A Bonnefield Research Paper

Factors that Drive Canadian Farmland Values



September 2011

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Abstract

This paper examines the key drivers of farmland values in Canada. In writing it, we reviewed 60 years of farmland value data for Canada as well as for individual provinces, and assessed the relative influence that factors such as farm revenue, farm productivity, agricultural commodity prices, farm profitability and interest rates have on farmland values.

The paper concludes that increasing farm revenue and improving farm productivity have been the major contributing factors to rising farmland prices in Canada. Other significant, though less important, factors have been commodity prices, overall farm profitability, and the generally prevailing level of interest rates.

The analysis also shows that there has been remarkable consistency in the factors that have driven farmland prices in different regions of Canada. A major exception, however, is Saskatchewan where farmland prices have significantly lagged those in the rest of Canada. Our analysis suggests that a major contributing factor to this underperformance has been the unintended impacts of the Province's farmland ownership restrictions.

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Table of Contents

Background 1

History of Canadian Farmland Value 1

The Drivers of Canadian Farmland Value 2

Rental Income and Farm Revenue 3

Farm Profitability 4

Farm Productivity 5

Commodity Prices 6

Interest Rates 7

Conclusions 7

Saskatchewan: An Exception to the Rule 9

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Background

Returns to farmland ownership come from both the annual income that the farmland generates through farm operations, or through renting the land to farm operators, as well as from long-term capital appreciation. This paper seeks to explore the key drivers of the capital appreciation portion of farmland returns.

Over the past 60 years, Canadian farmland values have increased at an average annual rate of 7.1% with a standard deviation of 7.9%.[1] Incomes from farm leases typically yield an additional 3-7% annually.[2] Historic farmland returns have had very little correlation with financial markets and have typically outpaced inflation.

Demand for agricultural commodities is inherently both price and income inelastic because regardless of economic conditions people cannot easily substitute their need to eat. As such, food commodities tend to lead core inflation and maintain demand during deflationary periods. These supply and demand characteristics of basic food commodities tend to be capitalized in the value of productive farmland and as such have made it an excellent vehicle for capital appreciation and wealth preservation over the past 60 years.

Institutional investment in farmland has been growing in the United States, South America and elsewhere around the world since the 1990's, but farmland is only now coming into focus for institutional investors in Canada. Due in part to the longer history of institutional investment in farmland in the US and elsewhere, there is a wide body of investment research on the asset class in those countries. By contrast, relatively little has been written about the drivers of farmland values in Canada and this paper's goal is to begin this discussion.

This paper seeks to analyze Canadian farmland as an investment asset class with regards to its fundamental value and its historic value growth. The key variables we explore are:

- *Farm revenue*
- *Farm efficiency/productivity*
- *Commodity prices*
- *Farm profits*
- *Interest rates*

History of Canadian Farmland Value

Over the past 60 years, Canadian farmland has seen remarkably consistent and stable value appreciation. Since 1951 Canadian farmland has averaged 7.1% annual appreciation, with a standard deviation of 7.9%.[1]

	Average Appreciation	Standard Deviation
1951-2010	7.1%	7.9%
1981-2010	3.7%	5.5%
1991-2010	5.2%	3.2%
2001-2010	6.1%	2.0%
2006-2010	6.7%	2.2%

Source: Statistics Canada

Table 1: Canadian Average Farmland Appreciation and Standard Deviation

The 1972-1981 period was a major exception to this steadily appreciating trend. Readily available debt combined with a spike in agricultural commodity prices around the world, caused a speculative bubble as price inflation and negative real interest rates triggered rapid appreciation of farmland prices in the late 1970's. Interest rates spiked in 1982, resulting in a period of deleveraging during which Canadian farmland prices adjusted downward from 1982-1987. This leveraged bubble and subsequent correction is clearly visible on a long-term trend line

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of farmland value (see *Figure 1*). Even including this period of unusual volatility farmland values have exhibited a remarkably consistent long-term trend of steady annual appreciation.

