

# A NEW ERA OF CAPITAL IN FARMLAND: FROM OPPORTUNISTIC TO LONG-DURATION INVESTORS

PART TWO TO  
"THE EVOLUTION OF FARMLAND  
AS AN INSTITUTIONAL ASSET"



# A NEW ERA OF CAPITAL IN FARMLAND: FROM OPPORTUNISTIC TO LONG-DURATION INVESTORS

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# EXECUTIVE SUMMARY

The farmland investment market is not retreating; it is evolving. It is entering a new era, marked by a fundamental shift from growth-focused capital strategies, driven by appreciation and low-cost leverage, toward patient, long-duration investors focused on wealth preservation and stable income. The profile of the typical farmland buyer has undergone significant changes over the past 50 years. In the 1970s, farmland transactions were dominated by farmers and ranchers. By the 1980s, a new class of early institutional investors had begun to emerge, figures like Murray Wise, founder of the Westchester Group (now owned by Nuveen, a TIAA company), and firms such as John Hancock Mutual Life Insurance Company (now Manulife). Institutional interest in farmland accelerated following the 2008 Global Financial Crisis, as investors sought safe-haven assets amid widespread volatility in traditional financial markets. This era was also marked by historically low costs of capital, making farmland increasingly attractive. Even without effective management, farmland values appreciated, and cap rates compressed.

Today, the farmland investment landscape is once again undergoing a shift. Institutional interest is shifting away from return-driven capital models that relied heavily on

appreciation and inexpensive leverage, and toward investors with a longer-term perspective: those focused on capital preservation, stable income, and enduring value. Real assets like gold and farmland seem to be the direction investors are turning to seek out stability in value. Familiar market forces are driving this transition: inflation, rising interest rates, and a growing demand for financial stability. The era of passive appreciation, where farmland values rose despite lackluster management, is over. Investors now need to adjust their strategies, capturing value through diversification, specialization, and operational excellence.

Farmland has matured into a recognized asset class, bolstered by an expanding array of investment vehicles. While it still lacks the liquidity of stocks and bonds, investor interest has grown steadily over the past few decades. Now, with the era of ultra-low interest rates and quantitative easing behind us, we've entered a "slow money" era. In this environment, farmland is increasingly drawing capital focused on wealth preservation, reflecting a broader historical trend in investment behavior. The effects of this shift will likely become more apparent as we analyze farmland transactions, valuations, and the interplay with broader capital markets in the years ahead.

## CONTEXT: WHERE WE LEFT OFF

In our last white paper on farmland as an institutional asset, we explored how U.S. farmland evolved from being predominantly owned by farmers and ranchers to becoming a compelling institutional asset class.<sup>1</sup> The 1970s brought a surge in farmland values fueled by rising commodity prices and a major grain deal with the Soviet Union. But this boom was followed by the Farm Crisis of the 1980s, as trade embargoes and geopolitical tension triggered a sharp downturn in land values and financial distress across rural America.

Despite the turbulence, the 1980s also marked the entry of pioneering institutional investors, laying the groundwork for broader adoption. Their presence grew steadily, and by the time of the 2008 Global Financial Crisis, institutional capital saw farmland as a resilient, stable, and diversifying asset, especially in contrast to the volatility of traditional financial markets.

In the years that followed, farmland gained recognition as both a portfolio diversifier and an inflation hedge. The environment of cheap capital and low interest rates allowed asset managers to pursue opportunistic acquisitions and prioritize short- to mid-term returns, often using leverage to enhance gains. This context sets the stage for a new era in farmland investment, one that we're continuing to explore in the chapters ahead.



