during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. This increase is the result of an increased number of leases requiring reimbursement of property taxes to the Company by the tenant, which are largely leases on properties in the state of California.

Crop sales totaled $0.3 million during the three months ended June 30, 2018 as compared to $0.2 million in the comparative three month period ended June 30, 2017. The crop sales relate to one remaining development property that the Company acquired through the AFCO Mergers, and the property is estimated to be in its final year of growth before reaching commercial production.

Other revenues totaled $0.3 million during the three months ended June 30, 2018 as compared to $0.2 million in the comparative three-month period ended June 30, 2017. The $0.3 million recognized in the three months ended June 30, 2018 consisted of $0.2 million earned on interest and amortization of net loan fees from notes receivable compared to $0.1 million, recognized in the three months ended June 30, 2017. Notes receivable totaled $12.5 million as of June 30, 2018 compared to $6.0 million as of June 30, 2017.

Depreciation, depletion and amortization expense increased $0.1 million, or 3%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 as a result of acquiring approximately $0.3 million in depreciable assets in the first two quarters of 2018 and an additional $2.5 million in depreciable assets during the last two quarters of 2017.

Property operating expenses increased $0.9 million, or 76%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. $0.7 million of the increase relates to an increase in the Company's property taxes payments and property tax accruals, which related to the three acquisitions completed in the last two quarters of 2017 and the four acquisitions completed in the first two quarters of 2018. In addition, bad debt expenses rose $0.2 million for the three months ended June 30, 2018 as compared to the comparative period in 2017.

Acquisition and due diligence costs totaled $0.0 million for the three months ended June 30, 2018 as compared to $0.2 million recognized in the same period of the prior year. Prior year expenses largely related to costs associated with the acquisition of various farm properties.

General and administrative expenses declined by $0.4 million, or 17%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The decrease is due to a reduction in head count within the organization, which led to a reduction in the compensation related expenses as compared to the three months ended June 30, 2018.

Legal and accounting expenses increased $0.02 million, or 6%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, which was primarily a result of the change in audit firms.

Other operating expenses decreased $0.1 million, or 91%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 as a result of lower cost of goods sold on crop sales made in the period.

Other income increased $0.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, which was primarily due to higher interest income on bank accounts.

The gain / loss on disposition of assets increased $0.2 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 due primarly to the gain on sale of a property in the High Plains region during the period.

Interest expense increased $1.0 million, or 29%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. This increase is the result of an increase in our outstanding borrowings from $485.4 million as of June 30, 2017 to $533.8 million as of June 30, 2018 along with increased interest rates. The increase in our total borrowings was primarily driven by the use of debt financing to acquire new properties.

Results of Operations

Comparison of the six months ended June 30, 2018 to the six months ended June 30, 2017

($ in thousands)	For the Six Months Ended June 30, 2018	2017	$ Change	% Change
OPERATING REVENUES:				
Rental income	$ 19,998	$ 17,274	$ 2,724	16 %
Tenant reimbursements	1,542	756	786	104 %
Crop sales	410	437	(27)	(6)%
Other revenue	677	142	535	377 %
Total operating revenues	22,627	18,609	4,018	22 %
OPERATING EXPENSES				
Depreciation, depletion and amortization	4,256	3,544	712	20 %
Property operating expenses	3,797	2,999	798	27 %
Acquisition and due diligence costs	141	698	(557)	(80)%
General and administrative expenses	3,665	4,133	(468)	(11)%
Legal and accounting	747	701	46	7 %
Other operating expenses	11	276	(265)	(96)%
Total operating expenses	12,617	12,351	266	2 %
OPERATING INCOME	10,010	6,258	3,752	60 %
OTHER EXPENSE:				
Other income	(171)	(22)	(149)	677 %
(Gain) loss on disposition of assets	(135)	92	(227)	(247)%
Interest expense	8,832	6,169	2,663	43 %
Total other expense	8,526	6,239	2,287	37 %
Net income (loss) before income tax expense	1,484	19	1,465	7,711 %
Income tax expense	—	—	—	NM
NET INCOME	$ 1,484	$ 19	$ 1,465	7,711 %