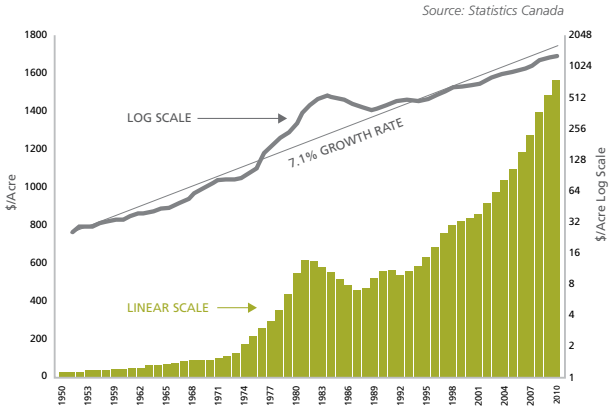


Figure 1: Canadian Farmland Values – Linear and Log Scale

While average Canadian farmland values appreciated an average of 7.1% over the past 60 years, *Table 2* shows there has been significant variation in farmland appreciation between provinces.

		Alberta	Saskatchewan	Manitoba	Ontario	Quebec
60 YEARS	Average Appreciation	7.8%	6.2%	6.3%	8.1%	7.4%
	Standard Deviation	10.6%	9.7%	8.2%	8.3%	6.4%
30 YEARS	Average Appreciation	3.7%	1.7%	3.3%	4.3%	5.5%
	Standard Deviation	7.1%	6.0%	5.4%	7.5%	4.2%
20 YEARS	Average Appreciation	6.5%	3.2%	4.7%	4.5%	6.3%
	Standard Deviation	4.7%	4.4%	2.9%	3.9%	3.5%
10 YEARS	Average Appreciation	7.7%	4.6%	5.7%	5.5%	5.0%
	Standard Deviation	3.4%	3.4%	2.7%	1.7%	2.3%
5 YEARS	Average Appreciation	8.4%	6.6%	7.1%	5.2%	4.8%
	Standard Deviation	4.6%	3.7%	2.7%	1.2%	2.8%

Source: Statistics Canada

Table 2: Selected Provincial Farmland Appreciation and Standard Deviation

The provincial data in *Table 2* show significant variation in return and volatility between the provinces. Ontario has exhibited the greatest historical return, and Saskatchewan the lowest. Saskatchewan's markedly lower appreciation rate is explored in greater detail later in this paper.

The Drivers of Canadian Farmland Value

The income capitalization model is the accepted analytical framework for assessing values of income-producing assets. Because farmland is highly heterogeneous, the model is a relevant analytical tool to assess farmland value in relation to intrinsic economic value.

$$\textbf{Farmland Value} = \frac{\textbf{Rent Income}}{\textbf{Discount Rate}}$$

The value of an income-producing asset stems from the future income it generates; therefore, a fundamental driver of farmland value for investors is the rent income they receive from the land (or the revenue they generate from farming the land). The amount an investor is willing to pay to receive this rent (or farming revenue) is partly a function of the discount rate. The discount rate represents the stream of rent income as a percentage of price, or the inverse of the income multiple. For example if an investor is willing to pay 20 times annual rent to own farmland, the discount rate is the inverse of 20, or 5%.[3] The income capitalization model forms a framework for establishing the drivers of farmland value. Simply put, factors that affect farm rental rates (such as farm revenue, commodity prices, farm productivity and farm profitability), and the risk-free rate of return (indicated by the generally prevailing level of interest rates), determine the capitalized value of farmland. Investor risk premiums and anticipated growth rates also play important roles in determining an appropriate discount rate, but can change over time based on investor sentiment. For the purpose of this paper, long-term interest rates are used as a proxy for the discount rate.

Discount Rate = Risk Free Rate + Risk Premium - Growth Rate

Using the income capitalization model as a guide, factors affecting farm rent and the discount rate are examined with respect to their historic influence on Canadian farmland prices.

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Rental Income & Farm Revenue

Comprehensive, consistent data on historical farmland rental rates are not readily available for Canada; however, farmland rents are closely related to farm revenue. Farmland rents are typically paid in one of three ways: a fixed cash lease, a crop share, or a hybrid arrangement. Historically approximately 20-30% of gross farm revenue is the typical share of crop revenue that flows to the landowner through either a crop sharing or fixed lease arrangement[4]. This percentage changes slightly depending on the local rental market and the type of rental agreement, but is usually considered the norm in Canada.

Under a crop share arrangement the landlord provides the operator access to the land in exchange for a negotiated share of the final crop. The values of crop share leases are directly linked to revenue as the landlord simply takes a portion of the crop. Crop share and cash leases are, to some extent, substitutable leasing arrangements and are closely linked. Cash leases are typically discounted to crop share leases because the landlord often wishes to avoid operational risk, but like crop shares, cash leases are also closely tied to revenue. In the absence of consistent historic rental data, we therefore, used total farm revenues as a proxy for our analysis.

