

Blue Ocean Private Credit Strategies in the Golden State



TYLER SHEGERIAN
Co-Founder & COO
PACT Capital

PACT CAPITAL

California Agriculture

Strong Fundamentals, and the
Opportunity for a Private Credit Strategy

Tyler Shegerian
Co-Founder and Chief Operating Officer

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Poised for a New Era

Improving fundamentals are fueling California agriculture - setting the stage for long-term upside.

Oversupply & Supply Chain Issues

Excess production outpaced demand, pressuring prices. Disruptions delayed inputs and market access.

Water Uncertainty

Persistent uncertainty in water supply continues to disrupt growth.

Increased Labor Costs

Rising wages and labor shortages strained operations.

Compressed Commodity Prices

Weakened margins from prolonged low pricing.

Rising Global Demand

Growing international appetite for high-quality ag products.

Commodity Market Rebalance

Limited production capacity supports pricing power.

Technological Adoption

Efficiency gains from automation and precision ag tools.

SGMA Water Reallocation

Shifting water use is reshaping land values and crop mix.

Recent Environment

Future Correction

An Agricultural Powerhouse

California’s unmatched productivity, crop diversity, and reputation for quality have elevated the state into a global agricultural powerhouse — and a premium brand recognized around the world.

By the Numbers	
2023 Cash Receipts	\$59.4B
Commodities	400+
Annual Exports	\$23.6B
Farms and Ranches	69K

Leading Market Share		
63% Global Pistachio Supply	75% U.S Fruits and Nuts	90% U.S Citrus
80% Global Almond Supply	1/3rd U.S Vegetables	1/3rd U.S Dairy Export

Source: California Agricultural Statistics, USDA

Structural Advantages



1

Climate



2

Diversity of Crops



3

Productivity



4

Infrastructure



5

Global Brand



6

Economy



7

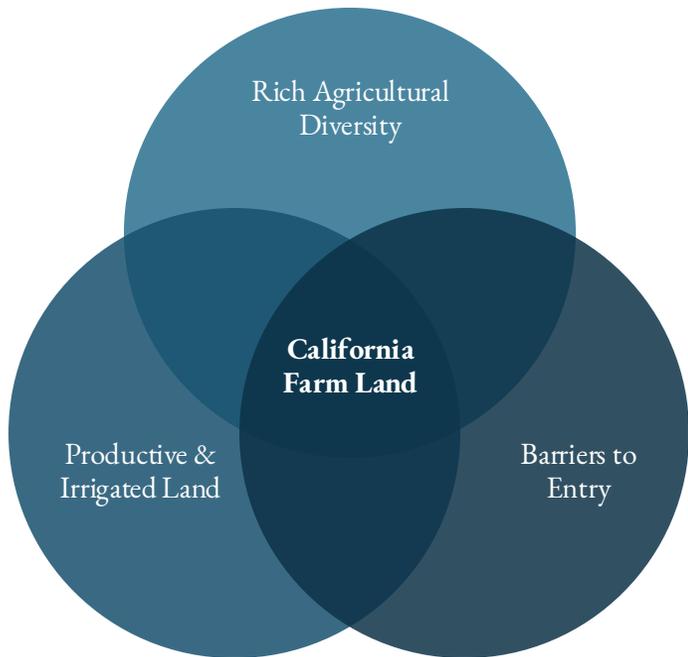
Alternative Land Uses

California holds key structural advantages that position it as an attractive and resilient region for long-term farmland investment.

The Mediterranean Climate

A Key Component of California's Agricultural Advantage

California Agriculture benefits from its rich, fertile soils, diversity of growable commodities, and natural barriers to entry, making it an extremely supply constrained and productive market.



California is

1 of 5

Mediterranean Climates in the World

Climate scarcity creates one of the strongest barriers to entry in agriculture.

