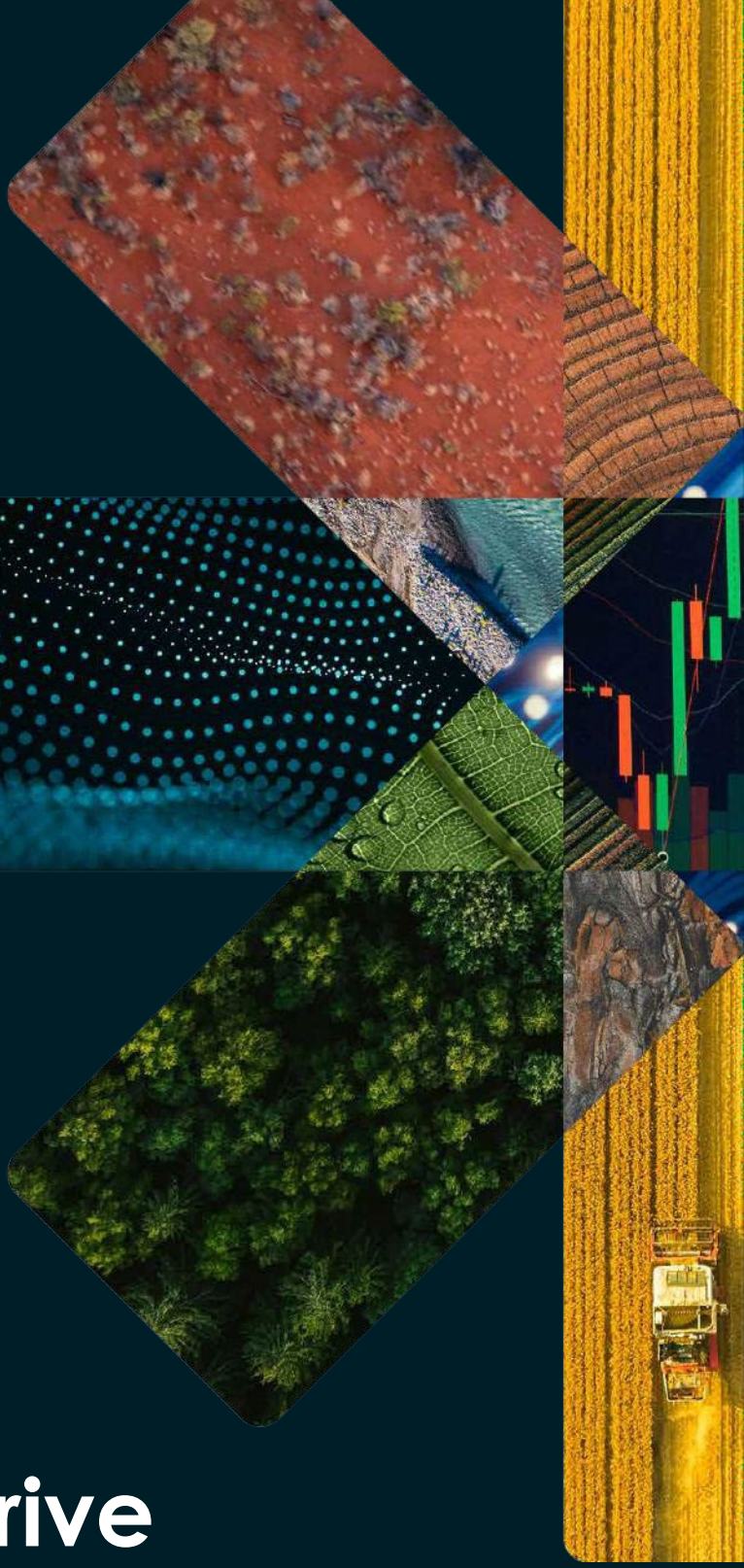
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How do you derive returns from Agriculture?

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Return Drivers of Agriculture

Agricultural investment combines ownership or control of productive land with the biological systems used to produce food, fibre, fuel and other renewable materials. For investors, returns can come from agricultural production, land appreciation and operational improvements, with selected ecosystem services providing potential additional sources of value. The way those returns are generated depends significantly on the type of agricultural asset.

Annual vs Permanent Crops

Annual crops, including grains and oilseeds, are planted and harvested within a single year. This creates a relatively regular income profile and allows farm managers to adjust planting decisions between seasons in response to market conditions. Permanent crops, such as orchards and vineyards, require more upfront investment and may take several years to reach full production. Once mature, however, they can generate higher revenue per hectare and provide opportunities to create value through varietal selection, improved management and access to differentiated markets.

Operating Model

The operating model is equally important. Under a leasing model, an investor receives contractual rent from a tenant. This can provide more predictable cash flow while shifting much of the production and operating risk to the farmer. Under a direct operating model, the investor retains the farm's operating profit and therefore has greater exposure to potential upside, but also bears the associated commodity-price, weather, cost and production risks. Hybrid arrangements sit between these approaches, typically combining a base rent with a share of production or revenue.

Creating Value

Active management can create additional value. Improvements to soil health, water-use efficiency, crop selection, irrigation, farm technology and operating practices can increase productivity, reduce costs and strengthen the long-term resilience of an asset. Portfolio aggregation may also create efficiencies by bringing smaller properties together within a larger operating platform, improving the use of labour and machinery and strengthening bargaining power with buyers and processors.

Land itself can also contribute to returns. Productive agricultural land is constrained by factors including water availability, environmental requirements and competing land uses. The value of an individual property will depend on its soils, water security, climate, location, infrastructure access and long-term productive capacity.

Finally, sustainable management may create supplementary sources of value. Practices that improve soil health or water efficiency can support long-term yields and asset resilience. Depending on the location and investment strategy, opportunities may also arise through soil carbon, biodiversity programs, water rights or premiums for verified sustainable production. These revenues generally complement, rather than replace, the core agricultural business.

Ultimately, agricultural returns are derived from the interaction of productive land, biological output and active management. The balance between regular income, operational exposure and long-term appreciation will vary by crop, geography and operating model.