
THE CASE FOR FARMLAND INVESTMENTS

Jeremy Schwartz — Global Chief Investment Officer

03/28/2018

Last Friday's podcast featured an interesting discussion on farmland, an asset class we do not spend a lot of time talking about but one that could make an interesting allocation for those expecting a pickup in inflation.

The two guests from the show invest in farmland in very separate structures—one was Paul Pittman, the CEO and founder of a public farmland [real estate investment trust](#) called Farmland Partners, and the other was Brandon Zick, who oversees land acquisitions for Ceres Partners, a private real estate fund.

Lack of Institutional Investment in Farmland: Both Pittman and Zick emphasized how farmland remains a very scattered and noninstitutionalized market—meaning most of the asset owners are farmers themselves. Only 2% of farms are owned by institutional investment funds like the ones Zick and Pittman operate, and that creates inefficiencies and opportunities to add value, in their opinion.

The farmland assets that both Pittman and Zick represent are more akin to traditional real estate investments in that farmers pay rent to landowners like Pittman and Zick. This shields the [cash flows](#) from the [volatility](#) of agriculture prices that farmers assume, but the long-run appreciation is tied to the value of the land.

Zick's firm looks to acquire farms with a 5% cash flow yield, and he expects to be able to get land value appreciation over time. The [dividend yield](#) on the Farmland Partners REIT has moved up given negative sentiment in the REIT, and Pittman believes his share prices are selling at a sharp discount to Farmland Partners' internally calculated [net asset value](#), so he is also buying back shares to the extent his cash flow, debt and asset sales allow.

The [bullish](#) case for agriculture prices over the long run is a play on emerging market consumption growth, as the biggest driver of food consumption worldwide will be growth in per capita income in the large population countries such as India and China—so farming also is a play on emerging market growth.

I had the opportunity to meet Zick at Camp Kotok in Maine last August and was intrigued by the investment approach of Ceres Partners. The cash flows that are generated by the rental income paid by the farmers—in addition to the land appreciation that comes over time—make this an intriguing asset class with few vehicles that deliver this exposure.

To hear more about how both Pittman and Zick invest in farmland and the opportunities each of their firms can give, listen to our full conversation on our "Behind the Markets" podcast [here](#).

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Kara Marciscano, Jianing Wu and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Real estate investment trust (REIT) : Investment structure containing a basket of different exposures to real estate, be it directly in properties or in mortgages. Returns predominantly relate to changes in property values and income from rental payments.

Cash flows : a measure of how much cash a business generates after taking into account all the necessary expenses, including net capital expenditures.

Volatility : A measure of the dispersion of actual returns around a particular average level. nbsp;.

Dividend yield : A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Net Asset Value (NAV) : The calculated assets minus liabilities divided by shares outstanding. NAV is the straightforward account of the actual assets in the fund.

Bullish : a position that benefits when asset prices rise.