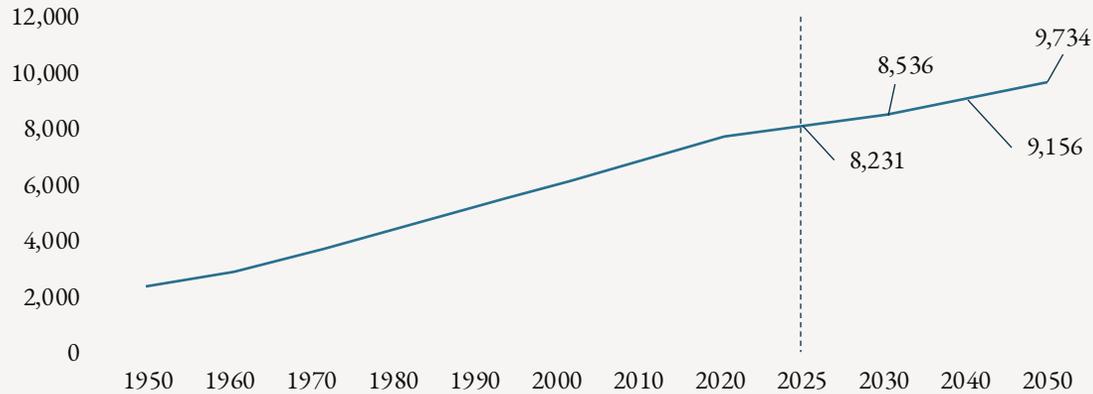
The Rare Mediterranean Climate Zone



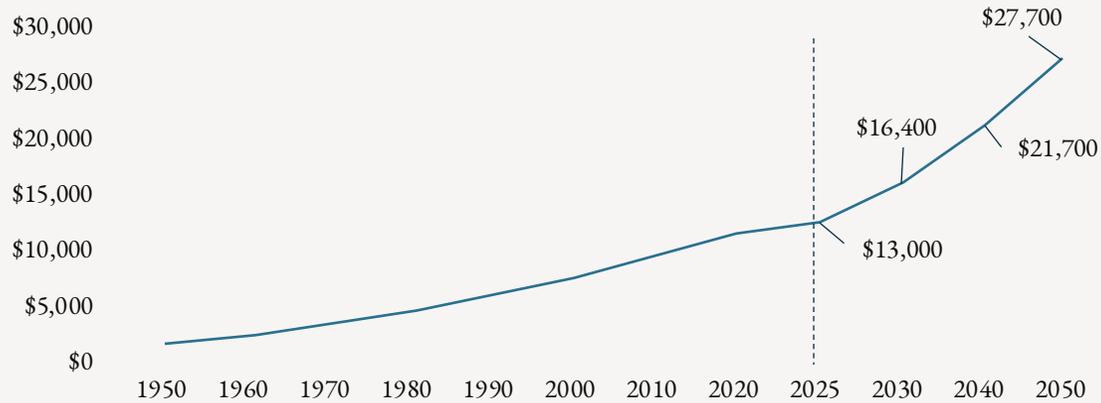
● Mediterranean Climates

Secular Trends

World Population Growth



GDP Per Capita



Sources: United Nations, IMF, PwC, World Economic Forum

A rebound in industry fundamentals is laying the groundwork for a compelling growth opportunity.



Global Demand Growth

Increasing demand for Ag Commodities



Health-Conscious Consumption

Fueling growth of health-focused crops



Rise of Organic & Regenerative

Unlocking premium pricing opportunities



U.S Tariffs

Providing increased domestic opportunities



Innovation in Water Practices

Improving efficiency of usage



Ag-Tech & Digital Integration

Delivering bottom line improvements

SGMA Impact

The Sustainable Groundwater Management Act (SGMA) is set to reshape California agriculture—favoring those best positioned to comply with evolving water regulations.

7.6M Acres impacted

72% Of CA Farmland

- Local agencies (GSAs) must implement Groundwater Sustainability Plans (GSPs) by 2040
- Focus on land reliant solely on groundwater (“White Ground”) or with unreliable surface water sources

