

# Investing in U.S. Farmland

REPORT | MAY 2023





In my career as an equity research analyst, I spent most of my waking hours combing through news and financial data looking for opportunities. Having read about historical market fluctuations, I am amazed at the principal risk to which investors are currently subjected. I also can't help but wonder when the next tipping point will occur.

While professional fund managers can hedge their downside risk through complex financial products, average American investors may have limited ways to help reduce or limit high volatility in their portfolios. Traditional options include cash and gold, but other, lesser known alternatives are growing in popularity.

Growing up around farming, I always appreciated the value of land as a place. But as I started doing deeper research, I truly began to understand farmland as an investment vehicle, diversification tool, and potential inflation hedge. When purchased wisely and managed well, farmland has historically provided consistent return opportunities.

Despite the attractiveness of farmland, it has not been institutionalized to the same degree as other asset classes. Access to farmland has been limited to those in the industry. On top of that, the land must still be managed: establishing relationships, negotiating contracts, monitoring conditions, and accounting oversight all take material effort. This becomes more difficult if you don't know about farming or live thousands of miles away from your investment.

Ultimately, it is far less easy to find, buy, and manage farmland than it is to buy a stock, bond, or mutual fund.

These barriers to entry left a nagging question: what needs to happen to open this asset class to other investors? That question led to an idea that would become AcreTrader.

Over the last five years of our business, we've developed a rigorous due diligence process to vet farmland worth investing in, helped fund over 40,000 acres of land, and have facilitated multiple successful exits. Thousands of investors now have farmland in their portfolios because of AcreTrader, and over 100 farmers have been able to grow their businesses alongside our investor partners. With persistent inflation and fluctuations across traditional asset classes, we believe farmland is more important than ever to consider as part of a holistic portfolio strategy.

In the following pages, we've partnered with research firm Agricultural Economic Insights for analytics to dive deep into farmland investing: its history, performance, and current trends.

I hope you find this white paper useful as you explore this historically overlooked opportunity.

**– Carter Malloy**

*Founder & CEO of AcreTrader*

# An Introduction to Farmland

Farmland is a physical or hard asset with the goal of generating annual income, often a cash rent, and has the potential to appreciate over time. While farmland is an easily understood and tangible object—you drive past it along a highway or fly over it in an airplane—farmland’s role as an investment asset class is often less obvious. How big of an asset class is farmland? What does its return profile look like? And how have differences within farmland investment opportunities—crops grown, geographic location, and investment structure—historically impacted returns? These questions are all important to consider when evaluating a potential farmland investment.

In 2017, the Census of Agriculture reported that there were more than 900 million acres of farmland in the U.S. Most of those acres are allocated to cropland (396.4 million) and pasture (400.8 million). The remaining acres are in infrastructure—farmsteads, facilities, roads, ponds, etc.—or woodland.

<sup>1</sup>Source: USDA NASS; Value of ag land, including buildings.  
<sup>2</sup>Source: The New York Times, Apple Becomes First Company to Hit \$3 Trillion Market Value, 2022.

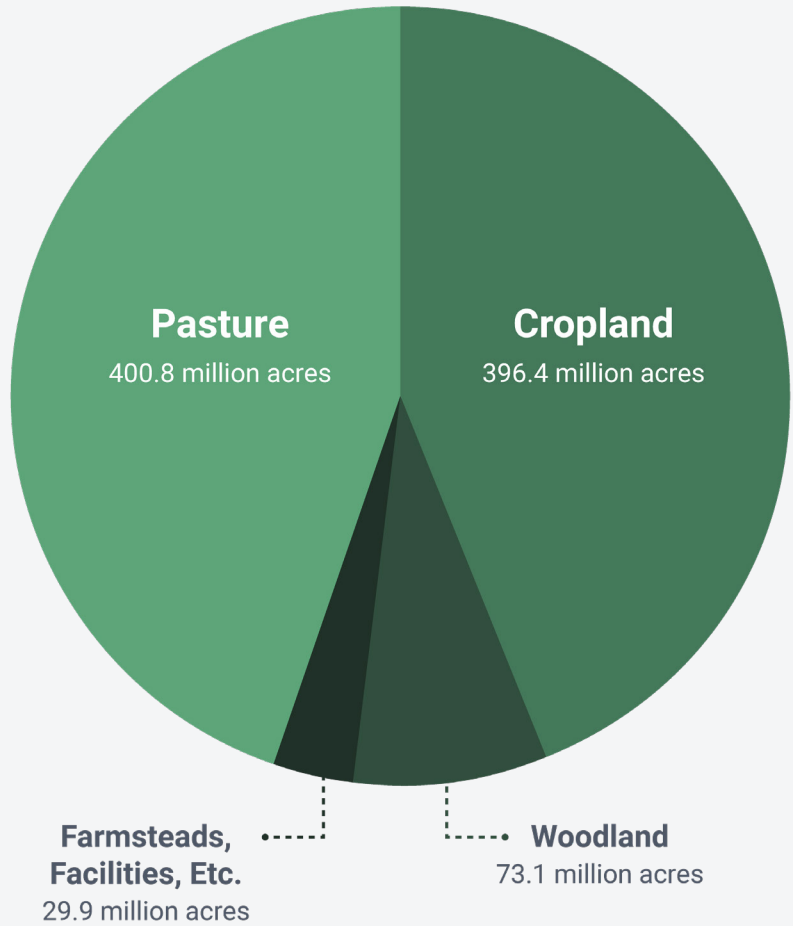
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For most of us, it’s easy to visualize a nine-acre plot. If all U.S. farmland were represented by this plot, eight acres would be equally split between pasture and cropland. Three-tenths of an acre would be the farmstead and relative structures. The last seven-tenths would be woodlands.

Another way of sizing up farmland as an investment is with market capitalization values. In 2022, the USDA estimated the average value of U.S. farmland at \$3,800 per acre.<sup>1</sup> Across all 900 million acres, the market capitalization value of all U.S. farmland would be \$3.42 trillion. For context, Apple, Inc.—the maker of the iPhone and iPad—hit a market capitalization value of \$3 trillion in early 2022, becoming the first company to exceed the threshold.<sup>2</sup>

**FIGURE 1.**  
*Distribution of U.S. Farmland by Classification, Millions of Acres, 2017.*

## U.S. FARMLAND BY CLASSIFICATION



Source: USDA Census of Agriculture, 2017.



# AcreTrader’s Farmland Classification:

To begin thinking about farmland as an asset class, it is helpful to think about it according to what the land is used for. At AcreTrader, we use three primary classifications: row crops, permanent crops, and timberland. From an investing standpoint, it’s helpful to split cropland into row crops or permanent crops due to differences in their typical cash flow structures and potential returns. Row crops and permanent crops are both subsets of the USDA’s cropland measure.

Timberland is a subset of the USDA’s woodland category. Land value data on woodlands is collected separately from farmland data by both the USDA and the National Council of Real Estate Investment Fiduciaries (NCREIF). Importantly, the discussion within this white paper will primarily employ data on row and cropland. You can find similar information about timberland’s investment profile on the AcreTrader website.

## Row Crops (Cropland)

This type of farmland is used for growing crops such as corn, soybeans, wheat, cotton, and other commodities. Row cropland typically offers the potential for modest but

consistent cash flows with lower average total return than permanent crops, but it can also be subject to fluctuations in commodity prices and weather conditions.