NM=Not Meaningful

Our rental income for the six months ended June 30, 2018 was impacted by the three acquisitions completed in the last two quarters of 2017 and the four acquisitions and one disposition completed in the first two quarters of 2018. To highlight the effect of changes due to acquisitions and dispositions, we have separately discussed the rental income for the same-property portfolio, which includes only properties owned and operated for the entirety of both periods presented. The same-property portfolio for the six months ended June 30, 2018 includes 108,630 acres, which represents 66% of our current portfolio on an acreage basis.

On a same-property basis total rental income increased $0.7 million, or 7.3%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Management does not believe that same-property rent comparisons for periods shorter than the full year are necessarily indicative of the expected full year comparison because the majority of bonus and crop share rent payments are expected in the fourth quarter.

Total rental income decreased $2.7 million, or 16%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, resulting from the completion of seven acquisitions after June 30, 2017. The average annual cash rent for the entire portfolio increased from $177 per acre for the six months ended June 30, 2017 to $180 per acre for the six months ended June 30, 2018.

Revenues recognized from tenant reimbursement of property taxes increased $0.8 million, or 104%, during the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. This increase is the result of an increased number of leases requiring reimbursement of property taxes to the Company by the tenant, which are largely leases on properties in the state of California.

Crop sales totaled $0.4 million during the six months ended June 30, 2018 as compared to $0.4 million in the comparative six month period ended June 30, 2017. The crop sales relate to one remaining development property that the Company acquired through the AFCO Mergers, and the property is estimated to be in it's final year of growth before reaching commercial production.

Other revenues totaled $0.7 million during the six months ended June 30, 2018 as compared to $0.1 million in the comparative six month period ended June 30, 2017. The $0.7 million recognized in the six months ended June 30, 2018 consisted of $0.5 million earned on interest and amortization of net loan fees from notes receivable, $0.1 million in relation to revenue derived through the Company's purchasing program and $0.1 million in relation to late payment fees compared to $0.1 million, $0.0 million and $0.0 million, respectively, recognized in the six months ended June 30, 2017. Notes receivable totaled $12.5 million as of June 30, 2018 compared to $6.0 million as of June 30, 2017.

Depreciation, depletion and amortization expense increased $0.7 million, or 20%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 as a result of acquiring approximately $0.3 million in depreciable assets in the first two quarters of 2018 and an additional $2.5 million in depreciable assets during the last two quarters of 2017.

Property operating expenses increased $0.8 million, or 27%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. $1.3 million of the increase relates to an increase in the Company's property tax payments and property tax accruals, which related to the three acquisitions completed in the last two quarters of 2017 and the four acquisitions completed in the first two quarters of 2018 along with increases in property taxes and supplemental property tax payments associated with properties held by the Company. In addition, bad debt expenses rose $0.2 million for the three months ended June 30, 2018 as compared to the comparative period in 2017. These increases were offset by a $0.7 million reduction in the Prudential sub-advisor fee that was paid in connection with the termination of the Prudential Sub-Advisory arrangements acquired from AFCO.

Acquisition and due diligence costs totaled $0.1 million for the six months ended June 30, 2018 as compared to $0.7 million recognized in the same period of the prior year. These expenses relate to costs associated with the acquisition of various farm properties.

General and administrative expenses declined by $0.5 million, or 11%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease is due to a reduction in head count within the organization, which led to a reduction in the compensation related expenses as compared to the six months ended June 30, 2018.

Legal and accounting expenses increased $0.46 million, or 7%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. This increase was the result of a $0.15 million increase in legal and related costs associated with various legal matters, offset by a $0.2 million reduction in audit related costs.

Other operating expenses decreased $0.3 million, or 96%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 as a result of lower cost of goods sold on crop sales made in the period.