Source: Statistics Canada

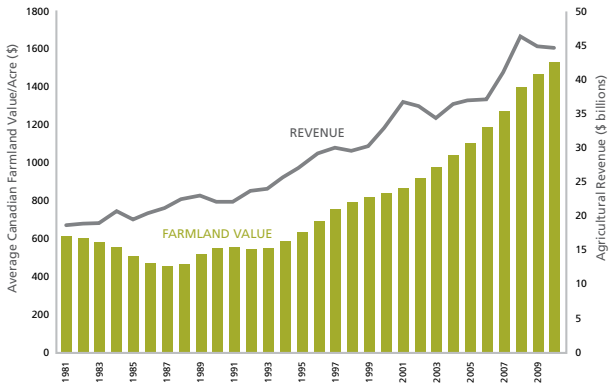


Figure 2: Canadian Farmland Value and Farm Revenue 1981-2010

Our analysis found that average farmland values in Canada have grown in lockstep with total farm revenue, exhibiting a remarkably high correlation coefficient of 95.6% over the past 30 years (see *Figure 3*). These results suggest that farmers typically determine the price they are willing to pay to acquire farmland based on the additional revenue they expect it to generate, rather than the historical profits they have realized from their existing operations. These results fit well with economic theory, which suggest that the price of an asset is determined based on the marginal revenue it will produce.

Source: Statistics Canada

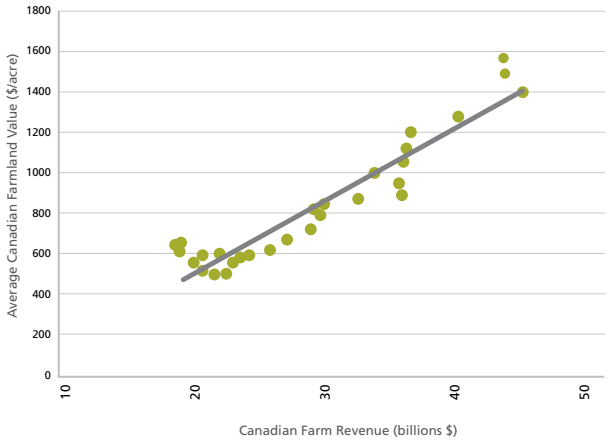


Figure 3: Canadian Farmland Value and Farm Revenue 1981-2010 – Correlation Coefficient 95%

In summary, the connection between farmland revenue and farmland values is clearly supported by their strong statistical correlation. As farmers make decisions about expanding their operating lands based on what they expect to earn from it, farmers and investors conceptualize the cost of land as a function of the marginal revenue they expect that land will produce.

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Farm Profitability

Farm profits have an almost intuitive connection to farmland value, as greater profits should drive demand for farmland. Statistically, however, there has not been a strong correlation between farm profitability and farmland values at a provincial or national level. Farm incomes have far more volatility than farm revenue because there are substantially more factors that impact profitability (See *Figure 4*). In addition to farmland yield and crop prices, farm income is a function of a myriad of costs, such as production inputs, storage, financing, management, and marketing.

Source: Statistics Canada

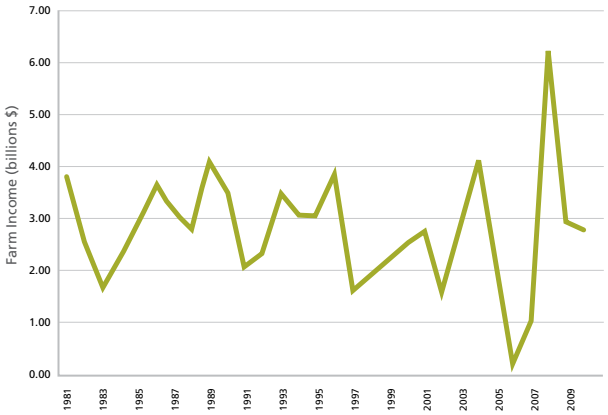


Figure 4: Canadian Farm Income 1981-2010

Due to the competitiveness of global agriculture, farm businesses are price takers. Farmers generally receive the same price for their product regardless of the quantity they produce. This situation makes farm profitability a function of production efficiency and reducing average costs, primarily achieved though increased scale. Research conducted by Dr. David Sparling of the University of Western Ontario and Statistics Canada suggests that larger farms reduce their average cost of production, and in doing so achieve far greater profitability than smaller farms.[5] These factors have led to continuous consolidations of farm operations in the Canadian agricultural sector.