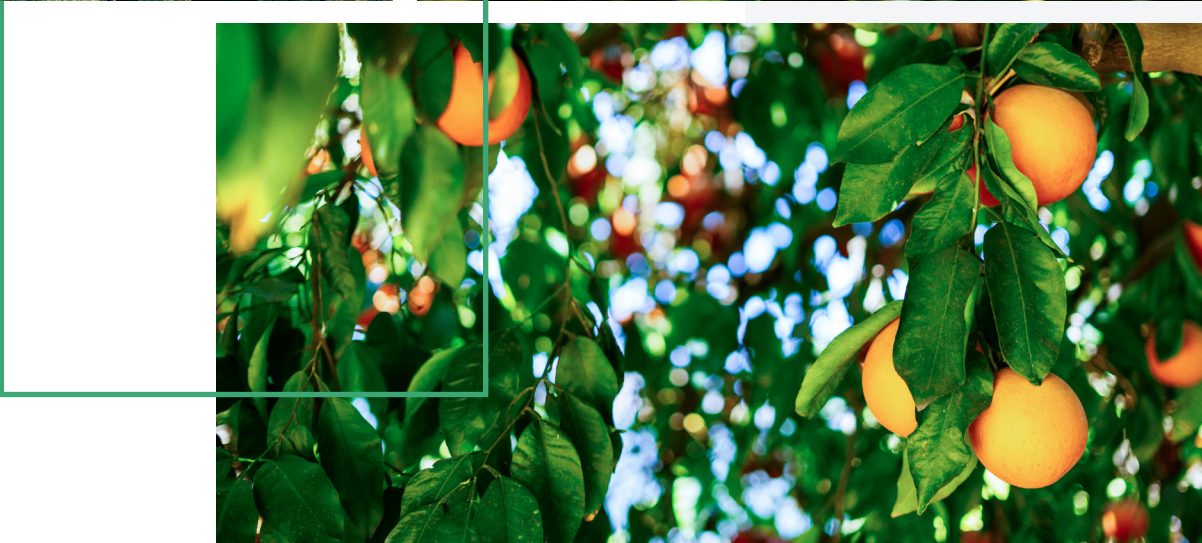
## Permanent Crops (Cropland)

Permanent crops include fruit trees, nut trees, grapevines, and olive groves. Permanent cropland requires specialized management and may have higher upfront costs and inherent risk, but it can offer higher potential cash flows in the long term.

## Timberland (Woodland)

A timber investment consists of productive land plus growing trees, which may be natural or planted. Timberland can provide long-term appreciation potential as trees grow and mature or timber prices increase. These investments may also offer additional capital gains tax benefits; consult with your tax advisor for your individual situation.

There are other types of farmland, such as livestock and dairy, aquaculture, and even wind farms that AcreTrader may consider offering in the future. However, at this time we find the most value for investors in the main categories listed above.



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# Historical Performance

Historic farmland investment performance reveals that the asset has had 1. strong returns and 2. low volatility.

## Returns

Farmland returns are reported by the NCREIF farmland index. Since 1990, \$100 invested in a hypothetical farmland investment—per the NCREIF index—would have returned \$2,550 at the end of 2022. **Across those 33 years, annual farmland returns averaged 10.5%, while the S&P 500, used as a general measure of equity market performance, averaged a 9.3% return over the same period. Gold, shown because it is another physical asset with appeal during periods of inflation, has returned 5.8% annually since 1990** (Figure 2).

There are several key differences between farmland, gold, and equities to keep in mind when examining their respective investment performance. Gold and equities are liquid investments that can be traded daily, whereas farmland is considered illiquid. Farmland investments may incur a broader range of expenses, while costs of gold and equities are primarily transactional in nature and considered lower than those associated with farmland.

Similarly, farmland has traditionally had a higher barrier to entry than gold or equities due to higher costs.

It is often helpful to review investment performance across different timeframes (Table 1). While farmland performance via the NCREIF index exceeded the S&P 500 since 1990, farmland returns have been slightly lower than the S&P 500 since 2010. On the other hand, returns from farmland and gold exceeded the S&P 500 since 2000.

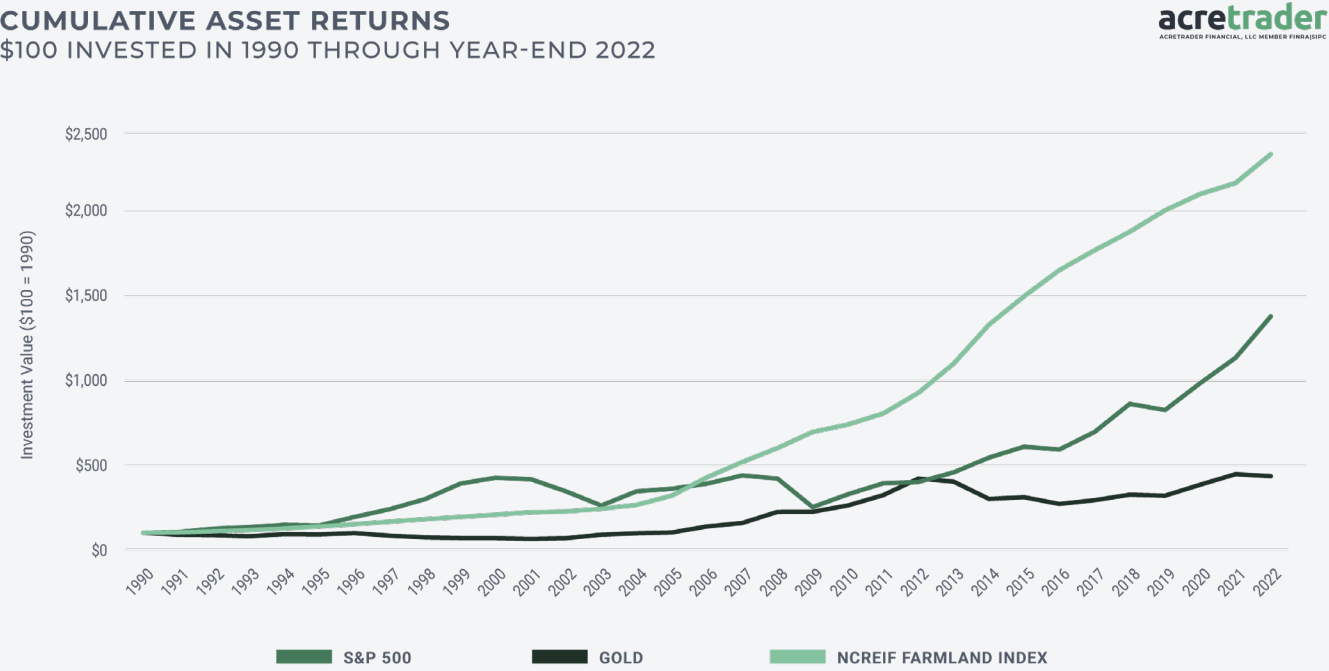
## Risk

The pursuit of returns comes with the trade-off of higher risk. In some cases, farmland may have historically provided balance. From 1990 to 2022, farmland returns averaged 10.5% with 7% variation. **Also included in the illustration below are the S&P and three-month treasuries. The S&P 500 had returns of 9.3% annually with variation in annual returns of 17%.** Three-month treasuries

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FIGURE 2.

Cumulative Returns of \$100 Invested in the S&P 500 Index, Gold Cash Futures Price Index, and NCREIF Farmland Index.



**Past performance does not guarantee future results and there is no guarantee this trend will continue.** All returns are estimates and assume reinvestment of dividends. Index information is provided for illustrative purposes only and is not meant to represent the results of an actual investment. Returns do not include any management fees, transaction costs or expenses. The historical performance of each index cited is provided to illustrate historical market trends. Risk/reward profile for each asset class varies significantly. See endnotes for full disclosures of various assets. You cannot invest directly in an index



generated 2.5% annually with a standard deviation of 2.2% (Figure 3). Keep in mind that farmland is considered an alternative investment. It is considered speculative and is subject to additional risks compared to larger equity investments included in the S&P 500 index. Gold is considered more liquid than farmland investments.