Other income increased $0.2 million, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, which was primarily due to higher interest income on bank accounts.

The gain / loss on disposition of assets increased $0.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 due primarly to the gain on sale of a property in the High Plains region.

Interest expense increased $2.7 million, or 43%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. This increase is the result of an increase in our outstanding borrowings from $437.8 million as of June 30, 2017 to $515.7 million as of June 30, 2018 along with increased interest rates. The increase in our total borrowings was primarily driven by the use of debt financing to acquire new properties.

Liquidity and Capital Resources

Overview

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay any outstanding borrowings, fund and maintain our assets and operations, make distributions to our stockholders and to Common unitholders and other general business needs.

Our short-term liquidity requirements consist primarily of funds necessary to acquire additional farmland and make other investments consistent with our investment strategy, make principal and interest payments on outstanding borrowings, make distributions on our Series A preferred units and Series B Participating Preferred Stock and make distributions necessary to qualify for taxation as a REIT and fund our operations. Our sources of funds primarily will be cash on hand, operating cash flows, proceeds from asset disposals and borrowings from prospective lenders.

During the three months ended June 30, 2018, we sold one property in the High Plains region for proceeds of $2.0 million. We used $1.2 million of such proceeds to repay a portion of the Prudential Note (as defined in the notes to the consolidated financial statements included elsewhere in this Current Report on Form 10-Q). We have completed additional property sales in the Corn Belt subsequent to June 30, 2018 for aggregate proceeds of $7.5 million. Subsequent to the quarter end we have also entered into a agreements to sell other properties in the South East, Corn Belt and Delta and South regions. However, we can provide no assurances that this disposition will be consummated on the terms currently contemplated or at all. We intend to use the proceeds from the sale of these properties for general corporate purposes.

In addition to utilizing current and any future available borrowings, we entered into equity distribution agreements on September 15, 2015 in connection with an at-the-market equity offering program (the “ATM Program”), under which the Company has issued and sold from time to time, through the sales agents, shares of our common stock having an aggregate gross sales price of up to $25.0 million. Through June 30, 2018, the Company has generated $11.1 million in net cash proceeds under the ATM Program, which is intended to provide cost-effective financing alternatives in the capital markets. We intend to use future net proceeds from the ATM Program, if any, for future farmland acquisitions in accordance with our investment strategy and for general corporate purposes, which may also include originating loans to farmers under our loan program.

Our long-term liquidity needs consist primarily of funds necessary to acquire additional farmland, make other investments and certain long-term capital expenditures, make principal and interest payments on outstanding borrowings and make distributions necessary to qualify for taxation as a REIT. We expect to meet our long-term liquidity requirements through various sources of capital, including future equity issuances (including issuances of Common units), net cash provided by operations, long-term mortgage indebtedness and other secured and unsecured borrowings.

Our ability to incur additional debt will depend on a number of factors, including our degree of leverage, the value of our unencumbered assets, compliance with the covenants under our existing debt agreements, borrowing restrictions that may be imposed by lenders and the conditions of debt markets. Our ability to access the equity capital markets will depend on a number of factors as well, including general market conditions for REITs and market perceptions about us.

Our board of directors has reduced dividends on our common stock and common units for the third quarter of 2018. We currently intend to use the funds that would otherwise be used to pay dividends at the prior level for general corporate purposes, including to repurchase shares of our common stock or shares of our Series B participating preferred stock. We currently have authority to repurchase up to an aggregate of $38.5 million in shares of our common stock or shares of our Series B participating preferred Stock. Our board of directors intends to reevaluate dividends on our common stock and common units in future quarters. However, we can provide no assurances that dividends will be increased in the future.

Consolidated Indebtedness

For further details relating to our consolidated indebtness, refer to “Note 7 – Mortgage Notes, Line of Credit and Bonds Payable” included in the financial statements section of this Quarterly Report on Form 10-Q.