## THE SHIFTING CAPITAL LANDSCAPE

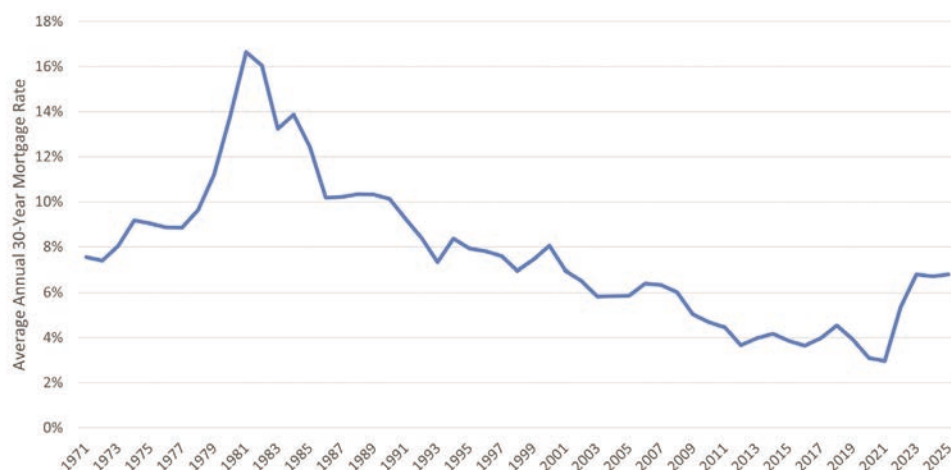
Although we haven't returned to the record-high mortgage rates of the 1980s, interest rates in 2025 have reached their highest levels in two decades (see Figure 1). In contrast, the post-Great Financial Crisis era of quantitative easing ushered in a prolonged period of ultra-low rates, encouraging the use of leverage and driving capital toward more opportunistic investments. During this time, many investors, some with no previous exposure to farmland, entered the space, attracted by its inflation-hedging qualities and potential for consistent, long-term returns.

Farmland also gained appeal as ESG (Environmental, Social, and Governance) investing began to take hold in the early 2000s. Investors saw farmland as a natural fit for sustainability-focused portfolios. As interest grew, unique funding models and capital improvement strategies emerged, allowing managers to create value through value-added projects.

Now, a new era of elevated interest rates is taking shape, driven in part by persistent post-pandemic inflation. As a result, capital allocators are

**FIGURE 1** — Average Annual 30-Year Mortgage Rate by Year

Sources: Federal Reserve Bank of St. Louis



adjusting their strategies. Fundraising has also become more difficult, with the rising cost of debt making investors more discerning in their allocations. Appreciation-dependent investment models, those that relied on leverage and low capital costs to amplify returns, are under pressure. As interest rates rise, tighter underwriting standards and a renewed focus on income durability are becoming the norm.

A key tension in the market stems from misaligned capital expectations. In the past decade, capital seeking

near-term yield often entered farmland with unrealistic return targets. To meet those targets, investors turned to more operationally intensive strategies, pursued assets outside of core ag regions, or added layers of complexity that introduced significant risk. These approaches tend to underperform over time, especially when they fail to capture farmland's underlying appreciation potential. Farmland's natural return profile—low volatility, income stability, and gradual appreciation, requires capital structures aligned with long-term horizons. Managers who

treat farmland like a cash-yielding real estate asset risk missing its most enduring strengths. Importantly, farmland's appreciation is not merely a function of capital inflows or macroeconomic shifts. Rather, it is underpinned by long-term gains in productivity and revenue per acre making that its strength as the global population continues to rise. See Figures 2 and 3. This trend-line yield growth provides a durable foundation for value creation, especially when capital is patient enough to let it compound across cycles.

Today's farmland investors who remain active in the space tend to prioritize stability and resilience over aggressive value creation. They understand the long-term fundamentals: a growing global population and rising incomes will continue to drive demand for high-value food. These investors view farmland as it has always been as a life-sustaining resource that makes it a hedge against inflation and a reliable source of durable, long-term returns.

## CAPITAL FLIGHT PATTERNS IN OTHER ASSET CLASSES

The current landscape for capital movement is not unprecedented. During times of uncertainty, financial markets have repeatedly seen capital flight to traditional asset classes. Hard assets like gold and core real estate consistently serve as safe havens for investors retreating from more speculative investments.

