

Who is Buying the Farm?

Farmland Investment Patterns In Saskatchewan, 2003-14

By André Magnan and Annette Aurélie Desmarais

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Changes in Farmland Ownership

Saskatchewan's 58 million acres of farmland are a uniquely important resource. Farmland is the foundation of the province's agricultural industry, which contributed \$3.7 billion to the Saskatchewan economy in 2014, supporting some 37,000 farming operations (Government of Saskatchewan 2015a). More than this, agricultural land is integral to the identity and security of farming families. Farmland ownership is one of the anchors that keeps farm families tied to their communities, often over multiple generations. Land typically makes up a large share of farm equity and as such it is collateral with which farm operations can finance borrowing, and provides retirement security for farmers exiting the industry.

In recent years, farmland has taken on another set of meanings and values — as an 'alternative asset class' that appeals to investors from outside the agricultural sector. Especially since the global food price spikes of 2007-8, financial investors have touted farmland and agriculture more broadly as a new investment frontier. Boosters have claimed that investing in farmland is an effective strategy for hedging against inflation, diversifying investor portfolios, and protecting wealth in an uncertain global economy. Wealthy investors — including pension funds, hedge funds, private equity firms, and others — have poured billions into purchasing farmland in both developing and developed countries. With its highly industrialized agricultural industry, stable political environment, and comparatively cheap farmland, Saskatchewan has become particularly attractive to prospective investors. The province has regulated farmland ownership since the 1970s. From 1974-2003, only Saskatchewan residents could own more than 10 acres of farmland. In 2003, the government relaxed the

restrictions to allow Canadian individuals and companies to own unlimited areas of farmland.

From 2003 onward, non-farm investors began quietly acquiring large tracts of Saskatchewan farmland. In 2014, the sale of some 115,000 acres of farmland from one investor to another sparked a public controversy. Regina based investment company Assiniboia Capital Corp., which had built up a large portfolio of Saskatchewan farmland, sold its entire holdings to the Canada Pension Plan Investment Board, for \$128 million. The controversy focused on the role of large, institutional investors in the farmland market. Some political critics and agricultural organizations have asked: is it fair for ordinary farmers to be competing with the Canada Pension Plan, with billions of investment dollars at its disposal, for scarce farmland? Creative attempts to get around Saskatchewan's farmland ownership rules also contributed to the controversy. In 2014, an entity named Skyline Agriculture Financial attempted to buy Saskatchewan farmland under a complex business structure involving mortgages, swaps, and derivatives. The Farmland Security Board ruled in 2015 that Skyline's business model contravened the province's foreign ownership ban, even though the foreign investors behind the scheme did not technically own the farmland.

In response to these events and growing public concern about farmland ownership, the government launched a public consultation process. Subsequently, in 2015 it passed legislation to prohibit pension plans and large trusts from acquiring farmland, to close certain loopholes around the financing of farmland purchases, and increasing penalties for violating the farmland ownership rules.

The farmland ownership debate is complex, raising a number of issues that involve competing interests. For instance, farmers almost universally prefer to own rather than rent farmland (Government of Saskatchewan 2015b). The entry of investors into the farmland market increases competition for land, which may be making it more difficult for farmers to expand their operations by buying land. Farmland prices are another important consideration. Lower farmland values benefit young farmers wishing to enter the industry or expand. On the other hand, farmers nearing retirement may benefit from higher farmland prices if they seek to fund their retirement by selling some or all of their land. To the extent that investment activity contributes to higher farmland values, the benefits and risks are distributed unevenly among different farming cohorts.

Furthermore, there is the issue of absentee ownership and its effects on community dynamics and farming models. Farmers who rent from investor-owners may be subject to strict lease conditions related to production practices, lease payment, etc. When land ownership shifts from locals to outsiders, it can also affect community cohesion, land stewardship, or other community dynamics. Our purpose here is not to resolve the debates about how farmland ownership should be regulated, but to provide good quality data that can better inform the debate. Specifically, we provide information on the identity of non-farm investors, the extent of investor ownership of farmland, and key trends in investor behaviour from 2003-14.



