

## 2025 in Review

### Resilience Through Trade and Market Uncertainty

---

Despite a challenging macroeconomic backdrop and persistent geopolitical uncertainty, Canadian farmland remained resilient in 2025, holding its value and posting modest gains across much of the country. This performance reinforced farmland's role as a defensive asset class amid soft commodity prices, elevated input costs, and trade related disruption.

Early in the year, heightened U.S. trade tensions led many operators to delay capital and investment decisions, resulting in subdued farmland transaction activity and a cautious "wait and see" approach across the industry. This was exacerbated by compressed farm margins amid softer commodity prices and stickier input costs. However, in the second half of 2025, we began to see growers cautiously revert to business-as-usual and begin re-engaging on the investment side, as evidenced by strengthening farmland transaction activity and improving market feedback from farmers, appraisers, and our broker network. We believe that 2025 farm cash receipts, up 3.4%<sup>1</sup> from 2024, highlighted the underlying revenue resiliency of the sector and, when combined with elevated costs, supported a more selective purchasing environment. We continue to see a flight to quality, with high quality, well located farms transacting more readily than lower quality or less efficient assets, reinforcing the importance of asset selection in the current environment.

Consumer behavior also provided important support. Canada's "Buy Local" campaign played a meaningful

role, as consumers increasingly chose domestically grown products over U.S. or international alternatives according to the Canadian Food Sentiment Index released by the Agri-Food Analytics Lab at Dalhousie University, supporting pricing and demand for Canadian produce. The combination of higher pricing and strong yields resulted in strong performance for fresh produce farmers.

Trade tensions with China, another major agricultural trading partner, created additional headwinds for canola producers following the imposition of export tariffs on seed, oil, and meal. While these measures weighed on export volumes, the impact was partially offset by a 7.6% year over year increase in domestic canola consumption<sup>2</sup> and continued export diversification to markets such as the European Union, Japan, and Mexico. This dynamic is consistent with Canada's past experience managing trade disruptions with China. During earlier periods of strained bilateral relations, most notably following China's effective suspension of Canadian canola imports in 2019, Canadian producers and exporters responded by expanding domestic processing capacity and accelerating diversification into alternative export markets. Over time, these efforts helped mitigate reliance on a single end market. The 2025 experience further underscores the sector's adaptability and the strategic value of diversified demand channels.

## 2026 Outlook

### Macro Backdrop: Stability with Ongoing Headline Risk

---

Canada is expected to experience below trend economic growth in 2026, driven by slowing population

growth and ongoing trade related uncertainty that continues to weigh on business and consumer confidence. Inflation is expected to remain within the Bank of Canada’s target range, and interest rates are generally expected to remain at current levels (2.25%), providing a more stable financing environment.

Trade policy is expected to remain a key source of headline risk throughout the year:

- Canada-US-Mexico (CUSMA) renegotiations, scheduled to begin in July 2026, are expected to be challenging and potentially drawn out. While the baseline expectation is that the agreement remains in place, certain sectors, particularly dairy, are likely to face increased scrutiny. Prolonged negotiations

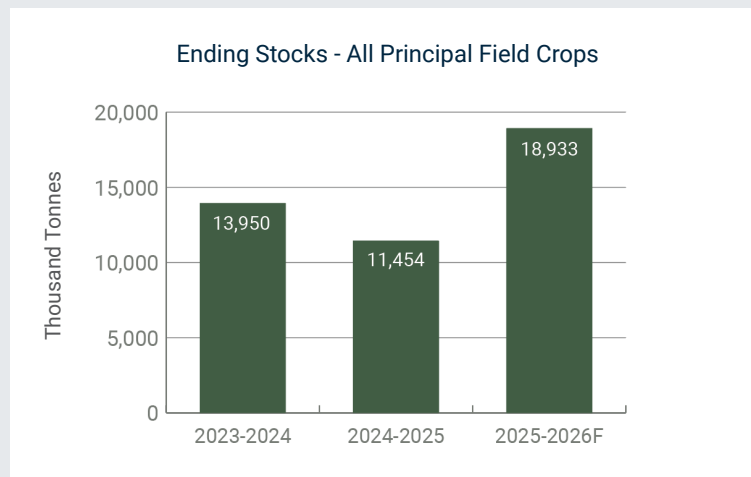
could introduce volatility and confusion across agricultural markets, particularly for publicly traded commodities and result in delayed investments.