**KEY TAKEAWAY**

**Farmland has had similar returns to the S&P 500 since 1990, but with considerably less volatility.**

**TABLE 1.**  
*Returns for the S&P 500, Gold Cash Futures Price Index, and the NCREIF Farmland Index Over Various Time Horizons.*

	Since 2010			Since 2000			Since 1990		
	S&P 500	GOLD	NCREIF	S&P 500	GOLD	NCREIF	S&P 500	GOLD	NCREIF
Cumulative Returns	\$380	\$178	\$346	\$266	\$652	\$1,045	\$1,239	\$465	\$2,550
Avg. Annual Return	12.7%	6.4%	9.9%	6.57%	9.4%	11.6%	9.3%	5.8%	10.5%
Standard Deviation	12%	15%	5%	17%	16%	7%	17%	15%	7%

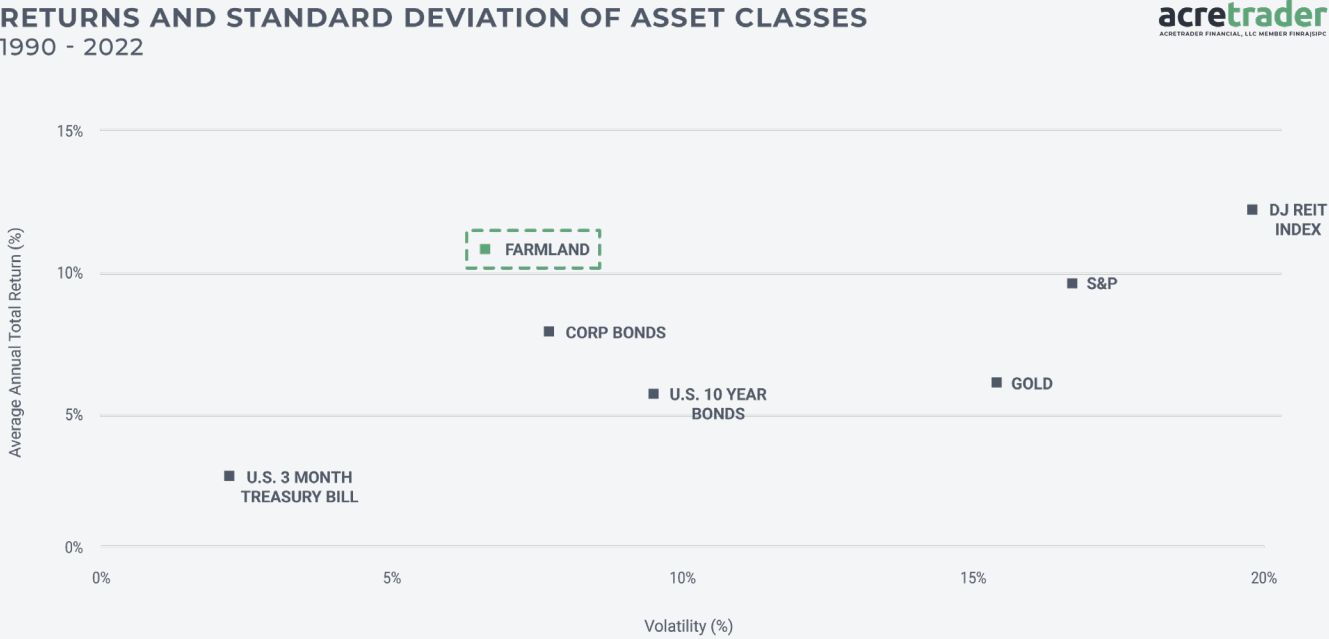
Source: S&P Global, Barchart, NCREIF

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<sup>3</sup>Measured as the standard deviation of annual returns.

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**FIGURE 3.**  
*Average Annual Returns and Standard Deviation of Different Asset Classes, 1990-2022.*



Source: St. Louis Federal Reserve Bank, S&P Global, Barchart, NCREIF, S&P Global

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Low Correlation with Other Asset Returns

A third consideration is how similarly, dissimilarly, or uniquely an asset has performed compared to other investments, also known as the asset’s correlation. One way to consider these data is by plotting the annual returns over time (Figure 4). Comparing the S&P and farmland since 1990, the annual data reveal that the S&P had several years of extremely high returns (>20%) but also years with negative returns. For comparison, annual farmland returns over the period exceeded 20% less frequently, but also didn’t have as many years with negative returns.

Three distinct periods of non-correlation stand out. The first was in the early 2000s when S&P returns were negative for three consecutive years. This period is often described as the dot-com bust. In 2007 and 2008—the early years of the period known as the Great Recession—the S&P again posted large declines while farmland remained positive. **Most recently, S&P returns, again, turned negative in 2022, while farmland returns increased.**

Correlations can also be quantified with the correlation coefficient (Table 2). Investments with returns that move in a similar pattern have values approaching +1.0. Dissimilar return

KEY TAKEAWAY

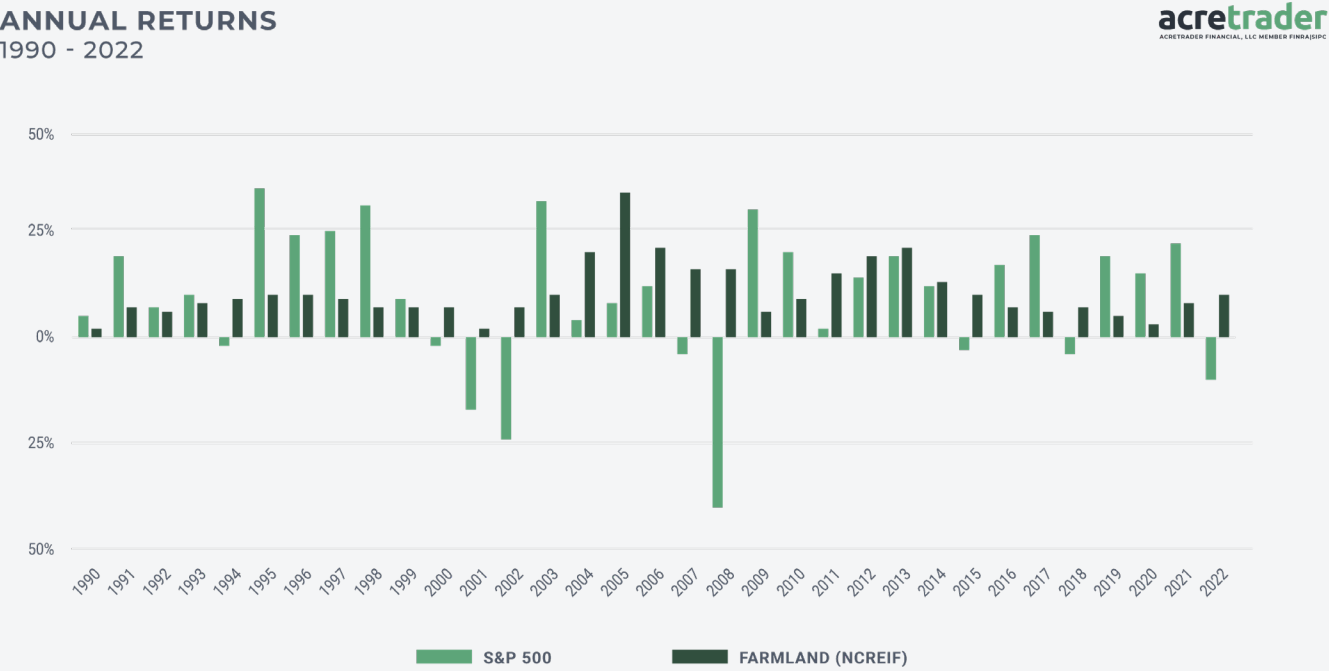
Farmland may be a strong contender for portfolio diversification and lower volatility.

patterns, or negatively correlated assets, will have a value approaching -1.0. Lastly, assets with unique returns, or having no correlation, will have a measure at or near zero.

**Farmland is unique in that it has a low correlation across several other investments, meaning it will behave differently than other asset classes and provides strong diversification across a portfolio.** Since 1990, annual returns to farmland and the S&P have a correlation of -0.07. Farmland returns were most positively correlated, although still weakly, with gold returns (0.21) and were most negatively correlated with corporate bonds (-0.20).

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FIGURE 4.  
Annual Returns of S&P 500 Index (Total Returns) and Farmland (NCREIF Total Farmland Index).