Data and Methodology

The Saskatchewan farmland debate has been fueled by media reports about big land deals such as the CPPIB purchase. Local media outlets as well as the farm press have to some extent covered the broader farmland investment trend. Yet, media reports provide an incomplete picture at best. We set out to provide a more complete picture of farmland investment patterns by using land titles and farmland transaction data. The methodology we used is described in more detail in Desmarais et al. (2015a and 2016) and Magnan and Sunley (2017).

To determine the extent of investor ownership in Saskatchewan, we obtained land titles data for the entire agricultural region of the province. We analyzed the land titles data to identify owners of large tracts of farmland who appeared not to be local farm families. Using interviews with local residents, media reports, and searches of corporate registries, we compiled a list of 37 entities that we considered investors (Table 1). The investors include a major pension plan (the CPPIB), farmland investment companies

such as Assiniboia Capital Corp., AgCapita, and Bonnefield, other farmland investment funds, wealthy individuals, and ‘farmer/investor hybrids.’ This latter group refers to out-of-province agribusiness interests who have built up large tracts of farmland since the mid-2000s.

Land titles data provide a snapshot of ownership patterns, but to get a better understanding of farmland investment over time, we used a second source of data, a comprehensive set of farmland transactions for the province. These data are available from the Farmland Security Board, for a fee. Every time a parcel of farmland is sold in Saskatchewan, the Farmland Security Board is notified of the sale by the province’s land titling agency. The database includes information on the land parcel, the seller, the buyer, and the sale price, among other things. We have used the database to track investor purchases of farmland on a year over year basis and to understand the significance of investor activity for the overall farmland market. With access to sales prices, we have also compared the price investors have paid for farmland to that paid by other buyers.

Table 1 – Principle investors in Saskatchewan Farmland

Entity	2002 holdings (acres)	2014 holdings (acres)	Description
Pension plans			
101138678 Saskatchewan Ltd. (Canada Pension Plan Investment Board)		113,867	The CPPIB, which manages more than \$CA 260 billion on behalf of the Canada Pension Plan, acquired its entire portfolio from a farmland investment partnership, Assiniboia Farmland LP, in 2013
Private investors, and investment funds, companies, and partnerships			
Robert Andjelic; and Andjelic Land Inc.		160,858	Individual investor living in Alberta, with landholdings in 78 RMs
HCI Ventures Ltd.; including HCI Farms Indian Head Ltd.	8,010	113,723	Family-controlled investment company, based in Alberta
TopSoil Farm Land Management (II) Inc.; Blueberry & Papaya Farms Ltd.; Kiwi & Mango Farms Ltd.; and associated companies	3,317	84,516	A group of affiliated companies, including TopSoil Farmland Management Fund, a private equity fund. Some of these entities are investment companies while others may be farmer/investor hybrids
Agcapita GP II Ltd.; Agcapita GP III Ltd.; and Agcapita GP IV Ltd.		29,228	Farmland investment company catering to individual and institutional investors
West Star Agricultural Ltd.; and Alykhan Karim Bhanji		22,534	Individual investor from Saskatchewan, with landholdings in 37 RMs
AGMW Regina Farms Ltd.		21,205	Private investment company, with shareholders including the Aquilini family (owners of the Vancouver Canucks), Chip Wilson (founder of Lulu Lemon), and other wealthy individuals
Chinook Bison Ranch Ltd.		18,740	Private company affiliated with the U.S. Ricketts family, billionaire owners of the Chicago Cubs.
Prairie Merchant Corporation		17,671	Private investment company owned by high-profile Canadian investor, Brett Wilson
101168777 Saskatchewan Ltd. (a general partner of Agco Ag Ventures LP)		15,453	Agco Ag Ventures is a limited partnership investment company, partly owned by SaskWorks, a Saskatchewan-based mutual fund

