

FARMLAND, GOLD AND STAGFLATION – ARE WE ENTERING THE PERFECT STORM?

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In a report released by Veripath Farmland Partners titled “Farmland, Gold and Stagflation – The perfect Storm?” members of the investment team highlight the apparent willingness of central bankers to create what some would consider to be unlimited amounts of money to backstop ballooning fiscal deficits. There are even central bankers and politicians openly discussing “helicopter money” in the form of Modern Monetary Theory. Given all that is happening have we reached the moment where it is a worthwhile exercise for investors to ask if we have crossed the monetary Rubicon and created the pre-conditions for a period of elevated inflation?

Historically, farmland has demonstrated a strong positive correlation to inflation and traditionally has been a useful inflation hedge. An argument can be made that it represents a superior form of inflation insurance than physical gold holdings because in addition to shielding from the effects of high inflation, if managed properly, it can generate run-rate cash flow in the form of rents. In effect, farmland is an inflation hedge with a positive cost of carry. Conversely, physical gold holdings have a material negative cost of carry in the form of storage and handling costs.

Veripath believes an interesting analogue for today’s macro environment is the 1970s as while history may not repeat it often rhymes. The term that was coined in that period is “stagflation”. Stagflation is that apparently contradictory condition in which economic growth slows at the same time as prices rise. Fast-forward to today and we have a similar landscape in the form of highly expansionary monetary policy coupled with a large, negative exogenous shock to the global economy in the form of a pandemic.

The full research report of, Farmland, Gold and Stagflation – The Perfect Storm?
can be found at: <https://veripathfarmland.com/communication/>

Who is Veripath: Veripath is a Canadian alternative investment firm. Members of Veripath's management team have decades of farmland, private equity, and private credit investment experience. Veripath implements its farmland strategy in a way that seeks to preserve as far as possible farmland's low-volatility return profile – the attribute that generates a material portion of Canadian farmland's superior risk adjusted return profile. Veripath does this by seeking to minimize operational, weather, geographic and business-related risks – and capture the pure return from land appreciation. For more information on Veripath please feel free to register online at www.veripathfarmland.com or call 587-390-8267.

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