Sources and Uses of Cash

The following table summarizes our cash flows for the six months ended June 30, 2018 and 2017:

	For the six months ended June 30,	
(in thousands)	2018	2017
Net cash provided by (used in) operating activities	$ 14,103	$ (1,710)
Net cash used in investing activities	$ (36,436)	$ (106,046)
Net cash (used in) provided by financing activities	$ (4,789)	$ 90,012

Comparison of the six months ended June 30, 2018 to the six months ended June 30, 2017

As of June 30, 2018, we had $26.4 million of cash compared to $29.4 million at June 30, 2017.

Cash Flows from Operating Activities

Net cash provided by operating activities increased by $15.8 million primarily as a result of the following:

- Receipt of $23.1 million in cash rents for the six months ended June 30, 2018, as compared to receiving $24.6 million in cash rents in the six months ended June 30, 2017;
- An increase of $3.0 million in cash paid for interest as compared to the six months ended June 30, 2017;
- Receipt of $4.0 million related to crop share for the six months ended June 30, 2017;
- Receipt of $1.0 million related to tenant reimbursements for the six months ended June 30, 2017;
- A $12.1 million reduction in cash payments made in relation to settling an assumed obligation as part of the AFCO Mergers; and
- A decrease of approximately $3.2 million in cash paid for other operating expenses as compared to the six months ended June 30, 2017.

Cash Flows from Investing Activities

Net cash used for investing activities decreased $69.6 million primarily as a result of the following:

- Completing four acquisitions during the six months ended June 30, 2018 for aggregate cash consideration of $26.8 million, as compared to $91.7 million in aggregate cash consideration for 15 acquisitions and the AFCO Mergers during the six months ended June 30, 2017;
- An decrease of $2.3 million in investments in real estate improvements as compared to the six months ended June 30, 2017;
- Proceeds of $2.0 million received on the sale of a property in the High Plains region;
- A $3.5 million increase in principal repayments on notes receivable received by the Company as compared to the six months ended June 30, 2017; and
- A $3.0 million increase in notes receivable issued by the Company as compared to the six months ended June 30, 2017.

Cash Flows from Financing Activities

Net cash provided by financing activities decreased $94.8 million primarily as a result of the following:

- Borrowings from mortgage notes payable decreased $80.8 million as compared to the borrowings during the six months ended June 30, 2017;
- Debt payments increased $1.2 million as compared to the six months ended June 30, 2017;
- A $6.5 million increase in common stock repurchased as compared to the six months ended June 30, 2017;
- A $0.6 million increase in dividends paid on Series A preferred units as compared to the six months ended June 30, 2017;

- Increase of $2.0 million in dividends paid on common stock as compared to the six months ended June 30, 2017;
- An increase of $4.5 million in dividends paid on the Series B participating preferred stock as compared to the six months ended June 30, 2017;
- A $0.1 million decrease in payments associated with various offering costs as compared to the six months ended June 30, 2017;
- A decrease in distributions of $0.3 million to non-controlling interests as compared to the six months ended June 30, 2017; and
- A $0.4 million increase in the payments associated with debt issuance costs as compared to the six months ended June 30, 2017.

Off-Balance Sheet Arrangements

As of June 30, 2018, we did not have any off-balance sheet arrangements.

Non-GAAP Financial Measures

Funds from Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”)

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or Nareit. Nareit defines FFO as net income (loss) (calculated in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate related depreciation, depletion and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management presents FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from sales of depreciable operating properties, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures necessary to maintain the operating performance of improvements on our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the Nareit definition as we do, and, accordingly, our FFO may not be comparable to such other REITs’ FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