Table 1 – Principle investors in Saskatchewan Farmland continued

Entity	2002 holdings (acres)	2014 holdings (acres)	Description
Private investors, and investment funds, companies, and partnerships continued			
Weyburn Security Company Limited	15,075	14,879	An insurance, financial planning, and investment company based in Saskatchewan
Netherlands Investment Company of Canada Limited	11,581	12,446	Manitoba-registered subsidiary of a Dutch company
Bonnefield Farmland Saskatchewan Inc.; and Bonnefield GP II Inc.		11,163	Toronto-based farmland investment company catering to individual and institutional investors
Hardin Investments Ltd.		10,930	Private investment company, based in Alberta
Laborde Enterprises Ltd.		10,416	Private investment company, based in Alberta
Yang's Crop Inc.		10,032	Private investment company, based in British Columbia
Farmer/investor hybrids			
Cor Van Raay; and Van Raay Land Inc.		33,730	Former owner of one of Alberta's largest feedlots who has expanded into Saskatchewan since the mid-2000s
Nil-Ray Farms Ltd.		14,803	Owned by the Nilsson brothers, former owners of one of Canada's two largest beef packing plants
3L Cattle Company Ltd.	3,815	14,097	Owned by founder of a British Columbia-based logging company
Other			
An aggregation of 18 other investors and investment companies with holdings of 3,000 to 10,000 acres each	10,158	106,728	
Totals (acres)	51,957	837,019	

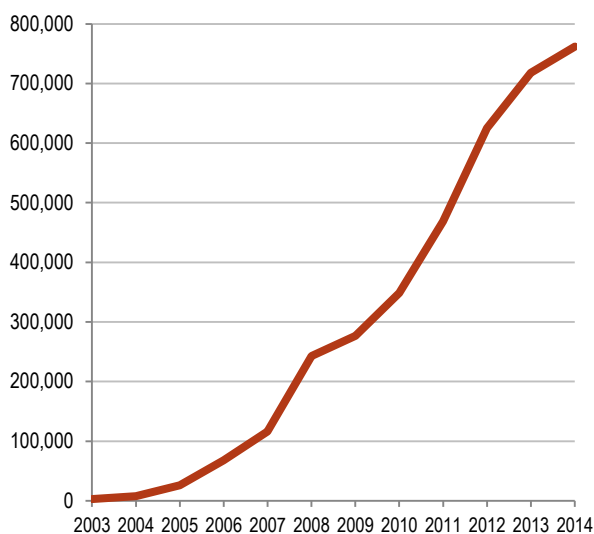
Sources: Information Services Corporation of Saskatchewan, reproduced from Desmarais et al. (2016).

Key Findings and Trends

The extent of investor ownership was very low in 2002, when only Saskatchewan residents were entitled to own farmland. This changed dramatically between 2003, the year ownership rules were relaxed, and 2014. In total, the 37 investors we identified owned a combined 837,019 acres in 2014 (Table 1). The single largest farmland owner is a wealthy individual, whose total landholdings is nearly 161,000 acres. By 2014, investors owned approximately 1.44% of Saskatchewan’s farmland, based on a total land base of 57.95 million acres, as estimated by the Saskatchewan Assessment Management Agency.

Using the database of farmland transactions, we calculated the year-over-year acquisitions of the 37 principle farmland investors, from 2003-2014 (Figure 1). Investment activity seems to have taken off in 2007. There is a slight levelling off of activity in 2008-2009 and again after 2012.

Figure 1 – Cumulative Investor-Held Acreage, Saskatchewan (acres)