Source: S&P Global, NCREIF

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**TABLE 2.**  
*Coefficient of Correlation of Farmland versus Other Asset Classes.*

	US 10 Year Bonds	Corp Bonds	Treasuries Bill	S&P 500	Gold	DJ REIT Index
FARMLAND (NCREIF)	-0.08	-0.20	-0.16	-0.07	0.21	0.03

*Source: St. Louis Federal Reserve Bank, S&P Global, Barchart, NCREIF, S&P Global*

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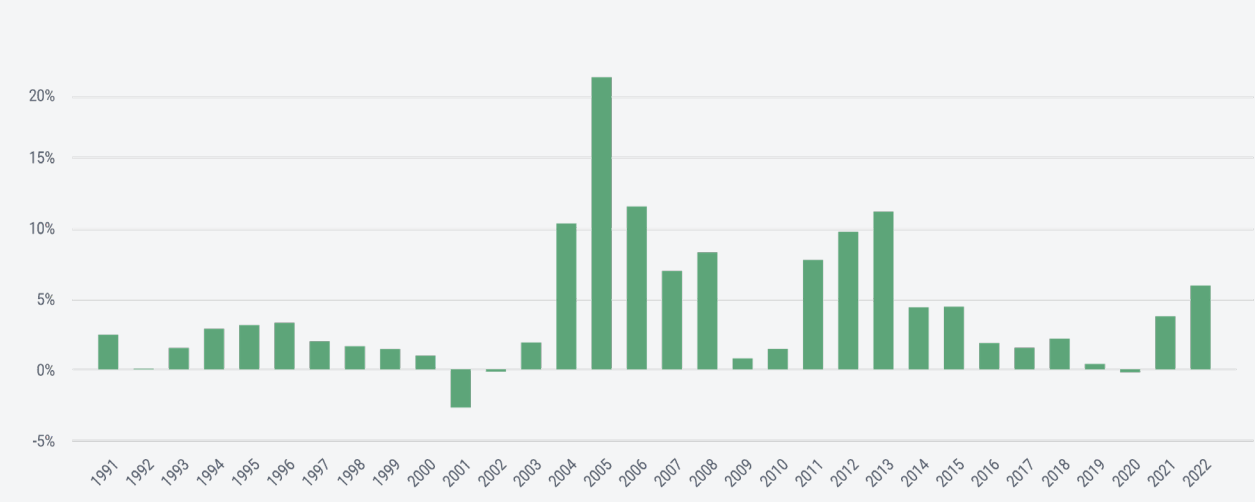
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**FIGURE 5.**  
*Farmland Capital Gains.*

**FARMLAND ASSET GAINS**  
1990 - 2022



Source: NCREIF Farmland Index

**Past performance does not guarantee future results and there is no guarantee this trend will continue.** You cannot invest directly in an index. For illustrative purposes only. AcreTrader Financial does not provide tax advice.

# Unpacking Farmland Returns

An investment in farmland can generate return potential through both capital gains, or appreciation in underlying land values, and income. The NCREIF Total Farmland Index has tracked total farmland investment returns as a combination of these two components since 1990.

## Capital Gains

With respect to capital gains, or the past tendency of farmland values to appreciate, farmland has a good record. **Since 1990, NCREIF-reported data on farmland values—across all land types—reveal an average increase of 4.1% per year.** Only in three years did the value of farmland decline (Figure 5).

## Income

The second source of returns is the income generated. This is often a cash rental rate, or the annual payment received from the tenants that lease the acreage for agricultural production. It can also take the form of a revenue share with a farming operation. Since 1990, NCREIF index data reveal that, on average, income generated 6.3% annually, alongside the capital gains returns of 4.1% (Figure 6).

These two return streams—cash rents and capital gains—have very different return

profiles. For example, the standard deviation on capital gain returns was 4.7%, while the standard deviation on income was 1.7%.

Combining the annual increase in farmland values with the income, farmland investments generated an average annual return of 10.5% annually since 1990, with a standard deviation of 7.0% (Figure 7).

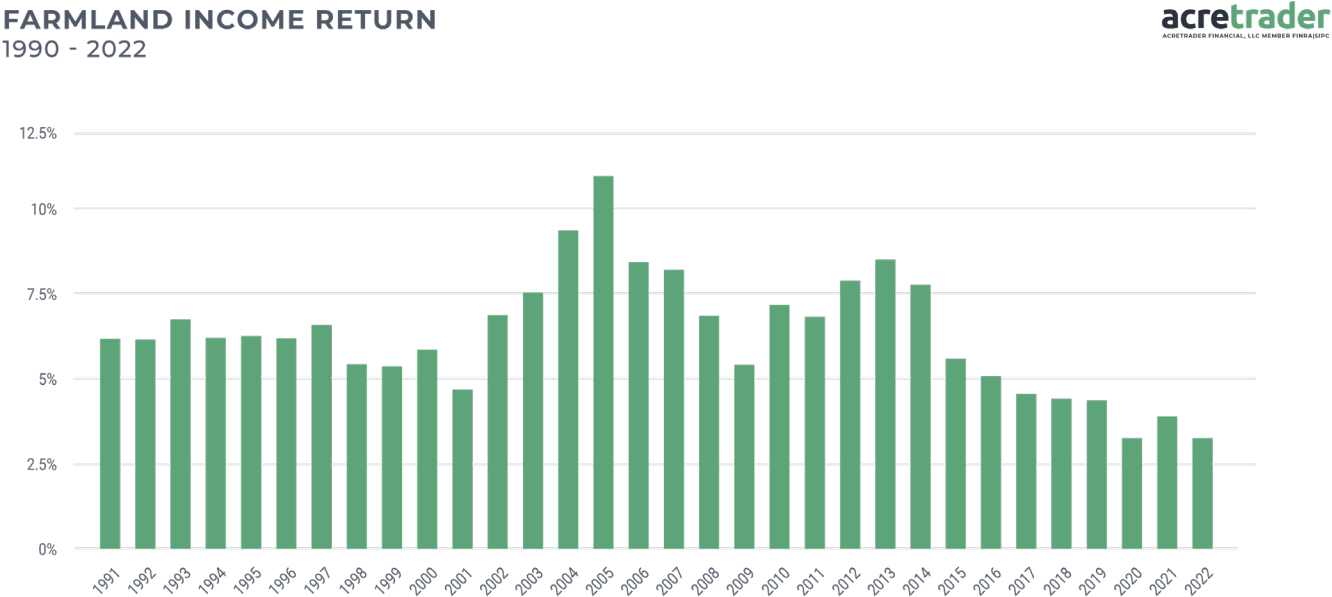
With farmland investments through AcreTrader, the income component of investor returns is distributed proportionally once every year, while capital gains are realized when the investment is sold and distributed proportionally to investors upon exit.

## Returns by Land Type

When considering farmland investments, it's important to recognize that the type of land and earnings arrangement can significantly affect the returns. A common distinction is between row crops and permanent crops. **From 1990 to 2022, total returns to**

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**FIGURE 6.**  
*Farmland Income Return.*