We do not, however, believe that FFO is the only measure of the sustainability of our operating performance. Changes in GAAP accounting and reporting rules that were put in effect after the establishment of Nareit’s definition of FFO in 1999 result in the inclusion of a number of items in FFO that do not correlate with the sustainability of our operating performance. Therefore, in addition to FFO, we present AFFO and AFFO per share, fully diluted, both of which are non-GAAP measures. Management considers AFFO a useful supplemental performance metric for investors as it is more indicative of the Company’s operational performance than FFO. AFFO is not intended to represent cash flow or liquidity for the period and is only intended to provide an additional measure of our operating performance. Even AFFO, however, does not properly capture the timing of cash receipts, especially in connection with full-year rent payments under lease agreements entered into in connection with newly acquired farms. Management considers AFFO per share, fully diluted to be a supplemental metric to GAAP earnings per share. AFFO per share, fully diluted provides additional insight into how our operating performance could be allocated to potential shares outstanding at a specific point in time. Management believes that AFFO is a widely recognized measure of the operations of REITs, and presenting AFFO will enable investors to assess our performance in comparison to other REITs. However, other REITs may use different methodologies for calculating AFFO and AFFO per share, fully diluted, and, accordingly, our AFFO and AFFO per share, fully diluted may not always be comparable to AFFO and AFFO per share amounts calculated by other REITs. AFFO and AFFO per share, fully diluted should not be considered as an alternative to net income (loss) or earnings per share (determined in accordance with GAAP) as an indication of financial performance or as an alternative to net income (loss) earnings per share (determined in accordance with GAAP) as a measure of our liquidity, nor are they indicative of funds available to fund our cash needs, including our ability to make distributions.

AFFO is calculated by adjusting FFO to exclude or include the income and expenses that we believe are not reflective of the sustainability of our ongoing operating performance, as further explained below:

- *Real estate related acquisition and due diligence costs.* Acquisition (including audit fees associated with these acquisitions) and due diligence costs are incurred for investment purposes and, therefore, do not correlate with the ongoing operations of our portfolio. We believe that excluding these costs from AFFO provides useful supplemental information reflective of the realized economic impact of our leases, which is useful in assessing the sustainability of our operating performance. Acquisition and due diligence costs totaled $0.1 million and $1.5 million for the periods ended June 30, 2018 and 2017, respectively. Also included in real estate related acquisition and due diligence costs for the period ended June 30, 2017 is $0.7 million in fees paid to the Prudential Sub-Advisor following the completion of the AFCO Mergers, including a $0.2 million termination fee. We believe that excluding these costs from AFFO provides useful supplemental information reflective of the realized economic impact of our current acquisition strategy, which is useful in assessing the sustainability of our operating performance. These exclusions also improve comparability of our results over each reporting period and of our Company with other real estate operators.

- *Stock based compensation.* Stock based compensation is a non-cash expense and, therefore, does not correlate with the ongoing operations. We believe that excluding these costs from AFFO improves comparability of our results over each reporting period and of our Company with other real estate operators.

- *Distributions on Series A preferred units*. Dividends on Series A preferred units, which are convertible into Common units on or after March 2, 2026, have a fixed and certain impact on our cash flow, and thus they are subtracted from FFO. We believe this improves comparability of our Company with other real estate operators.

- *Dividends on Series B Participating Preferred Stock*. Dividends on Series B Participating Preferred Stock, which may be redeemed for cash or converted into shares of common stock on or after September 30, 2021, have a fixed and certain impact on our cash flow, and thus they are subtracted from FFO. We believe this improves comparability of our Company with other real estate operators.

- *Common shares fully diluted.* In accordance with GAAP, common shares used to calculate earnings per share are presented on a weighted average basis. Common shares on a fully diluted basis includes shares of common stock, Common units, redeemable Common units and unvested restricted stock outstanding at the end of the period on a share equivalent basis because all shares are participating securities and thus share in the performance of the Company. The conversion of Series A preferred units is excluded from the calculation of common shares fully diluted as they are not participating securities; thus, they don't share in the performance of the Company, and their impact on shares outstanding is uncertain.