- A Canada–China trade agreement reached in January 2026 reduced tariffs on canola seed and eliminated tariffs on canola meal, reopening an important export channel for the commodity.
- The Canadian government is expected to continue efforts to diversify export markets, supporting long term trade resilience for the agricultural sector. This is supported by recent trips by the Canadian government to the Middle East, Asia and Europe.

## Agricultural Markets: Abundant Supply and Pricing Pressure

For 2025-2026, total production of principal field crops in Canada is forecasted at 107 million tonnes<sup>3</sup> (up from 97 million tonnes the previous year), reflecting strong yields and stable harvested acreage. However, the market environment in 2026 is expected to be increasingly supply heavy as shown below.

As per Agriculture and Agri Food Canada’s February 2026 outlook report for the upcoming crop year, a significant inventory build (up 65% from 2024–2025) is anticipated, driven by another strong production year, with volumes expected to be approximately 10% higher year-over-year. Softer export demand (down ~2%) is expected to contribute to the buildup, partially offset by modestly higher domestic use (up ~3%). Prices for most principal field crops are forecasted to decline year over year as abundant supplies exert downward

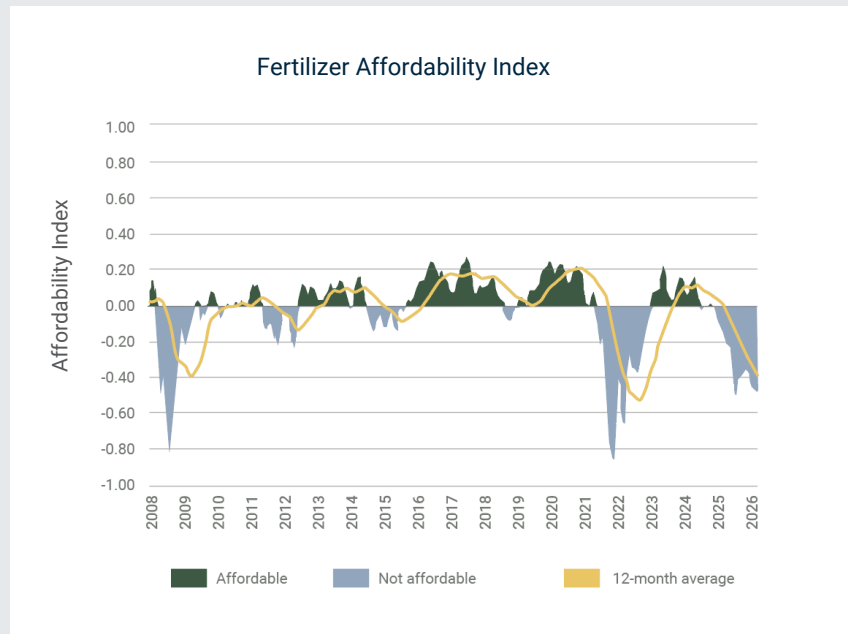


Source: Statistics Canada (STC) and Agriculture and Agri-Food Canada (AAFC)

pressures. This outlook aligns with the January 2026 World Agricultural Supply and Demand Estimates (WASDE) report, which points to strong U.S. and global production, particularly in corn and soybeans, higher ending stocks, and continued downward pressure on prices.

Input costs remain a key challenge. As illustrated below, fertilizer affordability (commodity prices relative to fertilizer prices) continues to deteriorate as fertilizer prices remain high and sticky, which is expected to weigh on demand and consumption. Reduced demand is likely to contribute to some softening in fertilizer prices over time, but near term margin pressure is expected to remain. The ongoing military conflict in the Middle East could intensify short-term upward pressures if it persists, driven by rising oil prices and potential disruptions to global fertilizer markets. These risks are heightened by Iran’s control of the Strait of Hormuz, a critical trade route for global fertilizer shipments. Canada is structurally well positioned from a fertilizer sourcing perspective, due to domestic potash production and partial nitrogen self-sufficiency, and we therefore expect low vulnerability to Hormuz-related disruptions. Nevertheless, as fertilizer markets are globally priced, we expect the primary transmission mechanism to be price risk and market volatility, not material supply constraints for Canadian farmers.

The 2026 Dalhousie Food Price Report anticipates food price inflation stabilizing in-line with headline inflation, reducing volatility for consumers. Continued efforts to reduce interprovincial trade barriers could enhance productivity and lower logistics costs if fully implemented.