Farmland values have shown little correlation with farm profits (See *Figure 5*). A correlation coefficient of -4% implies there is essentially no correlation between total profit and farmland value. Even as farm revenues have risen, absolute profits have not expanded in kind. This low correlation is likely due in part to the fact that aggregate profitability data is skewed by smaller, less profitable operators. If the data could be segregated by farm size and profitability, they may show a much stronger correlation between profitability and farmland values.

Source: Statistics Canada

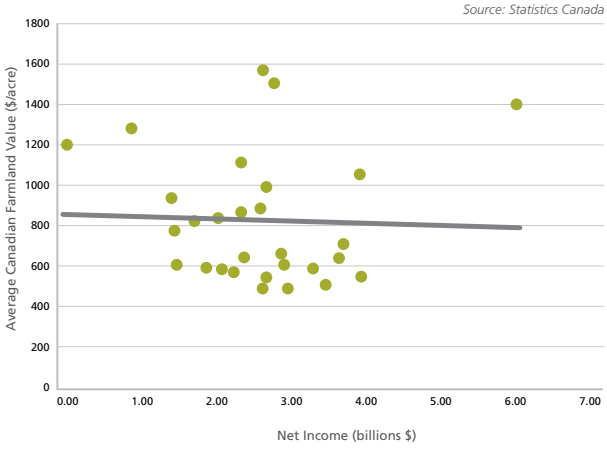


Figure 5: Canadian Farm Income to Farmland Value 1981-2010 – Correlation Coefficient -4%

An examination of the correlation between farmland values and farm profitability on a provincial basis shows a wide variation in results (see *Table 3*), but the conclusion is the same as the national average: farm profit has been a poor predictor of farmland value.

Newfoundland and Labrador	-31%
Prince Edward Island	-33%
Nova Scotia	-55%
New Brunswick	-15%
Quebec	36%
Ontario	-60%
Manitoba	21%
Saskatchewan	35%
Alberta	-24%
British Colombia	-70%

Source: Statistics Canada

Table 3: Correlation Coefficients of Farm Income and Farmland Value by Province 1981-2010

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Farm Productivity

Having determined that farm revenue (and, therefore, farm rental rates which are typically a function of farm revenue) is the key driver of farmland value in Canada, we then looked at the two key components of farm revenue – farm productivity and commodity prices.

Farm economics and farming operations have changed dramatically in recent decades. Farmland productivity as measured by yield per acre has increased consistently over time, driven by advances in crop science, increased capital investment, and greater efficiency and scale in farming. Capital investment in farm operations in Canada grew by 160% between 1988 and 2007 (see *Figure 6*).

Source: Statistics Canada

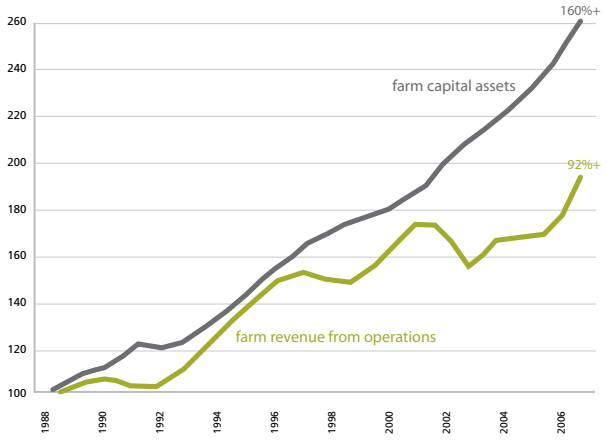


Figure 6: Index of Farm Capital Assets to Farm Operating Revenue 1988-2007

As capital replaced labour, farm operations became much more efficient. This trend resulted in a 4.7% annual productivity growth rate for the Canadian farm sector, compared to the Canadian economy's average productivity growth of 1.2% over the same time period (*Figure 7*).

