

Munich, 27 April 2021

MEAG boosts organic farming in the US with a special investment strategy

MEAG has purchased 300 hectares of farmland in Illinois, USA for a client from within the company group. The price tag for the acquisition was in the higher single-digit US-dollar millions. The land is currently being farmed conventionally, but in the coming years the lessee will progressively convert it to organic cultivation. This transaction marks the first purchase for a client by a MEAG investment programme that is designed to build up a portfolio of agricultural properties in the USA over the medium term.

Sustainable organic farming is a growth market in the US, with demand for such foods experiencing an additional push during the ongoing pandemic. Compared to the increased demand, the transition from traditional farming to sustainable organic production systems is only progressing very slowly, however, because it often brings with it significant agronomic and financial risks. Accordingly, sustainable organic farmland only makes up around 1% of the arable land in the US. In Germany this figure is around 10%.

MEAG is now assisting farmers in the US with their conversion to sustainable organic production, in order to promote this kind of farming. In collaboration with the future organic farmers, we acquire conventionally managed farmland and lease it out to them over the long term, with fittingly reduced rents in especially the first three years of the transition from conventional to organic, to account for the initial lower earnings. This facilitates the conversion for them and MEAG can make a contribution to sustainable and future-ready agriculture.

MEAG has been investing in agricultural land since 2014 and has built up extensive internal expertise in this field in various target countries. MEAG also benefits from the know-how and unmatched experience of the Munich Re insurance experts when it comes to assessing natural risks and the effects of climate change, both of which are key parts of the acquisition due diligence when investing in agricultural land.

Holger Kerzel, MEAG Managing Director, says: "The long-term lease earnings generated with agricultural investments are attractive for us to cover insurance payment obligations. With these investments we also promote sustainable farming in the USA, help family businesses and enhance biodiversity."

MEAG is the asset manager of Munich Re and ERGO. With offices in Europe, Asia and North America it also offers its extensive know-how to institutional investors and private clients from outside Munich Re Group. MEAG currently manages assets to the value of around €336 bn, €70 bn of which from coming from institutional investors and private clients outside the company group.

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