The Market Response

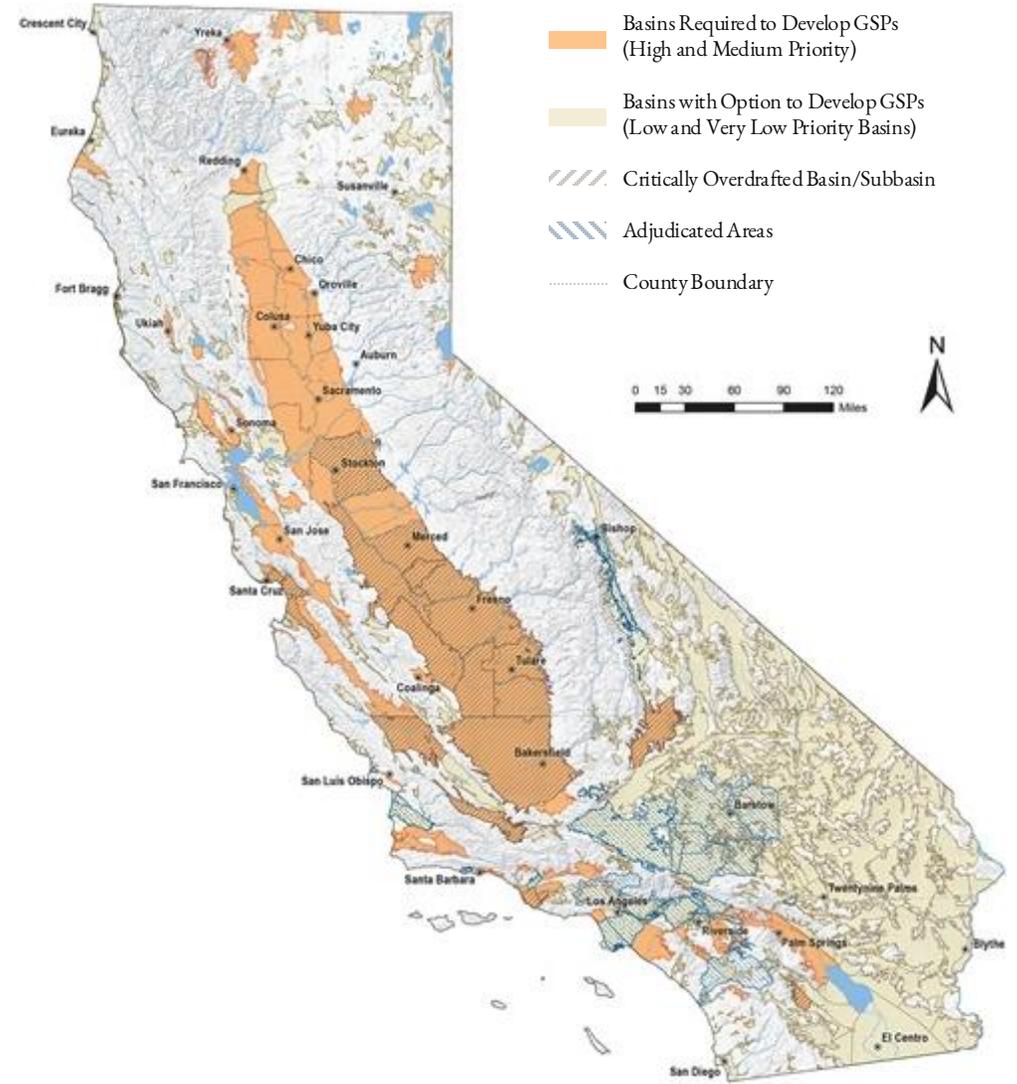
- Appreciation of land with reliable and secure water sources
- Reducing commodity supply
- Accelerated shift toward sustainability
- Capital and investment consolidation

700K+

Acres may be Fallowed

1.7M+

Acres of groundwater overdraft reduced



Alternative Land Uses

Higher-and-best-use opportunities have the potential to bolster returns over time.



Residential and Commercial Development

Urban sprawl unlocks long-term value through rezoning and addresses regional housing shortages.



Clean Energy

Enables lease income from solar or storage while supporting state climate goals.



Water Banking Strategies

Using land to capture and absorb floodwaters or excess surface water to replenish aquifers, supporting long-term water security.

Evolving Market Landscape

California agriculture has faced ongoing changes in regulatory, resource, and market conditions—reinforcing the need for adaptability, resilience, and long-term strategy.

Evolving Dynamics



Water & SGMA
Implementation



Commodity
Pricing



Environment &
Climate



Trade Policy /
Global Demand



Cost of Labor
& Inputs



Policy &
Regulation

Key Takeaways

Adaptability is essential

Success in California ag depends on the ability to pivot amid shifting regulations, climate variability, and market changes.

Resource constraints are structural

Water, labor, and land limitations aren't temporary—they require long-term strategic planning.

Resilience is a competitive advantage

Operators who invest in efficiency, diversification, and innovation are better positioned for sustained performance.

