



NEW INVESTORS ENTER THE FIELD

Farmland is viewed as a stable asset with attractive returns.

By Abeer Allam

Investment in farmland by high-profile billionaire buyers such as Bill Gates and Warren Buffett has prompted high-net-worth groups, most recently top professional athletes, to follow the trend to diversify their investment portfolio and hedge against inflation, experts say.

In January, about 25 athletes pooled \$5 million in an agricultural investment fund to purchase farmland. The first purchase was a 104-acre corn and soybean farm in northern Iowa, Front Office Sports reported. The athletes, including the NFL's Joe Burrow and NBA star Blake Griffin, plan to lease the land to farmers and expect a single-digit-percentage annual return on the total investment.

The group seeks to buy four more farms within the next few years. New York-based Patricof, which arranged the investment for the athletes, didn't respond to questions about the price paid for the land or future purchases. The investment firm's website

says it has "begun investing in farmland across the Corn Belt, the Pacific Northwest, and northern Minnesota. The farms have high soil quality, strong crop yield, and grow row crops, which are planted annually, minimizing risk. Farmland has historically provided attractive risk-adjusted returns, stable annual income, and a solid hedge against inflation."

Steady Returns

Consistent returns are what draws many investors to farmland purchases.

"Beyond the traditional reasons of buying recreational land, many investors see farmland as a stable asset that could generate robust returns," says Wendong Zhang, the leading researcher of Iowa Land Value Survey and assistant professor at Dyson School of Applied Economics and Management at Cornell University. "Over the past century, Iowa farmland value grew. Their return doesn't correlate with those for stocks (diversification benefits),

and the declines during downtime tend to be less drastic."

Zhang notes land can carry sentimental value, unlike many other investments. While the influx of outside investors seeking farmland can drive land value up, overall, local farmers still constitute 70% of land buyers.

The 2022 Land Value Survey by Iowa State University found the average value of the state's farmland increased 17% to \$11,411 an acre in November 2022 from November 2021, the highest nominal value since the 1940s.

The value growth has been driven by several factors, including high commodity prices, bumper crop yield, low-interest rates, limited land supply, and strong demand from investors.

That's good news for farm owners in Iowa: 85% of farmland is owned free of debt as the "surge over the past two years significantly increased their asset value and wealth," adds Zhang.

Nevertheless, farmers who still have farmland mortgages and/or rent many acres from others, face a much higher cost of financing and cash rents.

"This definitely makes it even more difficult for smaller, beginning, and less-resourced farmers to bid/buy farmland and enter the sector," Zhang notes.

Investors represented 27% of land sales in Iowa, split between local and nonlocal investors, while new farmers accounted for 4% of sales in 2022, according to the survey. **sf**

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