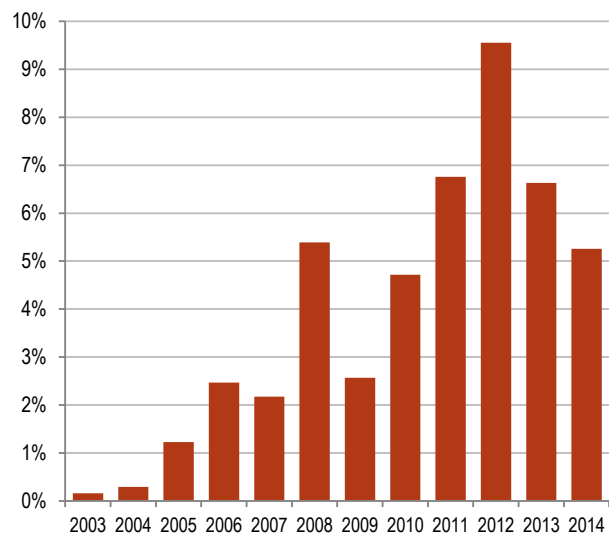


Source: Farmland Security Board, by request

Nevertheless, investor landholdings grew steadily throughout the period in question.

With data on all farmland transactions, we sought to determine the significance of investor activity in relation to the overall farmland market. The Farmland Security Board’s database codes transactions as ‘family’ or ‘arm’s length’ to capture sales that are made within a family (typically for farm succession) versus those made among independent parties. To understand the impact of outside farmland investors on the land market, we analyzed investor activity in relation to ‘arm’s length’ transactions. Figure 2 shows that, in some years since 2003, investor purchases have accounted for a significant share of arm’s length transactions. In the year of peak activity, 2012, investors accounted for nearly 10% of all arm’s length transactions in the province. In other words, investors purchased one in ten acres of farmland sold in transactions

Figure 2 – Investor Purchases as a Share of All Arm’s Length Transactions, Saskatchewan



Source: Farmland Security Board, by request

involving independent parties. In four other years, investor purchases made up more than 5% of arm’s length transactions.

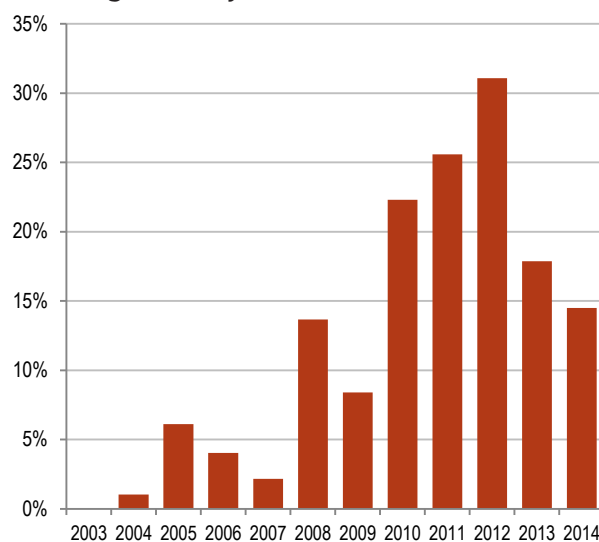
Because of factors such as, among others, soil type, land quality, and land prices, investment activity is unevenly distributed across the province. Desmarais et al. (2016) analyzed the geographical distribution of investor ownership and identified 16 rural municipalities in which investors owned more than 5% of agricultural land in 2014. We sought to further investigate farmland investment patterns in these 16 ‘high-activity’ RMs. As shown in Figure 3, investor purchases make up a considerably larger share of all arm’s length transactions in these RMs than is the case at the provincial level. In three years, 2010-2012, investor purchases accounted for more than one fifth of all arm’s length transactions and thus represent a period of significant investor activity. These data suggest that investor activity may be having an important effect on local farmland markets in some parts of the province.

One of the issues driving the farmland ownership debate is the extent to which investment activity

may be influencing farmland prices. Saskatchewan farmland values have risen rapidly in the last 10 years (Table 2). There is concern in some quarters that investor enthusiasm could be contributing to rising farmland prices. Although farm income has generally been strong in recent years, Farm Credit Canada acknowledges the existence of a “momentum effect” whereby expectations of rising land values actually lead to higher prices (FCC 2015) — i.e., speculation. Using the farmland transaction database, we sought to determine differences, if any, between the prices paid for farmland by investors and other buyers (Figure 4).