FIGURE 2

## USDA Total Crop Sales: CAGR 1997 - 2022

Sources: USDA

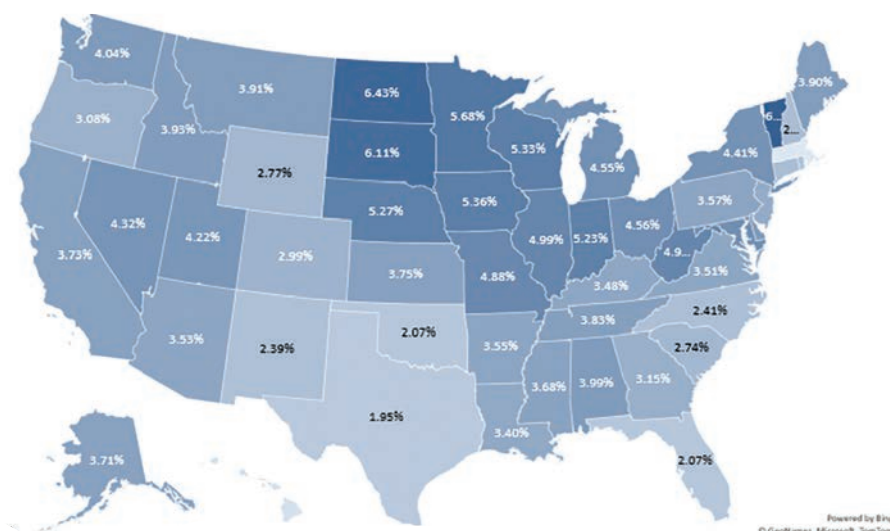
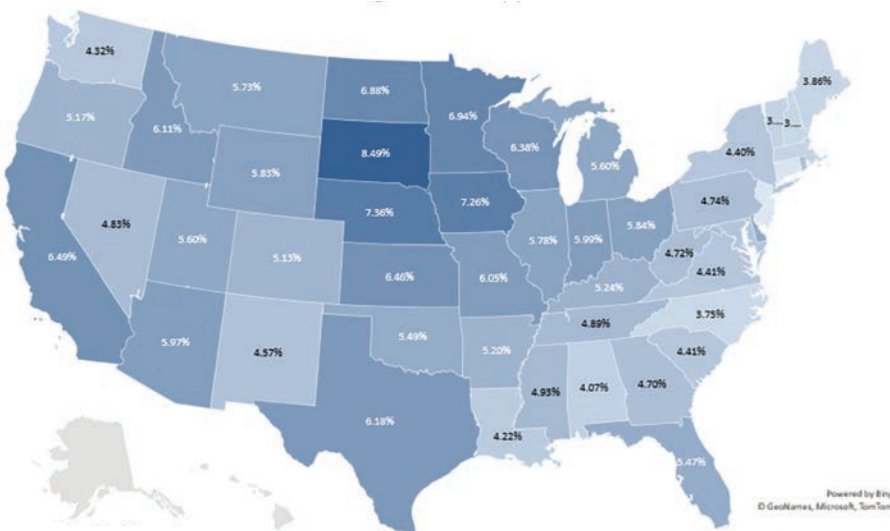


FIGURE 3

## 1997 - 2024 Average Annual Appreciation

Sources: USDA, TIAA Center for Farmland Research



We can draw correlations from these events to what is occurring in the present day.

One of the most notable examples of this shift is what occurred during the post-dot-com bubble. The dot-

com bubble, which peaked in the late 1990s and burst in 2000, was a period marked by excessive speculation in internet-based companies.<sup>2</sup> The internet was taking over people's lives, and online retailing boomed.<sup>2</sup> Fueled by





investor excitement about the commercial potential of the internet, venture capital flooded into startups with unproven business models and little to no revenue. Many of these companies went public, leading to inflated stock valuations, particularly in the Nasdaq index, which more than doubled between 1998 and 2002. However, when it became clear that many dot-com firms would not turn a profit, investor confidence collapsed. The Nasdaq lost nearly 80% of its value by 2002, wiping out trillions in market capitalization and causing a broader economic downturn.<sup>2</sup> See Figure 4.

This crash prompted a shift toward more conservative, income-producing assets like core real estate as investors sought greater stability.<sup>2</sup> Core real estate focuses on secure income-producing, Class A real estate in major urban areas that consists of high-quality tenants with long-term leases, with the ultimate goal of selling the property for a capital gain. REITs, Real Estate Investment Trusts, particularly came into favor after the dot-com bubble as they offered the liquidity of a stock but with the underlying illiquid asset of real estate.