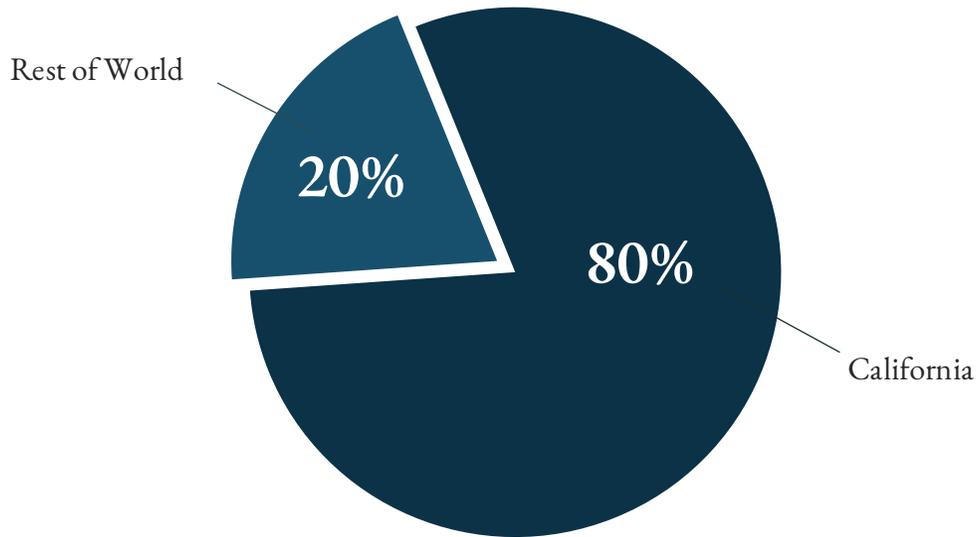
Key Investment Considerations

Amongst a competitive investment landscape, identifying the right opportunities requires a clear understanding of key criteria that drive long-term value, resilience, and performance.



Case Study: Almonds

California Provides over 80% of the Worlds Almond Supply



62%

of CA Tree Nut Acreage

1.4m

Acres in Production

2.8m

Lbs Produced in 2024

3.5m

Lbs Global Almond Demand

A Cornerstone Crop in Transition

Almonds are a cornerstone of California agriculture, uniquely suited to the state's Mediterranean climate.

Ideal weather conditions enable consistent, high-quality almond production unmatched globally.

The market is recovering after recent headwinds, driven by tightening supply and rising prices.

Producers are focusing on efficiency and resilience to navigate a more stable, long-term outlook.

Case Study: Almonds

Evolving Market Landscape – Yield and Cost Correlation

	\$50,000	-2.30%	-0.05%	2.20%	4.45%	6.70%	8.95%	11.20%	13.45%	15.70%
	\$45,000	-2,56%	-0.06%	2.44%	4.94%	7.44%	9.94%	12,44%	14.94%	17.44%
	\$40,000	-2.88%	-0.06%	2.75%	5.56%	8.38%	11.19%	14.00%	16.81%	19.63%
	\$35,000	-3.29%	-0.07%	3.14%	6.36%	9.57%	12.79%	16.00%	19.21%	22.43%
	\$30,000	-3.83%	-0.08%	3.67%	7.42%	11.17%	14.92%	18,67%	22.42%	26.17%
	\$25,000	-4.60%	-0.10%	4.40%	8.90%	13.40%	17.90%	22.40%	26.90%	31.40%
	\$20,000	-5.75%	-0.13%	5.50%	11.13%	16.75%	22.38%	28.00%	33.63%	39.25%
	\$15,000	-7.67%	-0.17%	7.33%	14.83%	22.33%	29.83%	37.33%	44.83%	52,33%
	\$10,000	-11.50%	-0.25%	11.00%	22.25%	33.50%	44.75%	56.00%	67.25%	78.50%
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00

Price per Acre

Grower Price per Pound

2004 - 2019

- Explosive Global Demand
- Strong Pricing Power
- Massive Acreage Expansion

2020 - 2023

- Oversupply
- Pricing Pressure
- Rising Costs

2024 & Beyond

- Supply Tightens
- Price Recovery
- Operational Efficiencies Gained

2024 Output Boosted by Yield Gains



Bearing vs Non Bearing Acreage



The Case for Private Credit

Private credit is uniquely positioned to fill the multi-billion-dollar financing gap in California agriculture, offering flexible, forward-looking capital where backward-looking underwriting frameworks continue to have traditional lenders retreating.

Demand for lending in CA is expected to outpace available market supply

Access to Premium Collateral

Heightened Deal Flow (Lending Demand)

