



## Investing in Farming

By John Andresen, CEO Global Grange Inc.

Investing in agriculture is a smart strategic decision. After all, regardless of the state of the overall economy—whether it's in a recession or booming—people still need to eat. This makes agriculture and farming investments attractive to many investors, as they are often recession-proof. Additionally, with the world's population on the rise, farming is expected to play an increasingly vital role in sustaining global societies.

However, purchasing a farm outright may not be a viable strategy for the average investor. The initial capital required to buy a farm can be substantial, and the ongoing expenses and operational responsibilities, such as leasing or managing the farm, can also be significant. Fortunately, there are alternative investment avenues available for investors to gain exposure to the agricultural sector without the need to directly invest in a farm.

### **REITs**

Investors seeking exposure to farmland without the complexities of direct ownership often turn to farming-focused Real Estate Investment Trusts (REITs). Examples include Farmland Partners Inc. (FPI) and Gladstone Land Corporation (LAND).

These REITs typically acquire farmland and lease it to farmers, offering several advantages. Firstly, they provide diversification by allowing investors to hold interests in multiple farms across various geographic areas, reducing concentration risk. Additionally, farmland REITs offer greater liquidity compared to owning physical farmland, as shares can be easily traded on stock exchanges. Furthermore, investing in farmland REITs requires less capital than purchasing individual farms, as the minimum investment is just the price of one REIT share.

## Agriculture Stocks

Investors can also explore a range of publicly-traded companies operating within the farming sector. These companies encompass a spectrum, from those directly involved in cultivating and harvesting crops to those serving various industries that aid farmers.

**Crop Production.** One avenue for investment lies in companies engaged in planting, growing, and harvesting crops. Many of these firms also partake in ancillary activities such as distribution, processing, and packaging. However, the number of publicly-traded crop production firms is limited. Examples include Fresh Del Monte Produce Inc. (FDP), Adecoagro S.A. (AGRO), and Cresud (CRESY).

**Supporting Industries.** Investors can also consider investing in various industries that provide support to farming operations. Among the largest are companies involved in fertilizer and seed sales, manufacturers of farm equipment, distributors and processors of crops, as well as Agriculture-Focused web services.

- **Fertilizer and Seeds.** Numerous companies are engaged in the production and sale of fertilizer and seeds, offering investment opportunities for interested parties. Investors should assess the proportion of each firm's revenue derived from agriculture, as some also serve various other sectors. Notable publicly-traded companies in this space include Nutrient Limited (NTR) and The Mosaic Co. (MOS).
- **Equipment.** Farming is known for its reliance on specialized equipment, making investments in equipment manufacturers with an agricultural focus an attractive option for investors. Prominent firms in this sector include Deere & Co. (DE) and AGCO Corp. (AGCO).
- **Distribution and Processing.** Several companies play crucial roles in transporting, processing, and distributing crops from the farm to local markets. Investors can explore opportunities within this segment, though it's important to note that some of these companies generate only a portion of their revenues from agriculture-related activities. Examples include Archer Daniels Midland Co. (ADM) and Bunge Limited (BG).
- **Agriculture-Focused SaaS Stocks.** A number of companies provide services to farms which provide a stock option that is an excellent combination of tech and agriculture - combining two growth sectors. Global Grange Inc. is an exciting startup in this sector who provides a wide range of SaaS options for Farms and

agricultural associations. Currently they offer a crowd funding option at <https://wefunder.com/global.grange.inc> .

## **Ag ETFs**

Exchange-Traded Funds (ETFs) serve as effective tools for investors seeking diversified exposure to the agriculture sector. One such example is the VanEck Agribusiness ETF (MOO), which provides access to a diverse array of businesses. This ETF invests in companies that derive a minimum of 50% of their revenues from agriculture-related activities.

For those interested in agricultural commodities, the Teucrium Soybean ETF (SOYB) stands out as the top-performing agricultural commodity ETF, based on its performance throughout 2020.

As with any ETF investment, investors should conduct thorough due diligence, considering factors such as management fees and the performance of the index that the fund tracks. By carefully evaluating these aspects, investors can make informed decisions aligned with their investment objectives.

## **Ag Mutual Funds**

Additionally, mutual funds offer another avenue for investors to access the farming and agriculture industries. However, it's crucial to understand the fund's investment focus before committing. Some mutual funds invest in agriculture-related firms, while others focus on commodities.

Investors should carefully assess whether the fund aligns with their investment goals, considering that many funds may have exposure to multiple sectors beyond agriculture. If investors seek a more targeted agriculture investment, they might find other asset classes more suitable.

When evaluating mutual funds, investors should consider fees and past performance, comparing them to alternative investment vehicles like ETFs. One example of a mutual fund with exposure to agricultural firms or commodities is the Fidelity Global Commodity Stock Fund (FFGCX).

## Soft Commodities

For more speculative investors, direct investment in commodities might be appealing, with the aim of capitalizing on price fluctuations in the market. While one can gain exposure to commodities through purchasing futures contracts, there are also numerous ETFs and Exchange-Traded Notes (ETNs) offering diversified access to commodities.

Some ETFs and ETNs provide exposure to specific commodities such as:

- Teucrium Corn Fund (CORN)
- iPath Livestock Subindex (COW)
- iPath Coffee Subindex ETN (JO)
- MLCX Grains Index (GRU)
- iPath Cocoa Subindex ETN (NIB)
- iPath Sugar Subindex (SGG)

Other investment options offer a basket of commodities. For instance, the Invesco DB Agriculture ETF (DBA) invests in futures contracts for corn, wheat, soybeans, and sugar.

There are also broader offerings like the iPath Bloomberg Agriculture Subindex ETN (JJA), which includes futures contracts for corn, wheat, soybeans, sugar, coffee, and cotton, and the Rogers International Commodity Agriculture ETN (RJA), which invests in a diversified basket of 20 agricultural commodity futures contracts.

## Agriculture is a Growth Industry

Investors seeking exposure to the farming sector have numerous alternatives beyond directly purchasing a farm. For those aiming to replicate the returns of farmland ownership, investing in a farmland REIT offers a viable option. Alternatively, investors seeking broader exposure to the agriculture sector may opt for equity investments in crop producers, supporting firms, or ETFs.

For investors looking to capitalize on price fluctuations in agricultural commodities, a variety of futures contracts, ETFs, and ETNs are available. With these diverse options, investors can tailor their investment strategy to align with their specific needs and preferences.