The following table sets forth a reconciliation of net income (loss) to FFO, AFFO and net (loss) income available to common stockholders per share to AFFO per share, fully diluted, the most directly comparable GAAP equivalents, respectively, for the periods indicated below as previously reported (unaudited):

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands except per share amounts)	2018	2017	2018	2017
Net income	$ 981	$ 2,021	$ 1,484	$ 19
(Gain) loss on disposition of assets	(143)	92	(135)	92
Depreciation, depletion and amortization	2,126	2,056	4,256	3,544
FFO	2,964	4,169	5,605	3,655
Stock based compensation	398	360	729	788
Indirect equity offering costs	—	—	—	—
Real estate related acquisition and due diligence costs	—	183	141	1,510
Distributions on Series A preferred units and dividends on Series B participating preferred stock	(3,142)	(877)	(6,283)	(1,755)
AFFO	$ 220	$ 3,835	$ 192	$ 4,198
AFFO per diluted weighted average share data:				
AFFO weighted average common shares	37,458	39,166	37,730	36,187
Net (loss) income per share available to common stockholders	$ (0.07)	$ 0.02	$ (0.15)	$ (0.06)
Income available to redeemable non-controlling interest and non-controlling interest in operating partnership	0.09	0.04	0.20	0.07
Depreciation and depletion	0.06	0.05	0.11	0.10
Stock based compensation	0.01	0.01	0.02	0.02
Indirect equity offering costs	—	—	—	—
Real estate related acquisition and due diligence costs	—	—	—	0.04
(Gain) loss on disposition of assets	—	—	—	—
Distributions on Series A preferred units and dividends on Series B participating preferred stock	(0.08)	(0.02)	(0.17)	(0.05)
AFFO per diluted weighted average share	$ 0.01	$ 0.10	$ 0.01	$ 0.12

The following table sets forth a reconciliation of AFFO share information to basic weighted average common shares outstanding, the most directly comparable GAAP equivalent, for the periods indicated below (unaudited):

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	2018	2017	2018	2017
Basic weighted average shares outstanding	32,542	32,457	32,777	29,594
Weighted average OP units on an as-if converted basis	4,582	6,417	4,638	6,287
Weighted average unvested restricted stock	334	292	315	306
AFFO weighted average common shares	37,458	39,166	37,730	36,187

EBITDAre

The Company calculates Earnings Before Interest Taxes Depreciation and Amortization for real estate ("EBITDAre") in accordance with the standards established by NAREIT in its September 2017 White Paper. NAREIT defines EBITDAre as net income (calculated in accordance with GAAP) excluding interest expense, income tax, depreciation and amortization, gains or losses on disposition of depreciated property (including gains or losses on change of control), impairment write-downs of depreciated property and of investments in unconsolidated affiliates caused by a decrease in value of depreciated property in the affiliate, and adjustments to reflect the entity's pro rata share of EBITDAre of unconsolidated affiliates. EBITDAre is a key financial measure used to evaluate the Company's operating performance but should not be construed as an alternative to operating income, cash flows from operating activities or net income, in each case as determined in accordance with GAAP. The Company believes that EBITDAre is a useful performance measure commonly reported and will be widely used by analysts and investors in the Company's industry. However, while EBITDAre is a performance measure widely used across the Company's industry, the Company does not believe that it correctly captures the Company's business operating performance because it includes non-cash expenses and recurring

adjustments that are necessary to better understand the Company's business operating performance. Therefore, in addition to EBITDAre, management uses Adjusted EBITDAre, a non-GAAP measure.

We further adjust EBITDAre for certain additional items such as stock based compensation, indirect offering costs, real estate acquisition related audit fees and real estate related acquisition and due diligence costs (for a full discussion of these adjustments, see AFFO adjustments discussed above) that we consider necessary to understand our operating performance. We believe that Adjusted EBITDAre provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income and EBITDAre, is beneficial to an investor's understanding of our operating performance.

EBITDAre and Adjusted EBITDAre have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- EBITDAre and Adjusted EBITDAre do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDAre and Adjusted EBITDAre do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDAre and Adjusted EBITDAre do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDAre and Adjusted EBITDAre do not reflect any cash requirements for these replacements; and
- Other companies in our industry may calculate EBITDAre and Adjusted EBITDAre differently than we do, limiting the usefulness as a comparative measure.