Source: RaboResearch 2025

## Farm Economics and Canadian Farmland Market Implications

Operating margins are expected to remain compressed nationwide in 2026 due to soft commodity prices and persistently high input costs. Tight credit conditions further constrain expansionary behavior.

As a result, we expect a modest increase in farmland transaction activity in 2026 compared with 2025, though overall activity is likely to remain subdued. Farmland values are expected to experience only modest appreciation, with continued differentiation between high quality, well located assets and lower quality properties. In leasing markets, softer rental rate renewals are expected as farmers seek relief amid margin pressure.

## **Bonnefield Positioning and Opportunity Set**

Against this backdrop, Bonnefield expects an increase in incoming inquiries from farmers as operators seek alternative sources of capital to support growth, manage leverage, or right size their balance sheets.

We are also seeing growing demand for structured agreements, which increases access to off market opportunities and enables us to offer flexible arrangements that align with farmers' operational needs. Based on farmer engagement and feedback, this flexible, partnership driven approach continues to resonate with operators and reinforces Bonnefield's mission to be a trusted, long term partner in Canadian agriculture.

## **Long Term Perspective: Growing Strategic Importance of Canadian Agriculture**

Over the longer term, there is growing recognition that Canadian agriculture represents a strategic priority for the government and domestic investors. This view was further underscored by recent remarks from Prime Minister Carney at Davos, highlighting the importance of national food security and a country's ability to reliably feed itself in an increasingly uncertain global environment.

This growing emphasis is also evident in capital formation across the sector. In February, Farm Credit Canada led a \$5 billion coalition of investors, including Bonnefield, to support investment in Canada's agriculture and food sector through 2030, building on an additional \$2 billion investment commitment announced for 2025. These initiatives reflect a coordinated effort to channel capital toward innovation, infrastructure, and productivity enhancing investments.

We believe this momentum bodes well for Canadian agriculture over the long term. Sustained investment in innovation and infrastructure should support improved competitiveness, stronger productivity, and greater resilience across the sector, reinforcing the foundational role of Canadian agriculture in both domestic food security and global supply chains.

---

<sup>1</sup> Statistics Canada. Table 32-10-0045-01 Farm cash receipts, annual (x 1,000)

<sup>2</sup> Agriculture and Agri-Food Canada, Canada: Outlook for Principal Field Crops, 2025, February 18, 2026

<sup>3</sup> Agriculture and Agri-Food Canada, Canada: Outlook for Principal Field Crops, 2026, February 18, 2026

## Bonnefield Financial

Bonnefield is a Canadian agriculture investment manager that provides long-term, non-controlling capital to support farmers and agribusiness operators while targeting stable, risk-adjusted and inflation-resilient returns for investors.

This document is for information purposes only and does not constitute an offer or solicitation to buy or sell any securities in any jurisdiction in which an offer or solicitation is not authorized. Any such offer is made only pursuant to relevant offering documents and subscription agreements. Bonnefield funds (the "Funds") are currently only open to investors who meet certain eligibility requirements. The Funds will not be approved or disapproved by any securities regulatory authority. Prospective investors should rely solely on the Funds' offering documents which outline the risk factors in making a decision to invest. No representations or warranties of any kind are intended or should be inferred with respect to the economic return or the tax consequences from an investment in the Funds. The Funds are intended for sophisticated investors who can accept the risks associated with such an investment including a substantial or complete loss of their investment. This communication is for informational purposes only and should not be relied upon for completeness. Any investment performance data outlined in this document should not be used to predict future returns. Any market prices, data, and third-party information are not warranted as to completeness or accuracy and are subject to change without notice. Prospective investors should take appropriate professional advice before making any investment decision. In all cases where historical performance is presented, note that past performance is not indicative of future results, and should not be relied upon as the basis for making an investment decision. There can be no assurance that any unrealized investments will ultimately be realized at the valuations taken into account in calculating the Funds performance presented herein, where applicable. The performance of such investments when ultimately realized may be materially different. This document may not be transmitted, reproduced, or used in whole or in part for any other purpose, nor may it be disclosed or made available, directly or indirectly, in whole or in part, to any other person without Bonnefield's prior written consent.

Copying, distributing or sharing this document or its contents is expressly prohibited without the express, written consent of Bonnefield. Nothing herein should be construed as investment advice or a recommendation. Suitability must be assessed individually. See our full disclaimer at [bonnefield.com/bonnefield-disclaimer](https://www.bonnefield.com/bonnefield-disclaimer)