Improved Cashflow Forecast

Limited Competition

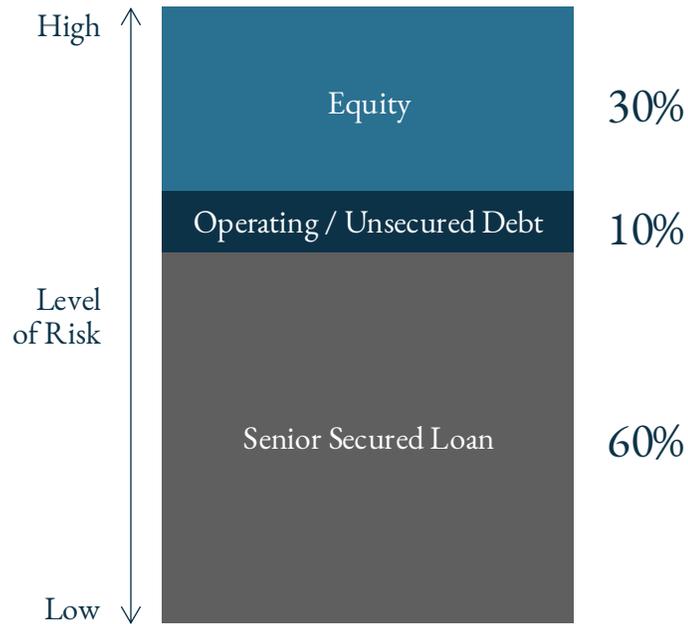
Enhanced Deal Structures

Elevated Pricing Power

Private Credit in the Capital Stack

Real Estate Private Credit during this time offers “equity like returns”, that are risk-adjusted with forecastable fixed income attributes and encompass a superior priority and security in the asset.

Typical Capital Stack



Benefits to the Senior Lender

Excess of 40% equity cushion

Security over title of the property

Personal guarantees / pledge of membership interest

Assignment of crop insurance

A Strong Asset Class

Private Credit: Risk and Return

9.52%

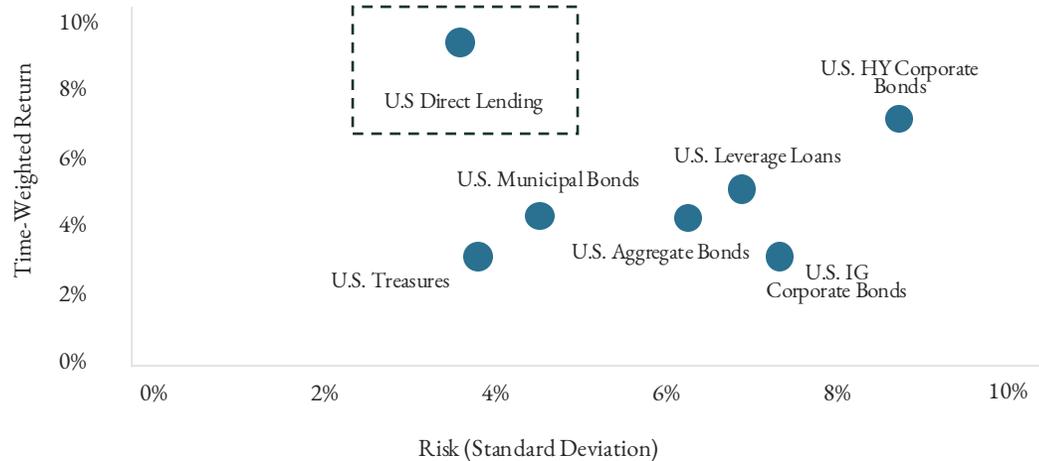
Avg Direct Lending Return

3.42%

Avg Risk (Standard Deviation)

0.20

Correlation to Loans and Bond Indices



All data 9/30/2004 - 6/30/2024. U.S. Direct Lending is represented by the CDLI Index. The CDLI Index does not reflect the impact of fees and expenses of the Fund. Investors cannot invest directly in the index. Cash is represented by the FTSE 3-month T-Bill Index. U.S. Leveraged Loans is represented by Morningstar LSTA US Leveraged Loan Index. U.S. Treasuries is represented by ICE BofA Current 10-Year US Treasury Index. U.S. Aggregate Bond Index is represented by Bloomberg Barclays US Agg Total Return Value Unhedged USD Index. U.S. Municipal Bonds is represented by Bloomberg Barclays Municipal Bond Index. U.S. IG Corporate Bonds is represented by Bloomberg Barclays U.S. Corporate Bond Index. U.S. HY Corporate Bonds is represented by Bloomberg Barclays U.S. Corporate HY Bond Index. Past Performance is not an indicator of future returns.

Real Estate Private Credit remains a high-performing asset class, delivering strong returns with lower volatility and minimal correlation—making it a strategic allocation for yield-focused, risk-conscious investors.

Advantages of Private Credit



Attractive Risk / Return



Hands on Diligence Process



Capital Protection Priority



Access to Niche Opportunities



Portfolio Diversification



Stable Income Stream



PACT CAPITAL

Regional Agricultural Finance

8050 N. Palm Ave Suite 100

Fresno, CA 93711

T 559-775-7228

PACT Capital – LA

11777 San Vicente Blvd. Suite 500

Los Angeles, CA 90049

T 213-799-7228

WWW.PACTCAP.COM