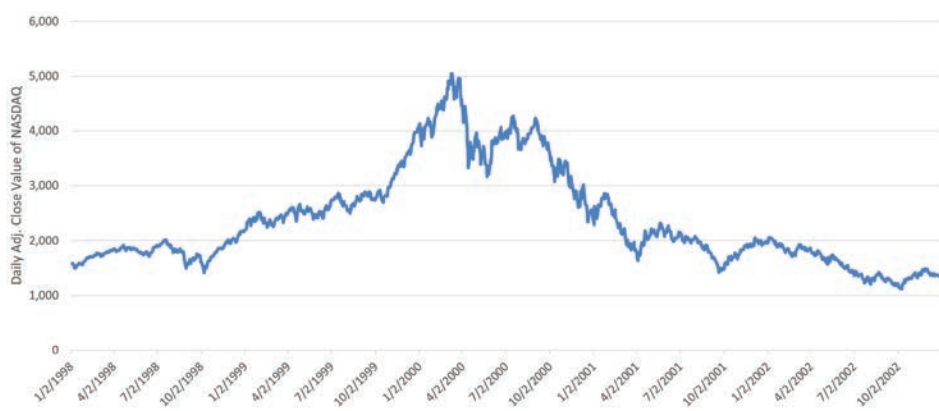
Figure 5 supports this shift by illustrating the performance of REITs from 1998 to 2004. Notably, all REIT categories, particularly Equity and All REITs, showed strong positive returns beginning in 2000, precisely when public equity markets were suffering from the collapse

of the tech bubble. In contrast to the sharp volatility seen in the broader market, both Equity REITs and All REITs steadily gained value, peaking in 2003 with returns near or above 30%. Mortgage REITs showed greater volatility, but even they rebounded sharply post-2000. This performance trajectory underscores how REITs gained

favor for their ability to generate steady returns and income even amid broader economic uncertainty. The chart reinforces the narrative that institutional investors, in seeking stability and consistent cash flow, increasingly turned to real estate, and REITs offered an accessible, liquid pathway to that exposure.

**FIGURE 4** NASDAQ Value (Daily)

Sources: NASDAQ



**FIGURE 5** Performance of Real Estate Investment Trusts 1998 - 2004

Sources: TIAA Center for Farmland Research





The 2008 Financial Crisis once again ushered in a shift toward real assets, but this time the focus expanded beyond core real estate to include infrastructure and stabilized assets such as farmland. In the aftermath of the crisis, investors prioritized predictable, inflation-protected income streams and asset classes less correlated with traditional equities. Infrastructure became particularly attractive due to its essential role in daily life, transportation, utilities, energy, and digital networks, and its ability to generate long-term, contracted cash flows.

The era of quantitative easing, marked by historically low interest rates and easy access to debt, supported a surge in investment into leveraged, yield-focused portfolios. Investors actively sought out value-add opportunities in infrastructure that provided defensive characteristics and built-in inflation hedges. From 2009 onward, institutional allocations to infrastructure grew significantly. We encourage you to check out our previous white paper, *The Evolution of Farmland as an Institutional Investment* to learn more.<sup>1</sup>

Ultimately, post-2008 capital moved toward “real assets with real cash flows”, especially those tied to public utilities, energy transport, digital infrastructure, and agricultural production. This shift reflected a broader institutional desire to match long-term liabilities, generate inflation-adjusted returns, and

reduce exposure to equity market volatility.

As we enter another era of capital realignment away from appreciation-led strategies, a renewed flight to hard assets is increasingly likely. With the reversal of quantitative easing and the persistence of relatively high interest rates, long-duration capital is expected to return to core, income-producing real estate assets. These assets, valued for their stability, inflation protection, and steady cash flows, are well-positioned to attract institutional capital seeking durable performance in a higher-rate environment.

## **RISE OF LONG-DURATION, WEALTH PRESERVATION CAPITAL**

As farmland investing matures, long-duration capital, defined by institutions like pensions, endowments, sovereign wealth funds, and ultra-high-net-worth family offices, is playing an increasingly dominant role, reshaping both investor expectations and the structure of the market. This shift is driven by a fundamental change in investment objectives: a focus on wealth preservation, inflation protection, and income stability, rather than short-term appreciation.