In the 16 ‘high-activity’ RMs, investors paid more per acre of farmland, on average, than other buyers in all but two years. Between 2007 and 2014, the years of increased investment activity, investors paid on average \$882/acre versus \$633/acre for other arm’s length buyers and \$513 for buyers in family transactions. In other words, investors paid on average 39% more than other arm’s length buyers and 72% more than intra-family buyers for farmland in the 16 RMs we examined.

Figure 3 – Investor Purchases as a Share of Arm’s Length Transactions in 16 High-Activity RMs, Saskatchewan



Source: Farmland Security Board, by request

Table 2 – Change in Farmland Values, Saskatchewan

Year	Annual Change in Farmland Values, %
2006	2.1
2007	11.0
2008	14.9
2009	6.9
2010	5.7
2011	22.9
2012	19.7
2013	28.5
2014	18.7
2015	9.4

Source: FCC (2016)

Figure 4 – Price per Acre by Transaction Category, Arms-length Transactions, in 16 RMs



Source: Farmland Security Board, by request

We also calculated the difference between the purchase price and assessed value for transactions involving investors and non-investors in the entire province. Between 2007 and 2014, investors paid, on average, \$239/acre over the assessed value (a premium of about 50%) for their farmland purchases. By comparison, non-investor arm's length buyers paid, on average, \$96/acre over the assessed value (a premium of 21%).¹ In the booming farmland market of recent years, both farmers and investors have been prepared to pay above assessed value for land that they have acquired. The fact that investors have paid significantly more than other buyers, however, lends support to concerns about the speculative nature of investor activity.

Another investor behaviour that might be considered a form of speculation is property 'flipping' — that is, building a portfolio of farmland only to sell it soon after to another investor

or other buyers. To what extent are Saskatchewan farmland investors engaging in this behaviour? The picture is mixed. Many investors continued to grow their farmland portfolios throughout the study period, with few if any sales. However, there have been some large investor-to-investor transactions. For instance, as mentioned above, Assiniboia Capital Corp. sold all of its land to the CPPIB in 2014, tripling the value of its partnership units between 2005 and the time of the sale (Leader Post 2013). Interestingly, Assiniboia continues to manage the farmland on behalf of the CPPIB. Another investor, Freemont Farms sold its portfolio of 20,000 acres, purchased between 2007 and 2011, to an investment entity named AGMW, in 2012. Also in 2014, AgCapita sold nearly half of its portfolio to Topsoil Farmland Management, a group of companies connected to a private equity fund. A firm called MaxCrop bought and sold nearly 60,000 acres between 2010 and 2014.

¹ The difference is statistically significant at the .01 level. In other words, there is a less than 1% probability that the difference in the means is due to chance. We excluded transactions for which no assessed value was reported.

Conclusion

The debate over farmland ownership needs to be informed by facts. Our research has documented and quantified the extent of investor ownership of Saskatchewan farmland. While investors own only a small share of the province's land base, their activities since the mid-2000s are having an impact on the farmland market. In some regions, the presence of investors may be significantly affecting the availability and price of land. Our analysis has shown that investors are buying up land and that they have paid more for farmland than other types of buyers, even when accounting for differences in the assessed value of land parcels.

As a result of concerns about investor ownership of farmland, the Government of Saskatchewan did "tighten" the restrictions on farmland ownership. The new rules restrict the activities of "institutional" investors, but they do not

stop Canadian *private* investors from purchasing farmland in Saskatchewan. Meanwhile, private investors are also accumulating significant amounts of farmland in the province. For example, the single biggest landowner in Saskatchewan is Calgary-based Robert Andjelic, who according to his website now owns and manages 200,000 acres (<http://robertandjelic.com/>).

Our research raises important questions about who should own farmland in Saskatchewan, and how much (Desmarais et al. 2015b). Although there are indications that the Saskatchewan farmland market has begun to cool, sound policy making around farmland ownership is necessary if we are concerned about ensuring access to land for the next generation of farming families, who are integral to the social and economic fabric of rural communities.

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