Source: Statistics Canada

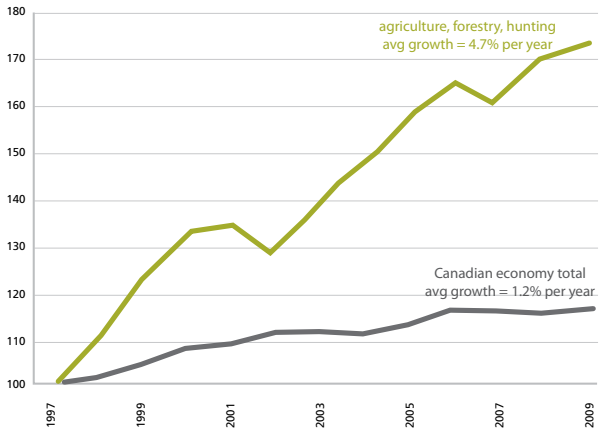


Figure 7: Productivity Growth in Canadian Agriculture and Forestry Sector to total GDP growth 1997-2009

The competitive pressures to lower costs and increase yields have driven Canadian farmers to increase the scale and efficiency of their operations. Capital-intensive farming has increased the efficient farming scale and reduced the average cost of production, essential to maintaining profit margins of farm operators. Farmers must continually reinvest in equipment, techniques, and new input products to ensure productivity remains high and their operations stay competitive with other producers serving world markets. The pressure to farm at scale has driven consolidation of Canadian farm operations, as smaller, undercapitalized farmers struggle to adequately reinvest in their operations.

Farm sizes in Canada have exhibited continuous growth, tracked closely by increasing average yields of Canada's major crops (see *Figure 8*).

Source: Statistics Canada

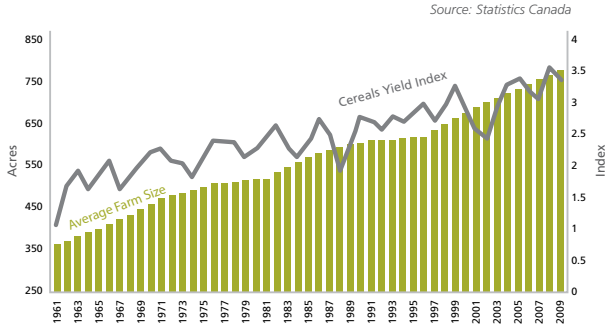


Figure 8: Canadian Cereal Yield to Average Canadian Farm Size 1961-2009

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Farm consolidations have helped to drive productivity increases in Canada's agricultural sector by lowering average costs and driving reinvestment into operations. Greater yields mean more revenue from each acre of farmland, making farmland more valuable in terms of revenue contribution. Because farm consolidation is closely connected to productivity gains, it stands to reason that farm size should be a close proxy of farm revenue. Indeed, our analysis showed a 95% correlation coefficient between average farm size and farm revenue. Because farm revenue drives farmland value growth, farm sizes have also tracked the steady increase in farmland value over time, with a correlation coefficient of 92% as shown in *Figure 9*.

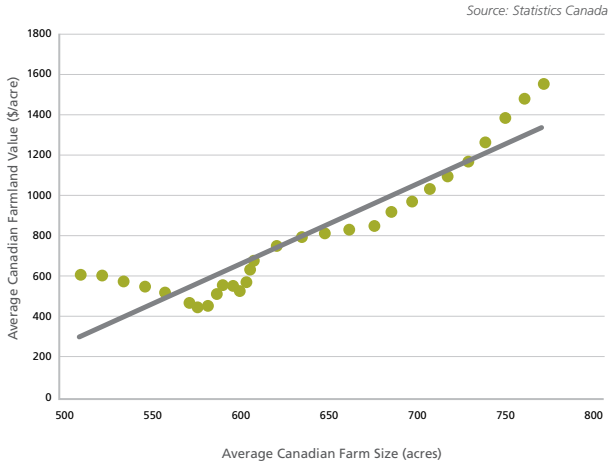


Figure 9: Average Canadian Farmland Value and Average Farm Size 1981-2010 – Correlation Coefficient 92%

Farm consolidations have played a significant part in increasing overall farm productivity and revenues over the past 30 years. Efficiency gains from scale and investment have driven growth in farm revenues, and consequently have a strong relationship with farmland values. Farm operations will continue to consolidate, driven by an aging farmer cohort and economic fundamentals.