Today's investors face an economic environment that resembles a spinning carousel, constantly shifting in response to geopolitical tensions, trade policy, legislative uncertainty,





and technological disruption. Among these concerns, inflation remains a top threat to portfolio returns. Figure 6, shown below, illustrates the performance of selected asset classes, including REITs, the S&P 500, gold, and U.S. agricultural land, compared with inflation (CPI) from 2020 to 2024. Notably, U.S. agricultural land across the top 32 agriculturally producing states demonstrated

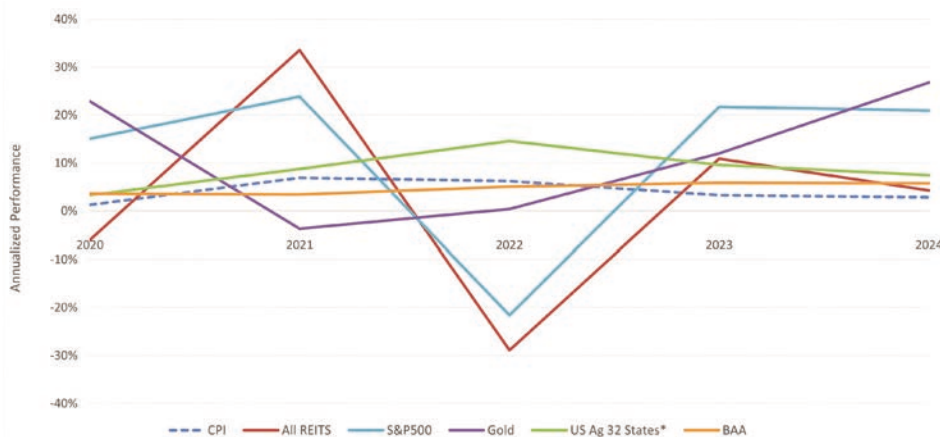
remarkable pattern consistency with the CPI and overall resilience, maintaining positive returns even during years when more volatile asset classes like REITs and equities experienced sharp drawdowns (e.g., 2022). This reinforces the appeal of farmland as a real asset inflation hedge with lower correlation to public markets and underscores why long-duration investors

increasingly view farmland similarly to core real estate and infrastructure in institutional portfolios.

While farmland's appeal today centers on its income stability and inflation protection, it's important not to overlook the long-term appreciation that underpins its wealth-building potential. High-quality farmland in core agricultural regions has historically demonstrated consistent capital gains, particularly when held across market cycles. This appreciation, driven by land scarcity, productivity improvements, and growing demand for food and fiber, remains a foundational reason why long-duration investors turn to farmland. Investors seeking to "squeeze" cash yield often do so at the expense of this upside, targeting lower-quality assets or employing riskier operating models. In contrast, capital aligned with patient appreciation strategies is better positioned to capture farmland's full value over time.

**FIGURE 6** Performance of Selected Assets with Inflation from 2020 - 2024

Sources: TIAA Center for Farmland Research



Building on this pattern of resilience, Figure 7 highlights the strong statistical correlation between farmland and inflation over the long term, surpassing even traditionally accepted hedges like gold. This empirical relationship strengthens the case for viewing farmland as a “gold with a dividend”, a tangible, income-generating asset that not only preserves capital but actively produces returns through rent and crop revenue. Unlike gold, which relies

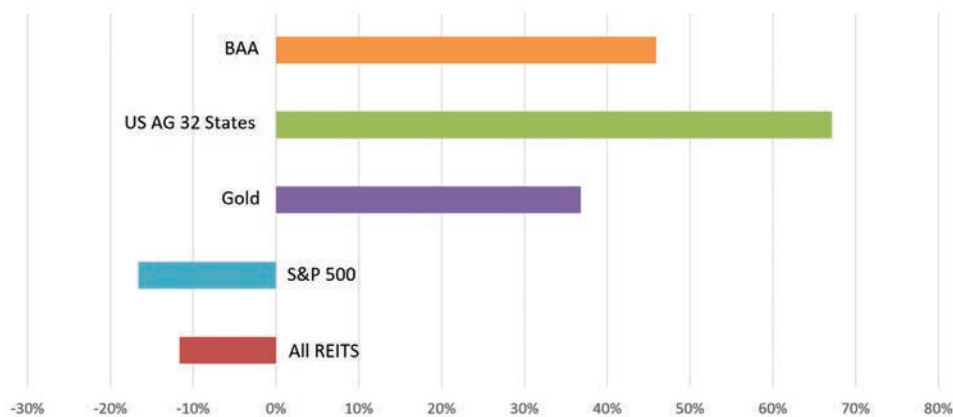
solely on price appreciation, farmland offers both inflation protection and consistent cash flow, making it uniquely suited for environments where purchasing power is under pressure. Its real asset nature, low public market correlation, and essential role in the global economy position farmland as a strategic portfolio allocation alongside core real estate and infrastructure. For investors navigating inflationary uncertainty, farmland offers not only shelter but also performance.

