The beginner's guide to investing in farmland

3 reasons to consider adding farmland to your investment portfolio

According to the USDA, the wealth of the farmland sector is expected to hit $3.57 trillion in 2023, while the sector's assets are expected to hit $4.09 trillion.

On top of these valuations, here are three potential benefits to investing in farmland.

1 Farmland has shown impressive annual returns and appreciation

More and more investors are adding farmland to their portfolios due to its history of performance across two criteria of evaluation:

- **Land appreciation**
- **Consistent cash flow**

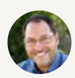
Overall, US farmland has outperformed all other asset classes, excluding the Dow Jones REIT Index, over roughly 20 years. Where the public markets offer the potential of both major peaks and downdrafts, farmland as an investable asset class has offered steady returns.

2 Farmland has shown relatively low volatility for decades

As Craig Wichner, Founder and Managing Partner at Farmland LP, explains, farmland is considered a "timeless asset class" and is helpful for anchoring a portfolio.

In practice, farmland returns have shown notably less volatility than a range of other asset classes, such as gold and the S&P 500. According to Wichner, this is why a number of Farmland LP investors who made their money in the technology industry then elect to keep that money in farmland.

"Farmland LP is more profitable, so our investors benefit. The environment also benefits, which means we as humans benefit because we don't have all of this glyphosate in our blood."



Craig Wichner,
Founder and Managing Partner at Farmland LP

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3 Farmland is notably non-correlated to public markets

Within commercial real estate, common assets like multi-family housing, office buildings, and industrial facilities are differentiated but still sensitive to macroeconomic factors, business cycles, or the debt markets.

For instance, the International Monetary Fund reports tighter financial conditions tend to impact commercial property prices by making it more expensive for investors to finance new deals or refinance existing loans, which lowers total investment in the sector.

By comparison, farmland has historically shown little-to-no correlation to other real estate and stocks, as shown by the NCREIF Farmland Index. As a result, in the event of a recession or economic crash, this asset class should remain relatively unaffected.

Farmland is projected to be high-demand, low-supply in years to come

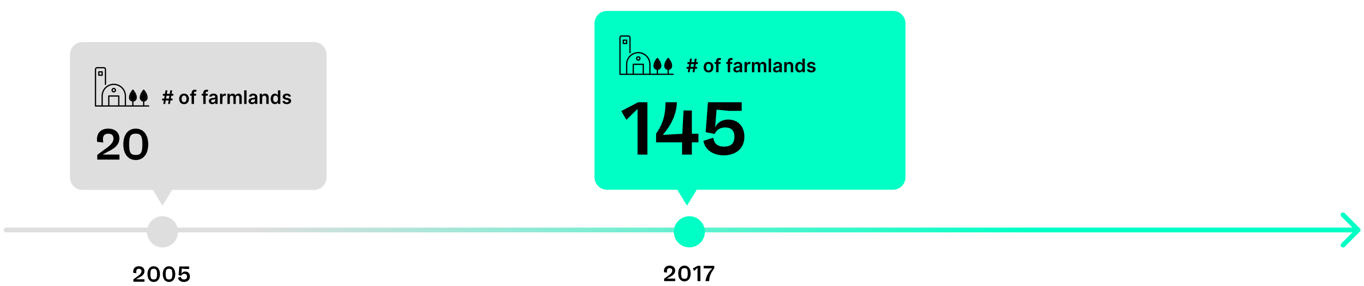
Farmland holds yet another advantage over other forms of commercial real estate asset classes: simple supply and demand. **The supply of viable US farmland is relatively inelastic, while the human need for food (the core output of farmland) is non-negotiable.**

There is finite existing acreage, and converting open land into farmable acreage requires considerable time and resources.

Loss of farmland can be attributed to two main causes: urban expansion along with poor institutional farming practices that destroy soil health.

Historical barriers to farmland investing are disappearing

In 2005, fewer than 20 farmland funds operated globally. By the end of 2017, that number reached 145 funds with an aggregated AUM of $32 billion.



As a result, individual investors have long seen little-to-no opportunity to invest in farmland due to historical risks and barriers, including:

Capital requirements to meet economies of scale

According to Farmland LP, scale and crop diversity are two leading indicators of profitability in agriculture. As such, farmland investors may consider hiring a professional to oversee a diverse portfolio of crops.

Operational risks and unpredictability

Farmland's output is ultimately determined by the natural conditions around it, which may be increasingly unpredictable due to climate change. For instance, annual farmland appreciation rates can average anywhere from 1% to over 7% depending on factors like irrigation, region, and crop type.

Alto CAPITAL

Interested in farmland? Here are 2 ways to start investing

1 REITs specialized in farmland

There are currently two publicly traded real estate investment trusts (REITs) that acquire farmland and lease it to farmers: Farmland Partners and Gladstone Land

2 Technology-driven funds and investment platforms

In recent years, young companies have leveraged tech to expand access to farmland investments. One thing to note is many tech-driven funds and farmland-focused investment platforms are open only to accredited investors. **Examples include:**

acretrader

Investors own shares of an LLC that holds the legal title to the farmland

FARMTOGETHER

An online marketplace for direct access to vetted farmland investment opportunities

FARMLAND LP Investing In Sustainability™

Utilizes funds to purchase and convert acreage into higher-value organic and regenerative farmland