

**NEWSLETTER 2026**

INTERNATIONAL FARMLAND INVESTMENT

# PERMANENT CROPPING IN IBERIA



### Introduction

Over the past two decades, institutional investors have steadily increased their exposure to global agricultural assets, viewing farmland as a resilient real asset class capable of delivering diversification, inflation protection, and consistent income generation. Within Europe, both Spain and Portugal have emerged as particularly attractive destinations for capital targeting permanent crop production. The Iberian Peninsula combines strong agronomic fundamentals with improving levels of farm management professionalisation and consolidation opportunities that allow investors to deploy capital at scale.

Permanent cropping sectors—including olives, almonds, pistachios, citrus, vineyards, avocados, and rapidly expanding soft fruit categories such as blueberries—have attracted significant investor attention. These crop systems are characterised by long productive lifecycles and the potential to generate stable long-term revenue streams. They also provide opportunities for investors to integrate sustainability initiatives and natural capital strategies into agricultural operations. As global investment portfolios increasingly seek exposure to climate resilient and income producing real assets, Iberia’s relevance within the agricultural investment landscape continues to grow.

### Expansion of Institutional Capital in Iberian Agriculture

Institutional participation in food and agricultural production has grown substantially worldwide over the last quarter of a century. Dedicated investment vehicles focusing on agricultural supply chains, farmland ownership, and integrated agribusiness operations have multiplied in both number and scale. There are now about 970 dedicated asset managers with over US\$162 billion in AUM (source Valoral Advisors) compared to less than 40 in 2005. This global trend has also been reflected in Iberia, although the region was overlooked by institutional investors until relatively recently.



For many years, Spain and Portugal were perceived as a challenging investment environment due to fragmented land ownership structures and relatively modest returns from broad-acre farming. More recently, however, the increase in consumer demand for permanent crops has altered investor perceptions. Institutional participation in Iberian agricultural markets has accelerated, with large sums of capital being deployed into farmland acquisitions, orchard development, and more recently vertically integrated production platforms.

This influx of capital mirrors broader structural transformation across the sector. Traditional family owned farms are increasingly giving way to consolidated landholdings managed through professionalised operating structures. The investor base now spans a wide range of participants including specialist farmland investment funds, private equity firms, pension schemes, insurance companies, industrial agricultural groups, and private family capital.

Industrial agricultural operators continue to play a particularly significant role, often acquiring farmland directly to expand production capacity. Specialist agribusiness funds and diversified investment managers are also actively establishing large-scale agricultural platforms, reflecting growing investor confidence in the long-term performance of permanent cropping assets



### Drivers of Investor Interest in Permanent Crops

#### *Predictable Long-Term Revenue Profiles*

One of the defining characteristics of permanent cropping systems is the extended productive life of orchards and plantations. Once crops reach maturity, many remain productive for decades, generating recurring harvests without the need for annual replanting. This production stability contrasts with annual cropping systems, which are more exposed to short-term variability and re-establishment costs.

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These predictable production cycles align well with institutional investment mandates that prioritise stable cash flow generation and long-term capital preservation. Lower-risk investment approaches frequently involve farmland ownership combined with leasing arrangements, with mid to high single figure returns, while more operationally intensive strategies such as vertically integrated agribusiness platforms, can deliver enhanced double digit private equity type returns.

### *Strong Underlying Demand Fundamentals*

Global consumption patterns continue to support expansion of Mediterranean agricultural products. Consumer demand for olive oil, tree nuts and fresh fruit, is being reinforced by dietary trends that favour plant-based foods and healthier nutritional profiles. This sustained demand has encouraged the expansion of permanent crop acreage across Iberia, particularly in high-value sectors such as olives, almonds, pistachios, avocados and soft fruit.

Demographic change is also contributing to investment opportunities. A large proportion of farmers across Spain and Portugal are approaching retirement age, often without clear succession plans. This generational shift has created opportunities for institutional investors to acquire fragmented holdings and consolidate them into larger, more efficient production units capable of supporting mechanisation and modern farming techniques.

### *Sustainability and Natural Capital Integration*

Environmental considerations are becoming increasingly central to agricultural investment strategies. Permanent cropping systems provide opportunities to implement regenerative agricultural techniques designed to improve soil quality, increase biodiversity, enhance water retention, and capture carbon within agricultural landscapes.

Historically, agricultural productivity improvements have relied heavily on chemical fertilisers and monoculture farming practices. While these approaches have increased food production hugely over the last 50 years or more, they have also contributed to soil degradation in many regions.



As a result, investors are increasingly adopting regenerative practices that reduce chemical inputs, diversify cropping systems, and improve long-term soil health.