Today’s farmland investors prioritize income stability with minimal year-to-year volatility. Unlike equity markets, where returns are heavily influenced by consumer behavior and broader economic trends, farmland offers a reliable income stream, often through fixed cash rent leases. These leases, typically lasting one to three years, provide investors with predictable, contractual cash flows. Among the available lease structures, fixed cash rent is the most favored by institutional and passive investors due to its low-touch nature and consistent returns, especially when compared to more variable arrangements like crop share or flex leases that can fluctuate with commodity prices and yields.

An important reinforcement of farmland’s income stability is the role of crop insurance, which acts as a critical income floor.<sup>3</sup> Crop insurance programs help protect farm revenues by compensating producers in the event of adverse weather or price shocks, thereby reducing

**FIGURE 7** **Correlation of Select Assets and Inflation (CPI) 1971 - 2024**

*Sources: TIAA Center for Farmland Research*





the volatility of cash flows. This safety net is particularly valuable in volatile commodity markets, allowing landlords and investors to maintain steady rental incomes even in challenging years.

Farmland rental rates themselves tend to lag commodity price cycles, which means land values and rents adjust more gradually rather than instantaneously with market swings.<sup>3</sup> Multi-year leases and crop insurance help smooth income streams over time and protect investors from sharp fluctuations. The stability of rental income derived from this dynamic enhances farmland's appeal to long-duration investors, who seek dependable returns to match their long-duration capital horizons.

While crop insurance and government support programs help stabilize income for farmland owners, it is important to recognize that not all investors can access these benefits equally. Many institutional asset managers use tax-exempt vehicles, such as pension funds or endowments, which may limit or eliminate their ability to take advantage of certain government farm programs, crop insurance subsidies, and depreciation-based tax deductions. In contrast, individual investors and family offices, particularly those with direct ownership structures, are often better positioned to benefit from these advantages. This asymmetry further underscores why family



offices are increasingly drawn to farmland: not only for its long-term income potential and inflation protection, but also for its favorable tax treatment and eligibility for farm-specific safety nets.

Another notable shift in mindset, particularly among family office investors, is a growing emphasis on generational stewardship. Many family offices that allocate capital to farmland do so not purely for financial returns, but because of a personal or historical connection to the land, whether through recreational interests like hunting or a family legacy rooted in agriculture. These ties often foster a deeper sense of responsibility, leading to a higher standard of land stewardship compared to other investor types. This elevated approach may include implementing sustainable farming practices, undertaking capital improvement projects, or even transitioning production types to align with long-term environmental and family values.

The long-duration capital emerging in farmland investment markets carries

several defining characteristics. Farmland has long been known for its low turnover rate, typically just 1–2% annually, and investors deploying long-duration capital are reinforcing this trend. These investors typically have no near-term plans to exit, opting instead for extended hold periods of 10 to 20 years or more. Such long-term horizons not only reflect a longer duration capital mindset but also provide ample time for value recovery in the event of market slowdowns, enhancing farmland's appeal as a resilient, low-volatility asset class.

Higher interest rates are also reshaping the capital structure of multi-asset investment portfolios, including those with farmland exposure. As the cost of borrowing rises, investors are expected to reduce reliance on leverage and instead turn to equity capital and innovative fund structures. These vehicles are likely to be more permanent in nature, emphasizing long-term stability over short-term flexibility. As a result, we can anticipate a shift toward less transient, more durable investment frameworks that align with the objectives of long-duration capital.





## **EVOLVING FARMLAND TRANSACTION LANDSCAPE AND STRATEGIC POSITIONING**

The market dynamics of farmland are shifting as investors adjust to an era of higher debt costs and tighter return margins, following five years of rapid increases in land values and rental rates. In this new environment, deals are expected to move more deliberately, as investors take greater care in underwriting and routinely stress-test portfolios against evolving conditions. This cautious approach contributes to valuation resilience, with fewer forced sales and more intentional, long-term holders, ultimately reducing volatility.

At the same time, there is growing emphasis on relationship-driven, off-market transactions and the development of flexible partnership structures. These strategies help investors navigate uncertainty more effectively, fostering long-term alignment and adaptability. Together, these trends signal a maturing farmland market—one that prioritizes diligence, collaboration, and capital stability.