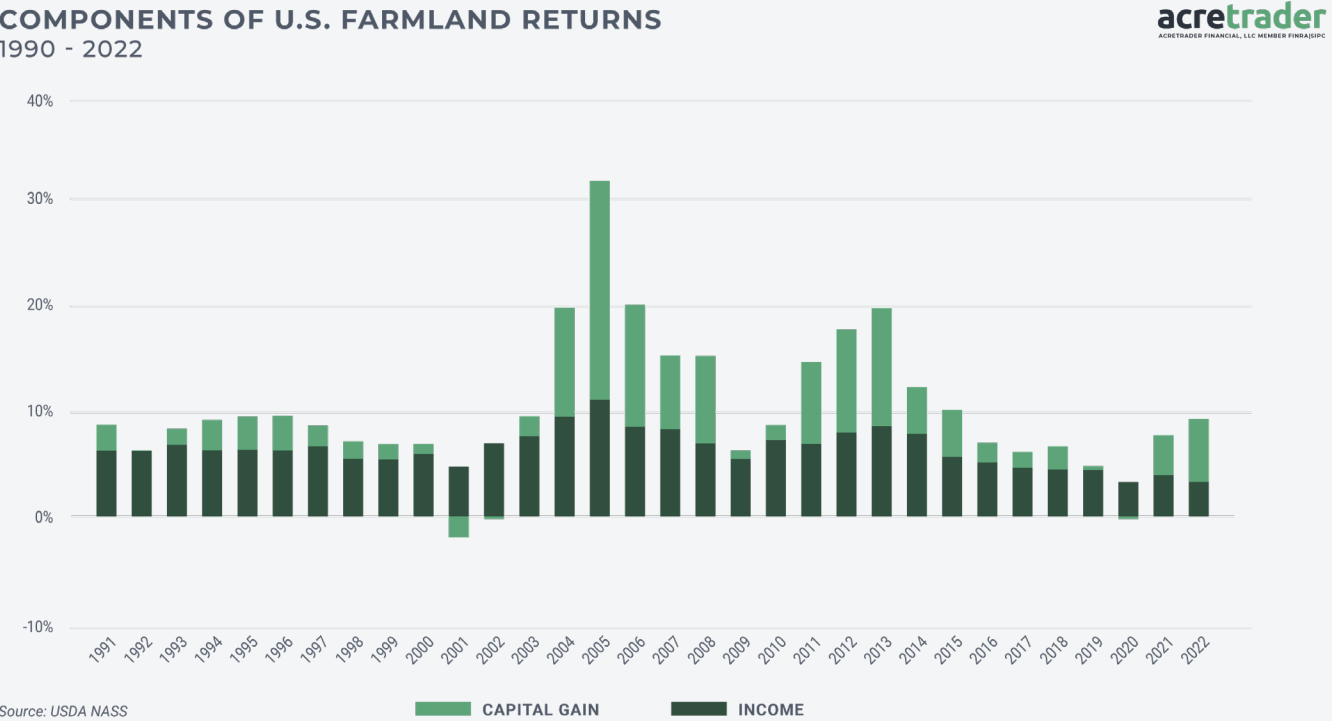


Source: NCREIF Farmland Index

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**FIGURE 7.**  
*Sources of Farmland Returns, 1990-2022.*



Past performance does not guarantee future results and there is no guarantee this trend will continue.



row crops averaged 10.1% annually. For comparison, returns to permanent crops averaged 11.4% over the same period.

The composition—or sources—of returns can also be very different. For farmland, returns were roughly split between annual earnings (46%) and capital gains (54%). However, a majority of permanent crop returns since 1990 were generated by the annual income (78%) (Figure 8).

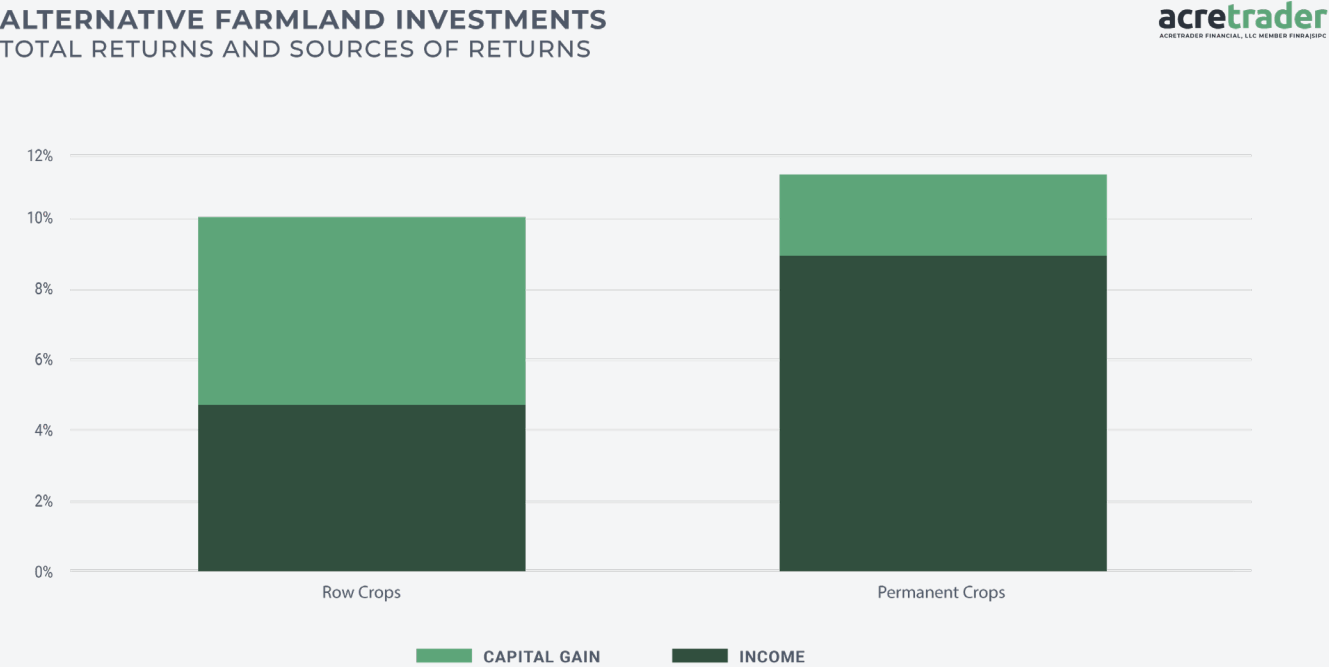
To untangle the different types of farmland investments and arrangements, we can consider the performance of different types of farmland investments. Just as farmland returns can be compared across alternative investments, it’s possible to compare and benchmark different farmland investments.

When comparing the returns and risk of different farmland investments since 1990, the total return for permanent crop investments was higher than annual crops,

as noted earlier, but permanent crop returns also had a higher volatility. **As expected, the higher returns of permanent crops came with the trade-off of more volatility.**

Second, the return and risk profiles differ depending on the annual income arrangement (Figure 9). At a simplified level, annual income can be a contracted cash rental agreement or an operational stake that captures the returns—and risks—of production, marketing, and production expenses. Specifically for permanent crop investments, two alternative structures are considered: leased versus operated. As anticipated, the **leased operations—those with an annual cash rental payment—generated a lower return with lower risk.** On the other hand, **permanent cropland with an operational return structure had higher returns but more volatility,** based on data from 1990-2022.

**FIGURE 8.**  
*Alternative Farmland Investments: Total Returns and Sources of Returns, 1990-2022.*



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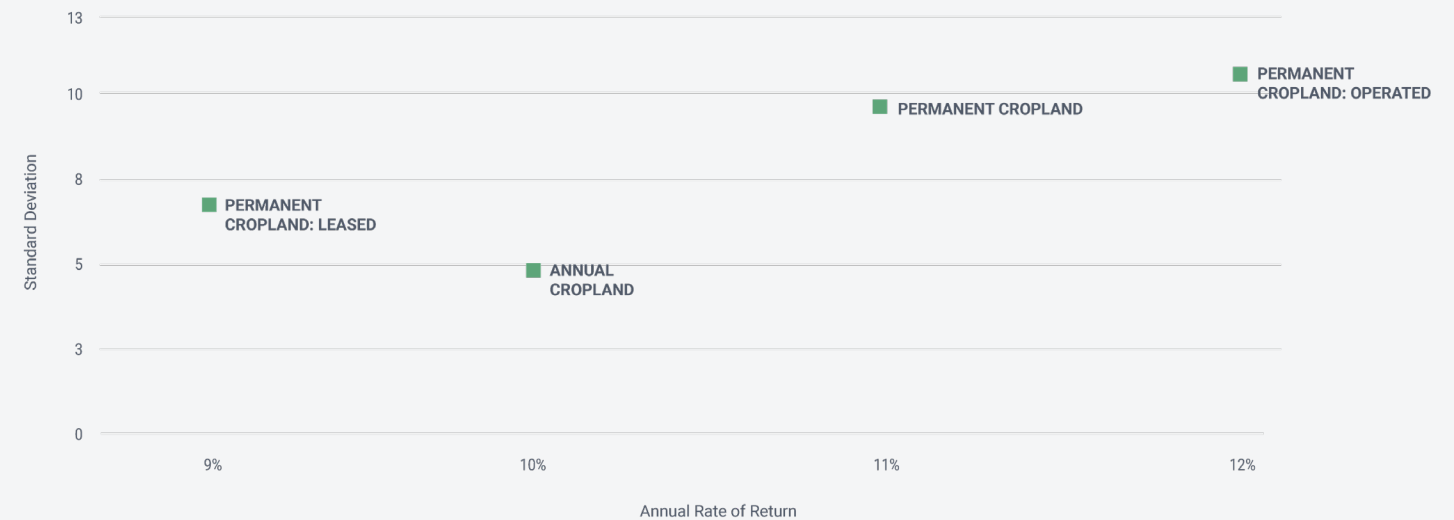


**FIGURE 9.**

*Average Annual Returns and Standard Deviations of Alternative Farmland Investments, 1990-2022.*

## RISK AND RETURN OF ALTERNATIVE FARMLAND INVESTMENTS 1990 - 2022

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Source: NCREIF

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# The Farm Economy

When the agricultural economy is thriving, overall profits in the sector often translate into increased demand for farmland, driving up its values. The main factor behind the increase in farmland values is that farmers, seeking to expand their operations, bid a portion of their increased profits into acquiring or renting additional acres. With this in mind, it's worth considering the state of the U.S. farm economy.

