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focus

Beyond the Farm Gate: Why investing off-farm can help farmers build resilience, flexibility, and long-term wealth

For many New Zealand farmers, the farm is everything. It is the business, the family home, and often the main source of wealth. It has usually taken years (if not decades) of hard work, good decisions, and resilience to build. It is only natural, then, that when cash flow improves or debt reduces, the instinct is often to put more capital back into the farm. Sometimes that is the right call. But not always.

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...Diversifying off-farm is not about replacing the farm...

There is a strong case for many farmers to invest some capital off-farm — not because they lack confidence in the sector, but because they are already deeply invested in it.

The farm's income and value are tied to a concentrated set of factors, including commodity prices, weather, interest rates, foreign exchange rates, input costs, and regulation. When most of your wealth sits in one type of asset, one region, and one industry, that can leave you more exposed than you might realise.

That is where off-farm investing can add real value.

Build resilience

Diversifying off-farm is not about replacing the farm. It is about building another layer around it.

Farmers know better than most that no two years are the same. A good season can be followed by a dry one. Strong prices can turn quickly. Costs can rise faster than expected. That is all part of the job.

Having money invested away from the farm can help balance some of that uncertainty. It means part of a farmer's wealth is working in areas that are not directly tied to rainfall, stock prices, or the next payout. That can provide a useful buffer when conditions on farm are tougher and help smooth out the bumps that naturally come with a cyclical business.

Improve financial flexibility

One challenge with farm wealth is that it can be substantial on paper, but not always easy to access.

Land is valuable, but it is not very liquid. You cannot easily sell off a small corner of the farm to cover unexpected bills or fund retirement. In many cases, farmers can end up asset rich, but cash flow constrained.

Off-farm investments can help address that.

A well-structured portfolio of shares, bonds, managed funds, or other financial assets can give farmers more flexibility. It can provide income, create a pool of capital that is easier to access when needed, and reduce the pressure to rely on borrowing or land sales.

Broader options for succession

Succession is one of the biggest issues facing many farming families.

It is hard to divide one farm fairly when not every child wants to farm, or when one child is involved in the business and others are not. Off-farm assets can help create options. They give families another pool of wealth to work with when thinking about fairness, retirement, intergenerational transfer, or supporting the next generation in different ways.

...Strong wealth planning is not about choosing between the farm and outside investments. It is about keeping the farm at the centre while gradually building a complementary pool of off-farm assets around it....

It is not all or nothing

This is not an argument that every spare dollar should go into an investment portfolio.

For some families, the best next step will be to pay down debt. For others, it may be investing in irrigation, infrastructure, technology, environmental improvements, or buying neighbouring land. In many cases, on-farm investment will be the right choice.

The point is simply that surplus capital should be thought about carefully, rather than automatically pushed back into the same asset base.

A better question might be: what does this dollar need to do for me and my family?

If it is there for working capital or short-term security, then it should stay liquid and accessible. If it is there to grow long-term family wealth, it may make sense for at least some of it to be invested off-farm, adding diversity to the asset base.

The farm remains the core, but it doesn't need to do everything

For most farmers, the farm will rightly remain their core asset. Strong wealth planning is not about choosing between the farm and outside investments. It is about keeping the farm at the centre while gradually building a complementary pool of off-farm assets around it.

This broader asset base can provide balance, improve flexibility, and add another source of long-term growth. Done well, this means the family's financial future is not entirely tied to one asset and one industry. The farm may always be the largest asset, but it doesn't have to be the only one.

If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.

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