Although regenerative farming may in some cases reduce crop yields, lower input costs and improved long-term productivity can support higher profit margins. The growing convergence between environmental performance and financial returns is strengthening investor appetite, particularly among institutions pursuing impact investment strategies.

## Structural Advantages of the Iberian Peninsula

### *Favourable Climate and Production Conditions*

The Iberian Peninsula benefits from a diverse range of microclimates, fertile soils, and established irrigation infrastructure that supports high-value crop production. Mediterranean weather patterns create favourable growing conditions for olives, nuts, citrus, soft fruits and vineyards, enabling reliable production of export-oriented agricultural commodities.

Irrigation plays a particularly important role in stabilising yields. Large-scale water infrastructure projects have significantly expanded the area suitable for intensive permanent cropping e.g. the Alqueva 130,000 ha irrigation scheme. These projects provide dependable water access in regions that historically faced climatic limitations.

### *Limited Farmland Supply and Asset Appreciation*

High-quality farmland with secure water access is a relatively scarce resource across Iberia and due to fragmented ownership difficult to buy at scale. Increasing investor demand, combined with limited land availability, has supported long-term appreciation in farmland values. Land assets with established irrigation rights are particularly valuable, as water security directly influences productivity and operational reliability.

Farmland investments therefore offer a combination of operating income derived from crop production and capital appreciation, driven by land scarcity and rising agricultural efficiency.

### *Sector Modernisation and Technological Adoption*

Institutional capital has accelerated the adoption of modern agricultural technologies across Iberia. Investments have supported the development of high-density orchard systems, mechanised harvesting technologies, precision irrigation techniques, and data-driven crop management practices. These advancements have improved productivity, reduced labour dependency, and enhanced operational efficiency.

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### Investment Structures and Strategies

Institutional investors typically gain exposure to permanent cropping assets through several strategic models:

#### *Farmland Ownership with Leasing Structures*

This approach focuses on acquiring farmland and leasing it to experienced agricultural operators. It provides relatively stable income streams and exposure to long-term land value appreciation while minimising direct operational risk.

#### *Integrated Agribusiness Platforms*

Some investors establish vertically integrated operations that combine production, processing, packaging, and distribution. By participating across the supply chain, these platforms aim to capture additional value and reduce exposure to commodity price volatility.

#### *Partnerships with Local Operators*

Joint ventures with established local farming businesses remain common. These partnerships allow investors to access local agronomic expertise, regulatory knowledge, and operational experience.

#### *Natural Capital and Environmental Revenue Models*

New investment strategies are emerging that combine agricultural production with environmental income streams such as carbon credit generation, biodiversity enhancement incentives, and ecosystem service payments.

#### *Transition Away from Pure Land Consolidation*

Earlier phases of institutional investment in Iberian agriculture focused heavily on land aggregation and greenfield orchard development. Investors frequently acquired smaller irrigatable farms, consolidated them into larger holdings, and established new intensive permanent cropping systems. Rising farmland values and stable commodity markets initially supported strong returns from this strategy.

However, moderating land price growth, increased commodity price volatility, and changing retailer supply requirements have made stand-alone farming models more challenging. These developments have encouraged investors to pursue more diversified operating strategies.

#### *Increasing Emphasis on Vertical Integration*

Vertically integrated agribusiness platforms are becoming more common within the Iberian permanent cropping sector. By combining agricultural production with processing, packaging, and marketing operations, investors can diversify revenue streams and improve earnings stability.

This shift has broadened asset selection criteria beyond farmland quality alone. Investors increasingly evaluate existing brownfield orchards, processing infrastructure,



logistics networks, and long-term supply agreements with retailers. Integrated platforms often achieve stronger exit valuations due to their ability to provide consistent year-round supply and maintain greater control over product quality and distribution.

Many medium to large vertically integrated agribusinesses supplement production from owned or rented farmland by sourcing crops from third-party growers domestically and in the off-season internationally to maintain continuous supply through their packhouses.

### Key Investment Considerations

Despite strong long-term fundamentals, permanent cropping investments are subject to several material considerations and risks.

#### *Land Availability*

Due to the highly fragmented ownership in some regions as result of the inheritance rules of Spain and Portugal, it can take time to buy, consolidate and develop green field commercially viable large-scale orchards. Investments in brownfield orchards can obviously speed up this process, but the return levels will usually be lower.



