Agricultural Investing

Many investors often consider agricultural investments to be recession-proof because food is a universal necessity. As such, there will always be a need for farms and farmers. But jumping in can be complicated and requires a great deal of planning. Investors may believe buying a farm and renting it out to a farming operation is all there is to it. The sheer scale of farming, though, is a capital-intensive commitment, which involves costs like property, operational expenses, and equipment.

Agricultural investors may look to the alternative ownership patterns of forming a partnership rather than owning the farmland outright. There are more than 440 funds that invest in food and agriculture, managing more than $73 billion in assets as of 2017. Investors may want to consider real estate investment trusts (REITs). Farmland REITs, such as Farmland Partners and Gladstone Land Corporation, purchase agricultural land and handle the process of leasing it to farmers. Because Baybridge Partners REITs typically deal in portfolios of properties, investors who buy shares gain several advantages over buying farmland themselves. The capital required to invest in a REIT can be as low as the price of a single share. This low cost spreads the money at risk in any given farming operation across multiple investors, reducing the risk to any individual shareholder. The presence of multiple farms in a portfolio offers diversification, giving investors broader exposure to the production of different commodities. This serves to offset some of the riskier elements involved in owning a single farm. Shares in a REIT usually trade on stock exchanges, making them significantly more accessible to buy and sell than agricultural real estate. Investing in our agricultural sector means putting your money behind food and crop production, processing, and distribution.

As the world needs to feed a growing population and with less land, interest in agriculture production as an investment has grown right along with the world population. There are several ways to invest indirectly in agriculture, from farm REITs to agricultural ETFs to the commodities markets. These REITs typically purchase farmland and then lease it to farmers. Farmland REITs offer many benefits. For one thing, they provide much more diversification than buying a single farm, as they allow an investor to have interests in multiple farms across a wide geographic area. Farmland REITs also offer greater liquidity than does owning physical farmland, as shares in most of these REITs can be quickly sold on stock exchanges. And farmland REITs also decrease the amount of capital needed to invest in farmland, as a minimum investment is just the price of one REIT share.