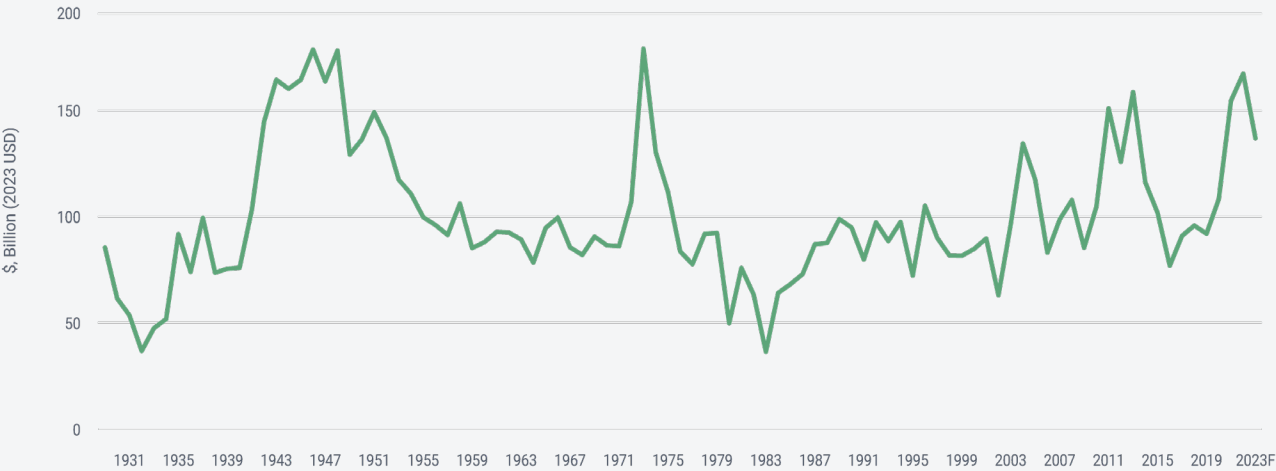
The USDA publishes estimates of sector-level farm profits since 1929. These inflation-adjusted data, which show the aggregate profits of all U.S. farms, reveal that the farm economy has experienced several favorable years since 2005. The 2011-2013 spike in farm incomes coincided with the U.S. ethanol expansion, China importing vast quantities of soybeans from around the world, and challenging weather in the U.S. More recently, farm incomes have again boomed as soaring commodity prices largely offset

rising production expenses. Again, global trade, biofuels, and weather have been significant factors. Historically, farm incomes also peaked in the 1940—during and after World War II—and in the early 1970s (Figure 10).

While the overall farm economy has been strong, conditions have varied by geography and commodity. One consideration is the change in cash receipts for each commodity. These changes are primarily impacted by commodity prices, but also acres of production and annual yields. For corn, wheat, and soybean, indexed cash receipts in 2022 were near or above 170 (2019=100). The implications are that the value of production for those crops has increased by 70% since 2019. However, the index for cotton production in 2022 was just 125, or 25% higher than in 2019. Conditions for fruit and nut crops are less favorable, with cash receipts at just 106 (Figure 11).

**FIGURE 10.**  
*Real U.S. Net Farm Income, 1929-2023F.*

**REAL NET FARM INCOME 1929-2023F**  
(2023F=100)



Source: USDA ERS

**Past performance does not guarantee future results and there is no guarantee this trend will continue.** Historical data 1929-2022. 2023F is a USDA-issued forecast. Real net farm income includes cash receipts, farm-related cash income, and government farm program payments.

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In addition to the national farmland data, which spans back decades, and farmland rental rates and values, which spans to 1998, the USDA also tracks state-level farmland values. As mentioned, conditions have been highly variable. Farmland values from 2010 to 2022 increased much more aggressively in the Northern Great Plains and Western Corn Belt States. Conversely, values adjusted much less in the Southwest and Southeast regions (Figure 12).

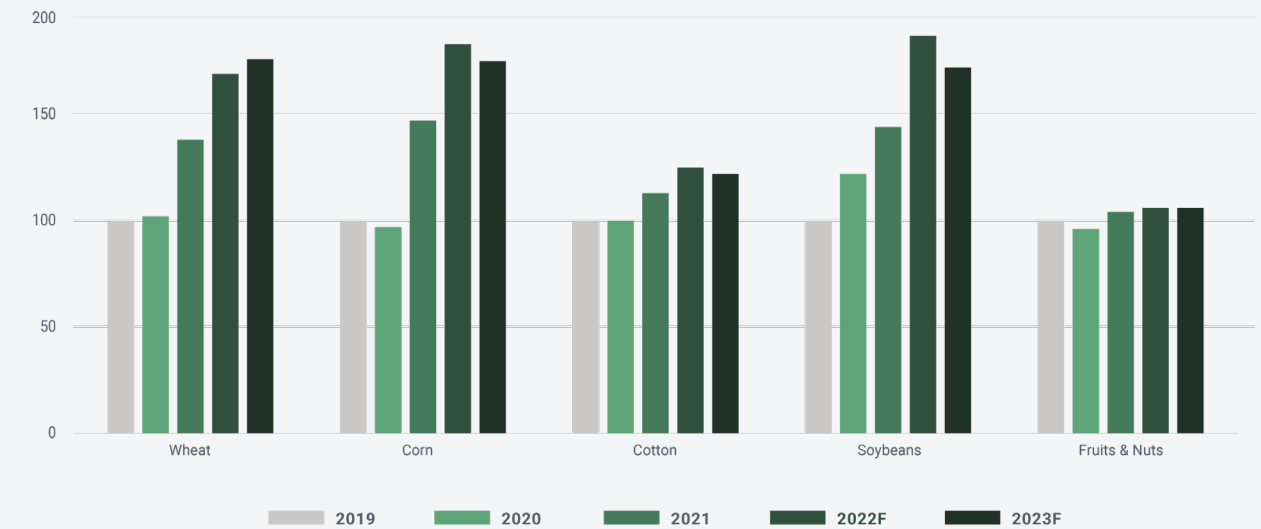
Taken all together, the U.S. farm economy in recent years has enjoyed historically favorable conditions. This has been fundamentally supportive of farmland values. However, conditions have been highly variable. Some crops haven't experienced as much increase in the value of production. At the regional level, long-term challenges such as water availability also impacted farmland valuations. In short, **the historical performance of any specific piece of farmland is heavily impacted by the crops raised and the intrinsic characteristics of the farm or region.** Careful consideration and diligence are needed when evaluating alternative farmland investment opportunities.