Commodity Prices

Commodity prices and crop yields determine revenue for crop farmers, although these components of revenue have very different properties. Historically, average crop yields have exhibited consistent growth over time, whereas commodity prices have been highly volatile. Both components of revenue also appear to impact farmland values differently.

Surprisingly, our analysis showed a composite agricultural commodity price index had a relatively moderate correlation to Canadian farmland values (*Figure 10*).

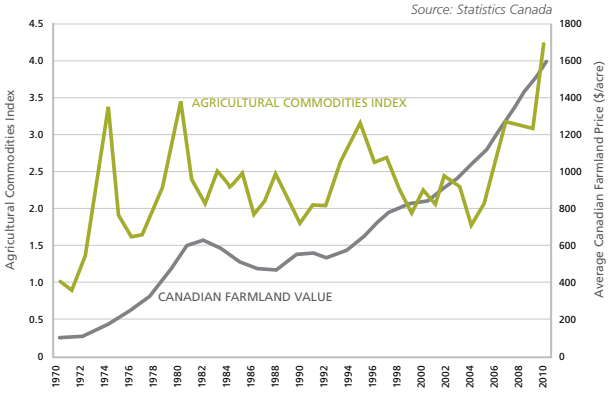


Figure 10: S&P Goldman Sachs Agricultural Commodities Index to Canadian Farmland Value 1970-2010

Between 1970 and 2010 The S&P Goldman Sachs Agricultural Commodities Index and average Canadian farmland value have a correlation coefficient of 57% (See *Figure 11*). Although commodity prices have trended upward over the past 40 years, they have done so with significant volatility. Farmland on the other hand has experienced a much more consistent trend of value growth, with only one period of sustained depreciation over the past 60 years. This indicates that the economic forces that drive consolidation of farmland and increasing productivity have mitigated the effect of volatility in commodity markets on farmland values. Particularly, high commodity price levels in recent years has driven greater demand for farmland and faster short term appreciation, but evidence suggests that farmland values have not been susceptible to highly volatile fluctuations in commodities markets.

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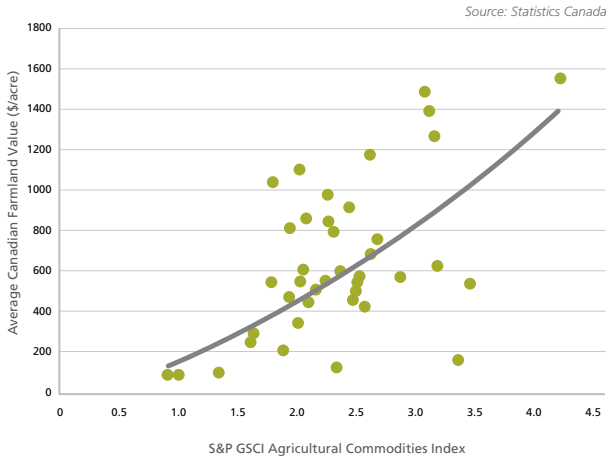


Figure 11: Canadian Farmland Value and S&P GSCI Agricultural Commodities Index 1970-2010 – Correlation Coefficient 57%

Interest Rates

Interest rates have a direct connection to the value of all investment assets including farmland. Low interest rates reduce the cost of capital to acquire farmland. In addition, interest rates of government bonds establish the risk-free rate of return when considering investment alternatives. The return on a near riskless asset influences the expected return on all other assets. For investors, the risk-free rate such as the interest rate on long-term government bonds, plus an appropriate risk premium, establishes a proxy for the expected return from assets like farmland.

The risk-free rate is the primary component of the discount rate, the denominator in the income capitalization model discussed on page 2. The income capitalization model suggests that interest rates should be negatively correlated with farmland value. The denominator of the income capitalization model has three variables, of which the risk-free rate is one, while income is the sole variable in the numerator. The income capitalization formula suggests that interest rates should have a strong negative correlation with farmland values, though not as strong as revenue, a close proxy for farm rent.

To test the relationship between farmland values and interest rates, the 10-year government bond rate was compared with farmland values over 30 years between 1981 and 2010. *Figure 12* plots the inverse of the 10-year Bank of Canada treasury note yield (income capitalization multiple) against the value of Canadian farmland.