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### *Water Security*

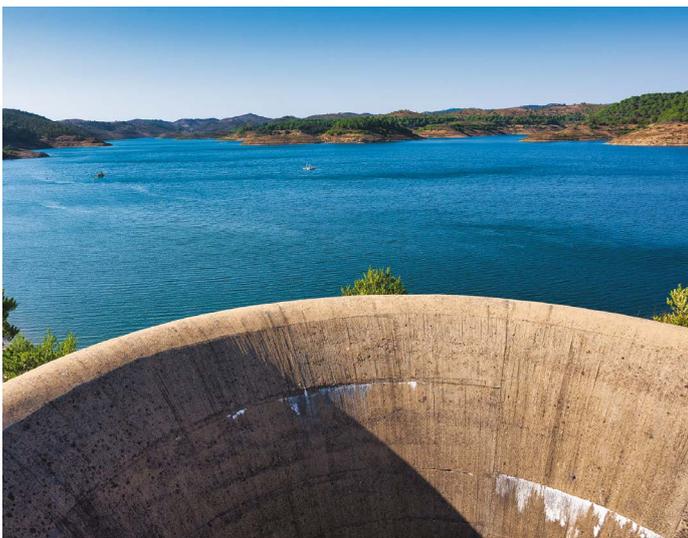
Reliable access to irrigation water remains one of the most critical determinants of agricultural productivity in Iberia. Although infrastructure improvements have enhanced resilience, regulatory restrictions and prolonged drought periods continue to present operational challenges. Land assets with secure water rights typically command premium valuations.

Regulatory constraints have also influenced development in sectors such as Portugal's enclosed vegetable and soft fruit industry, where limitations on new polytunnel construction within restricted irrigation perimeters have increased premiums for lands with existing infrastructure.

With the recent high levels of rain over the last year or so, the Iberian reservoirs are filling up again after a long-period of very low-levels and it will be interesting to see if irrigation quantity restrictions will be increased in the areas where they have been imposed.

### *Climate-Related Production Risks*

Climate change is increasing the frequency and severity of extreme weather events such as droughts, floods, heatwaves, and storms. These events can significantly disrupt farm operations and reduce crop yields. Recent weather patterns in Iberia have demonstrated the region's exposure to both prolonged drought conditions and periods of intense rainfall. Selecting land ideal for the crop in question is critical, as are high levels of water security, in order to help minimise climate-related production risks.



### *Correct Variety Selection*

Planting permanent crops is expensive and can cost as much again or more than the actual land. Once planted the crop may have decades of life, so, planting varieties that can be mechanically produced, that are suitable for the local climate, and that the retailers will want long-term (be they royalty protected or otherwise) is key.

### *Commodity Price Fluctuation*

Agricultural markets are inherently cyclical and influenced by global supply and demand dynamics, geopolitical events, and macroeconomic factors. Recent global disruptions, including pandemic-related supply chain challenges and geopolitical instability, have contributed to significant price volatility across multiple crop sectors. Picking high quality varieties and vertically integrating can help stabilise returns. Downstream processing and packaging operations often operate on narrow margins, which can dilute overall profitability, but increase stability of returns year on year.



### *Skilled Management*

With so many moving parts, skilled management is essential to ensure the development and management of large-scale sustainable permanent cropping farming businesses. While vertical integration can improve financial stability, managing multiple stages of agricultural production and supply chains requires far more specialised technical and commercial expertise, than a stand-alone farming business.



### *Labour Availability*

Agricultural labour shortages are becoming increasingly evident across Europe due to demographic changes, stricter migration policies, and declining interest in seasonal manual work. Mechanisation and super-high-density (SHD) orchard systems are helping to reduce labour dependency in some sectors, such as with olives and almond orchards. The technology for mechanically harvesting soft fruit production is developing, but as yet not perfect and picking the right varieties is key.

## Future Investment Outlook

Institutional capital allocation to Iberian permanent cropping is expected to continue expanding over the coming years. Several structural drivers are supporting this outlook, including rising global demand for food and plant-based protein sources, increasing investor allocation to real assets and natural capital, ongoing generational transitions in farmland ownership, and continuing advances in agricultural technology.

Iberia's combination of favourable climate conditions, established export markets, and improving agricultural productivity is likely to maintain its position as one of Europe's leading destinations for agricultural investment.



## Conclusion

Permanent cropping sectors across Spain and Portugal offer institutional investors an attractive combination of agricultural production, real asset exposure, and sustainability-focused investment opportunities. The growing presence of institutional capital has accelerated consolidation, technological innovation, and environmental management across the region.

Although investors must carefully manage risks related to commodity markets, climate variability, water availability, and operational complexity, Iberia's structural advantages and strong global market demand support a positive long-term investment outlook for permanent cropping assets.



**InvestAg**

**InvestAg** is an advisor to international agricultural investors, with the ability to access and advise on significant agricultural investment opportunities. InvestAg advises investment funds, institutions, family offices, as well as agribusiness, farming and property companies, often bridging the gap between investors and specialist operators on the ground.



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