**FIGURE 11.**

*Index of Annual Cash Receipts by Select Commodities (2019=100).*

#### INDEX OF ANNUAL CASH RECEIPTS BY SELECTED COMMODITIES 2019 = 100

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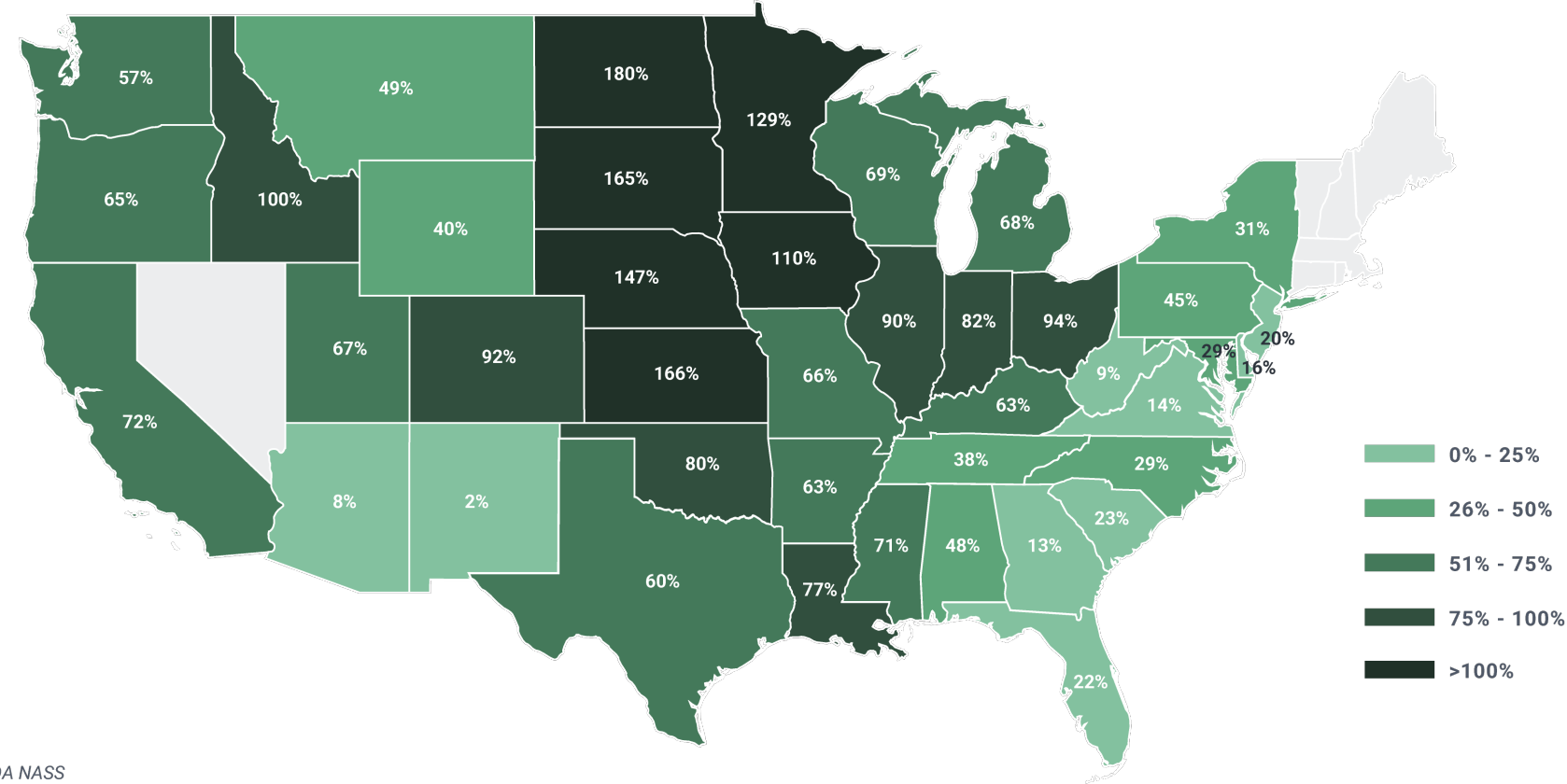
Source: USDA ERS

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**FIGURE 12.**  
*Change in Farmland Values, 2010-2022.*

**CHANGE IN FARMLAND VALUES**  
2010 - 2022



Source: USDA NASS

**Past performance does not guarantee future results and there is no guarantee this trend will continue.**  
The percent change in farmland values from 2010 to 2022. No data available for regions in gray.

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# Evaluating Farmland Investments

When valuing a farmland investment, there are several key factors to consider and help you assess the potential value and financial performance of an investment.



### Location and Accessibility

Factors such as proximity to markets, transportation infrastructure, water availability, and climate can affect the productivity and profitability of the farmland. Farmland that is located within an active farming region, is easily accessible, and has favorable geographic and climatic conditions may command higher values.



### Soil Quality

Factors such as soil type, fertility, and drainage can affect crop yields and the potential for income generation. Farmland with high-quality soil that is suitable for the intended crops or agricultural activities may be more valuable.



### Water Rights and Availability

With water scarcity presenting ever-increasing challenges around the globe, access to water is crucial for agricultural production and farmland value. Consider factors such as legal water entitlements, availability of irrigation, and water source sustainability when valuing a farmland investment.



### Crop History and Farming Practices

Historical yield data, if available, can help you develop a sense of a property's productive potential. Factors such as crop rotation, pest management, fertilizer application, and tillage practices can impact the long-term sustainability and productivity of the farmland.



### Market Demand and Commodity Prices

Consider factors such as current and historical commodity prices, local and global market demand for the crops or products grown on the farmland, and potential risks related to market fluctuations.



### Lease and Rental Rates

If the farmland is leased out, the terms and conditions of the lease agreement, including current and potential rental rates and lease duration, can affect the value of the investment.



### Regulatory and Legal Considerations

Regulatory and legal factors, such as zoning restrictions, environmental regulations, and land use policies, can impact the value and potential use of farmland.



### Comparable Sales and Market Trends

Research recent sales of similar farmland properties and track market trends for insight into the current market value and potential appreciation of the farmland investment.

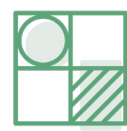
**Valuing a farmland investment requires a comprehensive analysis of various factors that can impact its financial performance and potential for appreciation. It's important to conduct thorough research, seek professional advice, and carefully assess all relevant factors to make an informed investment decision.**

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# Methods to Invest in Farmland

There are several ways to invest in farmland, depending on your financial goals, risk tolerance, and investment strategy. Here are some common methods of investing in farmland:



## Farmland Investing Platforms

Like AcreTrader, there are platforms that specialize in farmland investing, allowing accredited investors to invest in shares of farmland properties or development projects. These platforms often provide opportunities for investors to participate in farmland investments at more accessible minimums than were historically available, but it's important to carefully review the investment offerings and understand the risks involved.



## Direct Ownership

Purchasing farmland as an individual or through a partnership or corporation allows you to directly own and manage the farmland. This method gives you control over the operations, decision-making, and potential profits of the farm. However, it also requires active management, including overseeing operations, maintenance, and dealing with regulations and tenants.



## Agriculture Stocks and ETFs

Agriculture stocks are shares in individual publicly traded agricultural companies; they are not farmland-specific. Agriculture ETFs are publicly traded, managed funds that invest in multiple agricultural companies and commodities. These types of investments can offer liquidity and broad exposure to the wider agriculture sector.



## Real Estate Investment Trusts (REITs)

Farmland REITs are publicly traded companies that own and manage farmland properties. They operate similarly to other types of REITs, which are required to distribute a significant portion of their income to shareholders as dividends. Investing in farmland REITs provides liquidity, as shares can be bought or sold on stock exchanges, and allows for indirect ownership of farmland without direct operational involvement.



## Private Equity

Private equity firms and investment groups may invest in farmland by acquiring and managing agricultural properties. These investments typically involve larger capital commitments and longer investment horizons, and may require more active management and operational expertise.



# Conclusions



There are three common barriers to investing in farmland. First are the technical knowledge gaps. These can exist in different forms and to varying degrees but commonly include evaluating the quality of a specific investment opportunity, understanding the underlying relevant agricultural sectors, and navigating the logistics of farm management.

Second, the size of a farmland investment is often large for many individuals. For example, there are 640 acres in one square mile. While it varies, it's common for farmland to be owned in 40-, 80-, or 160-acre parcels. Assuming the national average value of farmland of \$3,800 per acre<sup>4</sup>, this would make an entry-level investment of \$136,830 for 40 acres. An investment of this size may be more than what individuals are willing to make, especially on just one specific investment, yet small in the grand scheme of normal farmland offerings. AcreTrader investment opportunities are divided into shares, with a minimum price per share that does not necessarily align with a specific amount of acreage.