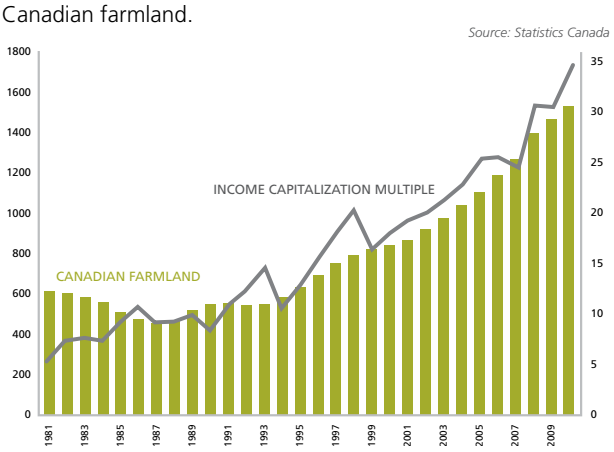


Figure 12: Canadian Farmland Value to Inverse of Bank of Canada 10 Year Treasury Note 1981-2010

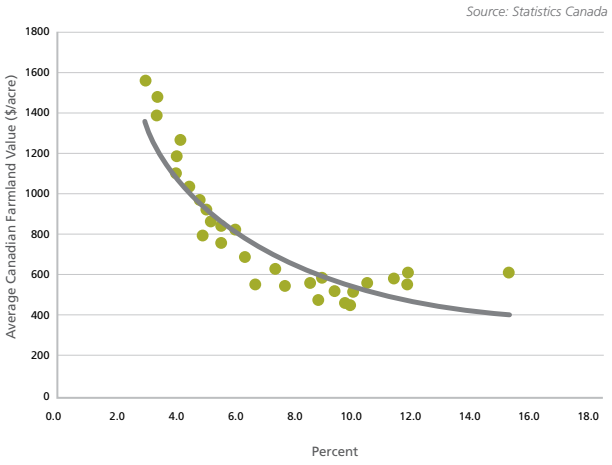


Figure 13: : Farmland Value and 10 Year Government Bond Rate 1981-2010 – Correlation Coefficient -78%

As predicted by the income capitalization model, farmland values and interest rates were found to have a strong negative correlation coefficient of -78% over the past 30 years. Low interest rates reduce the cost of capital to acquire farmland; therefore, periods of low interest rates correlate with higher farmland values. Low interest rates also reduce the expected return of investors, which pushes farmland values higher relative to rental income.

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Conclusions

Our research suggests that increasing farm revenue has been the key driver of Canadian farmland value over the past 30 years. The components of farm revenue, farm productivity and commodity prices, demonstrate very different attributes: general farm productivity has increased reasonably consistently, while farm commodity prices have demonstrated considerable volatility over the same period. Farm productivity has a very close relationship with absolute farmland value and appears to support farmland value levels in the long term.

Notwithstanding the farm crisis during the 1980's, farmland values have appreciated extremely consistently, in sharp contrast to commodities. While commodity prices have demonstrated some degree of positive correlation with farmland values, they have not tracked farmland values as closely as farm productivity, farm size, or total revenues.

Surprisingly, farm profits have not exhibited a strong connection with farmland values. Numerous factors determine farm profits, many of which are unrelated to the productive capacity of land. The low correlation between overall farm profitability and farmland values may be partly explained by the data, which are skewed by smaller, less-profitable farm operators.

In addition to farm revenues, interest rates have exhibited a strong influence on farmland values. Declining nominal interest rates have supported increasing absolute farmland values, as low interest rates reduce the cost of capital to acquire farmland, and reduce expected rent income relative to farmland price. This is demonstrated by the strong negative correlation between farmland value and 10-year government bond yields.

Farm revenue and productivity growth have provided the fundamental support for farmland value growth. Farm consolidations caused by both demographic and economic forces have driven increased farm size and productivity over time.

Source: Statistics Canada

	Farm Revenue	Farm Size	Cereals Yield	10 Year Bond Rate	Ag Commodities Index	Farm Income	Canadian Farmland Value
Farm Revenue	1.00						
Farm Size	0.98	1.00					
Cereals Yield	0.77	0.77	1.00				
10 Year Bond Rate	-0.90	-0.93	-0.74	1.00			
Ag Commodities Index	0.51	0.45	0.22	-0.37	1.00		
Farm Income	0.01	-0.06	0.13	0.10	-0.01	1.00	
Canadian Farmland Value	0.95	0.92	0.79	-0.78	0.57	-0.04	1.00

Table 4: Summary of Correlation Coefficients

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Saskatchewan: An Exception to the Rule

Table 5 below shows that on a provincial level the relationships between farm revenue and farmland values exhibit strong correlation with one significant exception – Saskatchewan over the last 30-year period.