Because of these limitations, EBITDAre and Adjusted EBITDAre should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results of operations and using EBITDAre and Adjusted EBITDAre only as a supplemental measure of our performance.

The following table sets forth a reconciliation of our net income to our EBITDAre and Adjusted EBITDAre for the periods indicated below (unaudited):

	For the three months ended June 30,		**For the six months ended June 30,**	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Net loss	$ 981	$ 2,021	$ 1,484	$ 19
Interest expense	4,440	3,454	8,832	6,169
Income tax expense	—	—	—	—
Depreciation, depletion and amortization	2,126	2,056	4,256	3,544
(Gain) Loss on disposal of assets	(143)	92	(135)	92
EBITDAre	$ 7,404	$ 7,623	$ 14,437	$ 9,824
Stock based compensation	398	360	729	788
Indirect equity offering costs	—	—	—	—
Real estate related acquisition and due diligence costs	—	183	141	1510
Adjusted EBITDAre	$ 7,802	$ 8,166	$ 15,307	$ 12,122

Inflation

Most of our farming leases are two to three years for row crops and one to seven years for permanent crops, pursuant to which each tenant is responsible for substantially all of the operating expenses related to the property, including maintenance, water usage and insurance. As a result, we believe that the effect on us of inflationary increases in operating expenses may be offset in part by the operating expenses that are passed through to our tenants and by contractual rent increases because our leases will be renegotiated every one to five years. We do not believe that inflation has had a material impact on our historical financial position or results of operations.

Seasonality

Because the leases for many of the properties in our portfolio require significant payments in advance of the spring planting season (for row crops), we receive a significant portion of our cash rental payments in the first calendar quarter of each year, although we recognize rental revenue from these leases on a pro rata basis over the non-cancellable term of the lease in accordance with GAAP.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business strategies, the primary market risk to which we are exposed is interest rate risk. Our primary interest rate exposure will be the daily LIBOR. We may use fixed interest rate financing to manage our exposure to fluctuations in interest rates. On a limited basis, we also may use derivative financial instruments to manage interest rate risk. We will not use such derivatives for trading or other speculative purposes.

At June 30, 2018, $191.5 million, or 36%, of our debt had variable interest rates. Assuming no increase in the level of our variable rate debt, if interest rates increased by 1.0%, or 100 basis points, our cash flow would decrease by approximately $2.5 million per year. At June 30, 2018, LIBOR was approximately 200 basis points. Assuming no increase in the level of our variable rate debt, if LIBOR were reduced to 0 basis points, our cash flow would increase approximately $3.4 million per year.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, management has evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The nature of our business exposes our properties, us and the Operating Partnership to the risk of claims and litigation in the normal course of business. While it is not possible to ascertain the ultimate outcome of such matters, in management’s opinion, the liabilities, if any, are not expected to have a material adverse affect on our financial position, results of operations or liquidity.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2017 includes detailed discussions of our risk factors under the heading “Part I, Item 1A. Risk Factors.” Set forth below are certain risk factors in addition to those previously disclosed inour Annual Report on Form 10-K, which we are including in this Quarterly Report on Form 10-Q as a result of certain pending litigation as further described above. You should carefully consider the risk factors discussed in our Annual Report on Form 10-K and those set forth below, as well as the other information in this report, which could materially harm our business, financial condition, results of operations, growth prospects or the value of our securities.

Pending litigation could have a material adverse effect on our business, prospects, financial condition, results of operations and our ability to pay dividends at historical levels or at all.

On July 11, 2018, a purported class action lawsuit was filed against the Company by a purported Company stockholder. The complaint alleges, among other things, that our disclosure related to the FPI Loan Program was materially false and misleading in violation of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. At this time, the class has not been certified and we do not know the amount of damages or other remedies being sought by the plaintiffs.