Lastly, the farmland market, like other real estate investments, has transaction costs and timing considerations when entering or exiting. This is to say that the investment is

described as being long-term and suited for patient investors.

Collectively, these three barriers have limited the feasibility of farmland investments for many individuals. However, new technologies and investment offerings, such as those provided by AcreTrader, have made farmland investments more accessible.

Historically farmland has provided competitive returns with relatively lower volatility. While not an indicator of future performance, these data underscore why some investors find the investment appealing. When considering opportunities, remember that farmland investments are often more nuanced than first perceived. Individuals should consider the type of farmland investments: row crops, permanent crops, and timber. When applicable, it's important to consider the annual income stream of that investment. Are returns generated from a cash rent or a stake in the operational success? Last but not least, investors should remember that returns are heavily impacted by underlying economic conditions in the farm economy and relevant commodities. Additionally, farmland investments are considered speculative and involve risk, including potential complete loss of principle.

<sup>4</sup> 2022 USDA Estimates



# About AcreTrader

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AcreTrader is a land investment and technology company that empowers its customers to buy and sell land smarter through advanced technology, data, and expertise. Since its founding in 2018, AcreTrader has broadened access to research, buy, sell, and invest in land for thousands of investors, farmers, and landowners across the U.S. and Australia. AcreTrader Financial, LLC, is a registered broker dealer, member FINRA/SIPC offering access to farm and timberland investments to accredited investors through its platform. For more information, including our terms of use, privacy policy, and risk factors, learn more by visiting [acretreader.com](https://acretreader.com).

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Securities offered through AcreTrader Financial, LLC, member FINRA/SIPC.

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Distributions paid are not solely based upon performance and are not guaranteed in frequency or amount. Distributions will be paid from net investment income, offering proceeds, borrowings, or reimbursable expense support, subject to certain conditions being met.

The intent of this white paper is to introduce investors to farmland as an asset class to be considered alongside other, more traditional assets. As with any investment, each individual should consider several factors including, but not limited to, goals and objectives, timeline, risk, liquidity, costs and expenses, volatility, and tax features. While farmland is similar to both equities and gold in some ways, the focus herein is on the material differences between the three. “Equities” herein refers to the S&P 500 as a general measure of equity market performance . Some key differences include:

**Barrier to Entry**

Gold: Low for both physical gold or gold held

in trust. Equities: Low. Investors may open an online or traditional investment account and deposit funds to use for trading. Farmland: Traditionally high for many reasons, foremost due to the amount of capital required. Alternative investing platforms like AcreTrader are lowering this barrier somewhat, as explained below.

**Liquidity**

Gold: High. The market for gold is active regardless of the form in which gold is held. It is bought and sold in its various forms every day. Equities: High. The S&P 500, for example, is quite liquid as it trades every business day (excluding holidays) in significant volume. Farmland: Low. Farmland investments, including those facilitated by AcreTrader, are considered illiquid.

**Costs and Expenses**

Gold: Depends in part on the form of gold purchased and how it is held. Regardless, expenses related to buying, holding, and selling gold are primarily transactional and low in comparison to farmland. Equities: Similarly to gold, expenses are primarily transactional with minimal holding costs. Farmland: In addition to transactional expenses, owners of farmland may incur a broader range of expenses from property taxes, management,

maintenance, insurance, etc. AcreTrader provides in-depth analysis and transparency related to costs and expenses for all its offerings.

**Safety**

Gold: Long considered a “safe” investment, gold possesses several unique traits. It is seen as a solid hedge against inflation and deflation when the stock market falls, as it tends to rise when paper currency weakens. Like farmland, it is subject to the economic principles of supply and demand. A reputation as a historical store of value and lack of correlation with the stock market make gold a popular asset when “flights to safety” occur. Equities: The S&P 500 is a stock market index that tracks the performance of 500 large-cap publicly traded companies in the U.S. Shares are liquid as they are traded on the New York Stock Exchange. The question of safety is subjective; the index can be affected by a wide range of factors, including economic data, corporate earnings reports, and geopolitical events. Investing of any sort in any asset type involves some degree of risk. Farmland: Like gold, farmland is a physical asset subject to price declines due to various factors. Farmland is perceived as safe due to its long-term history, finite supply, and overall economic importance. Again, safety is subjective and based on too many factors to list. All investments, without exception, have risk.

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## Regular Income

Gold: Unlike farmland and equities, physical gold does not provide income. Equities: Some equities provide income by way of dividends. This type of income is paid for a variety of reasons including the sharing of profits with investors and as a show of financial strength. The S&P 500 pays a dividend yield. Farmland: Income from farmland may come in the form of lease payments from a tenant farmer, crop or revenue share with a tenant farmer, or lease payments from solar and/or wind operations. Regardless of the form, well-managed farmland has the potential to provide regular income to investors.

## Volatility

Gold: While it enjoys the reputation as a “safe” investment, gold can still be volatile in the short term with price fluctuations influenced by factors such as interest rates, geopolitical tensions, and changes in supply and demand. Equities: The S&P 500 is a stock market index that tracks the performance of 500 large-cap publicly traded companies in the U.S. As a stock market index, the S&P 500 can be affected by a wide range of factors, including economic data, corporate earnings reports, and geopolitical events. The stock market can be highly volatile in the short term, with sudden fluctuations in prices due to news or events. Farmland: Real estate as a whole (including farmland) tends to be less volatile than the stock market and gold, but it can still be affected by economic conditions, interest rates,

and other factors. Farmland specifically is sensitive to adverse weather conditions and volatility in commodity prices, but its long-term trend to date is not reflective of extreme volatility. As stated above, however, all investments involve risk and past performance is not indicative of future performance.

## Tax Aspects

Gold: Gold investments are subject to capital gains taxes when they are sold for a profit. The tax rate depends on how long the gold was held before being sold. If held for less than one year, income is taxed as short-term capital gains at the ordinary income tax rate. If held for more than one year, gains are taxed as long-term capital gains at a lower rate. Equities: Equity investments (including the S&P 500 index), such as stocks and mutual funds, are subject to capital gains taxes when sold for a profit. The tax rate depends on how long the investment was held before being sold. If held for less than one year, income is taxed as short-term capital gains at the ordinary income tax rate. If held for more than one year, gains are taxed as long-term capital gains at a lower rate. Farmland: In general, real estate investments can be subject to several taxes, including property taxes, capital gains taxes, and depreciation recapture taxes. Property taxes are based on the value of the property and are usually levied by local governments. Capital gains taxes apply when the property is sold for a profit, and the rate depends on how the property was held before being sold. Depreciation recapture

taxes apply when a rental property is sold, and they are calculated based on the depreciation claimed on the property during ownership it. Farmland can offer several tax advantages for landowners including:

Agricultural tax breaks: In many states, farmland is classified as agricultural land, which qualifies it for lower property tax rates. This is because agricultural land is assessed based on its current use, rather than its potential market value. As long as the land is used for agricultural purposes, such as growing crops or raising livestock, it can be eligible for these tax breaks.

Depreciation deductions: Landowners can also take advantage of depreciation deductions on the equipment and structures used on their farmland, such as tractors, irrigation systems, and barns. Depreciation allows landowners to deduct the cost of these assets over time, reducing their taxable income.

Conservation easements: Landowners can also receive tax benefits by placing a conservation easement on their farmland, which permanently limits the use of the land for conservation purposes. This can provide significant tax benefits, such as a reduction in property and estate taxes.

1031 exchanges: Landowners who sell their farmland can take advantage of a 1031 exchange, which allows them to defer capital gains taxes by reinvesting the proceeds in another property of equal or greater value. This can provide significant

tax benefits for landowners who are looking to sell their farmland and reinvest in another property. Regardless of the asset it is important to consult with a tax professional to understand the specific tax rules and regulations that apply to your individual situation.

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