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	U.S.	EUROPE	ASIA	
DJIA	15,176.08	180.85	1.21%	
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KTG Agrar to Increase Farmland 20-25% in Year, CFO Blaesi Says

By Rudy Ruitenberg - July 29, 2009 04:35 EDT

July 29 (Bloomberg) -- **KTG Agrar** AG, Germany's largest farming company, plans to increase land under management by 20 percent to 25 percent within a year, taking advantage of low prices, Chief Financial Officer **Wolfgang Blaesi** said.

The company farms 29,000 hectares (71,659 acres) in eastern Germany and Lithuania, where land prices are lower than in Western Europe, Blaesi said in a telephone interview yesterday. The company doesn't need to look elsewhere, he said.

KTG Agrar yesterday forecast operating profit as a proportion of sales would be in line with last year's 20 percent. The company, whose crops include corn, wheat and rapeseed, has doubled the land it farms in about 20 months, according to the CFO.

"A range of a 20 percent to 25 percent increase in farmland is something that will be realistic, in one year" Blaesi said. "Our growth pace is easily done in eastern Germany and Lithuania in the next years."

KTG Agrar raised 31.5 million euros (\$44.7 million) in an initial public offering in November 2007 to buy land. The company pays about 3,000 euros a hectare for farmland in Lithuania and 8,000 euros a hectare in eastern Germany, while prices in Western Europe are typically 20,000 to 25,000 euros, Blaesi said.

Post-Communist Plots

In eastern Germany, a generation of farmers that took control of their plots after the fall of communism will reach retirement age in coming years, meaning more land may become available, according to Blaesi.

KTG Agrar refinances about 70 percent of its land-purchasing costs with long-term debt, according to Blaesi.

The company produces organically on about half of its farmland. Higher prices and lower costs for pesticides and fertilizer mean organic farming is currently more profitable than "conventional" methods, Blaesi said.

"From an economic perspective I'd say today you should only do organic crops," Blaesi said. "We harvest half the volume but we get double the price."

Operating margins in organic crops can "easily" be more than 20 percent, while the margin is 14 percent to 19 percent for conventionally grown crops, the CFO said.

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