Regardless of your relationship to farmland, it is essential to assess these changing dynamics in light of your stake. For farmland owners looking to sell or attract capital, positioning assets to appeal to long-duration investors is key. This includes making lasting improvements—like drainage tile, irrigation systems, or sustainability upgrades, and emphasizing lease quality, tenant strength, and payment history to

demonstrate long-term viability.

On the investor side, strategy must evolve with the market. Outsized returns once felt commonplace, but that environment is unlikely to persist. As pricing softens and appreciation moderates, farmland must be viewed not as a short-term trade but a generational asset, one that rewards patience, stewardship, and alignment with long-duration capital.

Many of the most productive agricultural regions in the U.S., particularly in the Midwest and Plains, have historically been underweighted in institutional portfolios. This wasn't due to lack of value, but because they offered limited near-term cash yield. As priorities shift toward long-term income and resilience, these regions are regaining attention for their consistent production, lower volatility, and strategic relevance.

Farmland's value extends well beyond crop yield. As a foundational real asset, land offers multiple, often latent, sources of value, from solar and wind leases to carbon sequestration, water rights, conservation easements, and even recreational or cultural use. While still fragmented and evolving, these opportunities are real. Capturing them requires flexible, patient capital and frameworks that can adapt over long time horizons. Unlike fixed-income instruments with predefined returns, farmland allows for unexpected upside driven by policy shifts, environmental markets, or new



land uses. In this way, it is not just an income-producing asset, but a dynamic foundation for generational wealth and innovation.

Farmland offers value beyond near-term cash flow. Managed and held with care, it has the potential to deliver intergenerational wealth, even if returns take time to materialize. This long-view is essential in today's market. The underlying thesis remains unchanged: the world will always need food, fiber, and fuel. That demand isn't going away, nor is the relevance of well-managed farmland in a durable, diversified portfolio. Some institutional investors already reflect this mindset, aligning with principles of stewardship, capital preservation, and multi-decade horizons. Their approach signals

not a rejection of past norms, but a calibration toward capital structures designed for resilience and long-term value capture.

For asset managers, this evolving landscape demands a reassessment of investment frameworks and capital structures. In today's environment, portfolio construction can make or break long-term outcomes. As expectations normalize and investors pursue stability over speculation, asset managers must pivot toward longer-hold vehicles, co-investment models, and durable capital strategies tailored for generational wealth-building.

But this shift involves more than longer hold periods. It requires a fundamental redesign

of investment infrastructure. Structures must support low turnover, dependable income, and the ability to endure short-term shocks without liquidity stress. Fee models must evolve as well, rewarding alignment and long-term value creation rather than asset churn.

Crafting strategies that reflect these principles, while remaining responsive to investor preferences, is now a key differentiator. The managers who succeed will be those who pair fiduciary discipline with a clear understanding of farmland's long-term value. Their portfolios will deliver not just returns, but resilience, responsibility, and relevance over time.



# CONCLUSION

## EMBRACING THE NEW ERA OF FARMLAND INVESTMENT

The farmland investment landscape is evolving from an era defined by appreciation-led, leverage-reliant capital strategies to one increasingly dominated by patient, long-duration investors prioritizing wealth preservation and intergenerational value. As interest rates rise and market volatility persists, farmland's role as a resilient, inflation-hedged, income-generating asset has never been clearer.

For investors, this means embracing farmland not as a quick flip but as a strategic, generational asset requiring

thoughtful stewardship and a long-term outlook. Farmland's enduring value is anchored in the fundamental and unchanging global need for food, fiber, and fuel. Its unique ability to provide stable income, low correlation to public markets, and a hedge against inflation positions it alongside core real estate and infrastructure as a critical component of diversified portfolios.

Asset managers, in particular, face a pivotal moment to rethink frameworks and fee structures to align with this new reality, prioritizing long-duration capital, low turnover, and sustainable income streams. Success in

this evolving market demands a balance of fiduciary rigor and a deep understanding of farmland's long-term potential.

Ultimately, the shift toward longer-hold capital and thoughtful stewardship signals a maturation of the farmland asset class, one that rewards patience, discipline, and responsibility. Those who recognize and adapt to these changes will not only preserve wealth but also contribute to a more stable, sustainable agricultural investment ecosystem that can benefit generations to come.





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