In addition, on July 24, 2018, we filed a lawsuit in the District Court, Denver, County Colorado, against “Rota Fortunae” (a pseudonym) and numerous co-conspirators (collectively, “Wheel of Fortune”) in response to an article posted on Seeking Alpha that makes numerous allegations about the Company that we believe to be false or materially misleading. As a consequence of Wheel of Fortune’s internet posting and related postings on social media, the trading price of our common stock declined by approximately 40%. We believe that Wheel of Fortune’s internet posting was made in connection with a “short and distort” scheme to profit from a decline in our stock price based on false and misleading information. The lawsuit that we filed alleges that Wheel of Fortune disseminated material false, misleading and defamatory information about us that has harmed us and our stockholders.

We cannot assure you as to the outcome of either lawsuit, including the amount of costs or other liabilities that will be incurred in connection with defending or pursuing these claims or other claims that may arise in the future. To the extent that we incur material costs in connection with defending or pursuing these claims, or become subject to liability as a result of an adverse judgment or settlement of these claims, our results of operations and liquidity position could be materially and adversely affected. In addition, ongoing litigation may divert management’s attention and resources from the day-to-day operation of our business and cause reputational harm to us, either of which could have a material adverse effect on our business, prospects, results of operations and ability to pay dividends at historical levels or at all.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities

None.

Share Repurchase Program

On March 15, 2017, our board of directors approved a program to repurchase up to $25,000,000 in shares of our common stock. Repurchases under this program may be made from time to time, in amounts and prices as we deem appropriate. Repurchases may be made in open market or privately negotiated transactions in compliance with Rule 10b-18 under the Exchange Act, subject to market conditions, applicable legal requirements, trading restrictions under our insider trading policy and other relevant factors. In November 2017, our Board of Directors approved repurchases of our Series B participating preferred stock from time to time under the share repurchase program. This share repurchase program does not obligate us to acquire any particular amount of common stock or Series B participating preferred stock, and it may be modified or suspended at any time at our discretion. We expect to fund repurchases under the program using cash on our balance sheet. Our repurchase activity for the three months ended June 30, 2018 under the share repurchase program is presented in the following table. On August 1, 2018, our Board of Directors increased the authority under the share repurchase program by an aggregate of $30 million such that the amount of shares of our common stock and Series B participating preferred stock that may be repurchased is now approximately $38.5 million.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Share Repurchase Program
April 1, 2018 - April 30, 2018	—	$ —	—	$ 8,482,606
May 1, 2018 - May 31, 2018	—	—	—	8,482,606
June 1, 2018 - June 30, 2018	—	—	—	8,482,606
Total	—	$ —	—	$ 8,482,606

As of the date of this report, the Company has repuchased 1,902,626 shares for $16.5 million at a weighted average price of $8.69 per share.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits on the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

Exhibit Index

Exhibit Number	Description of Exhibit
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Farmland Partners Inc.

Date: August 9, 2018	/s/ Paul A. Pittman **Paul A. Pittman** Executive Chairman and Chief Executive Officer (Principal Executive Officer)
Date: August 9, 2018	/s/ Luca Fabbri **Luca Fabbri** Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

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Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul A. Pittman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of Farmland Partners Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ PAUL A. PITTMAN
Paul A. Pittman
Executive Chairman and Chief Executive Officer

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Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Luca Fabbri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of Farmland Partners Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ LUCA FABBRI

Luca Fabbri
Chief Financial Officer and Treasurer

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Section 4: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Farmland Partners Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul A. Pittman, the Executive Chairman, President and Chief Executive Officer of the Company, and I, Luca Fabbri, the Chief Financial Officer, Secretary and Treasurer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

/s/ PAUL A. PITTMAN
Paul A. Pittman
Executive Chairman and Chief Executive Officer

Date: August 9, 2018

/s/ LUCA FABBRI
Luca Fabbri
Chief Financial Officer and Treasurer

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