	30-Year Correlation %	20-Year Correlation %
Newfoundland and Labrador	94.1	98
Prince Edward Island	96.1	91.9
Nova Scotia	95.9	92.8
New Brunswick	98.6	97.9
Quebec	98.1	98.1
Ontario	96.8	96.3
Manitoba	95.4	96.5
Saskatchewan	**69.5**	95.1
Alberta	87.2	90.5
British Colombia	91.4	89.1
Canada	95	96.9

Source: Statistics Canada

Table 5: Historical Correlation Coefficients of Provincial Farm Revenue to Farmland Values

The results for Saskatchewan over the last 30 years shed some light on the factors that cause farm values to diverge from the typical relationship between farm revenue and farmland value (see *Table 5*). For most provinces the relationship between farmland value and revenue has been extremely strong, with a correlation coefficient near, and typically over, 90%. Saskatchewan's is an exception to this trend, with a 30-year correlation coefficient of 69.5%, far lower than any other province.

Restrictive farmland ownership legislation in Saskatchewan may largely explain significantly lower correlation between revenue and farmland value. The Farmland Ownership Act in Saskatchewan prevented farmland ownership for any non-Saskatchewan resident farmer between 1974 and 2003. This legislation severely restricted capital available in Saskatchewan agriculture, despite the stated goals of these policies to "maintain agricultural opportunities for Saskatchewan residents to acquire farmland" and "develop strong rural communities".[6]

Restricted access to capital has historically reduced the net worth of Saskatchewan farmers and forced excessive reliance on debt for land acquisitions, with less opportunity to rent from outside investors than farmers elsewhere. Consequently, between 1974 and 1983 Saskatchewan farmers increased their debt loads faster than other major agricultural provinces (see *Figure 14*).

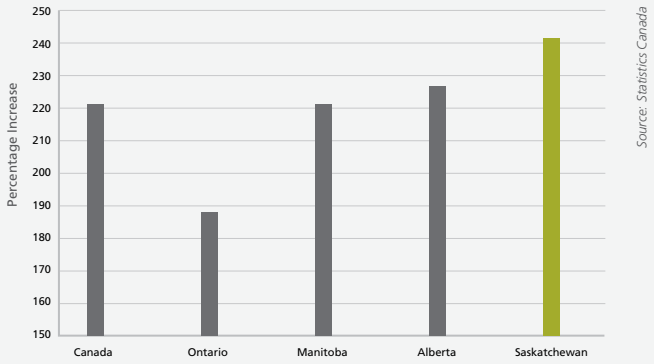


Figure 14: Increase in Total Farm Debt 1974-1983

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Saskatchewan's greater interest rate exposure likely magnified the volatility of land prices during the farmland bubble and the subsequent period of deleveraging. Saskatchewan saw the greatest farmland appreciation between 1974 and 1983 (see *Figure 15*), as the dominant grain farming sector in these provinces looked to take advantage of high grain prices prevalent at the time.

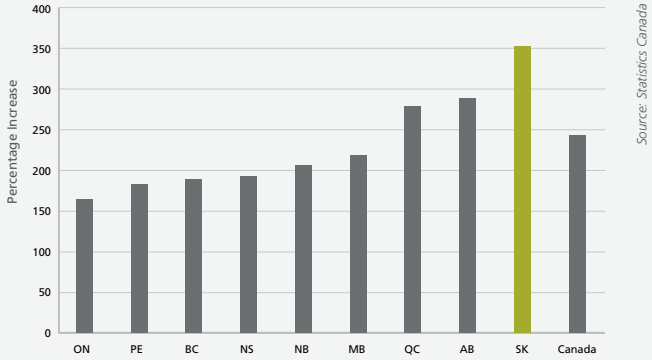


Figure 15: Total Farmland Appreciation by Province 1974-1983

Interest rates spiked in 1982, causing widespread foreclosure on farmland in Saskatchewan. Many farm operators could not afford increased interest rates as grain prices fell. Deleveraging caused farmland values to fall across most of Canada, though decreases were sharpest in the grain-producing prairies, with Saskatchewan farmland experiencing the greatest loss relative to peak value (see *Figure 16*).

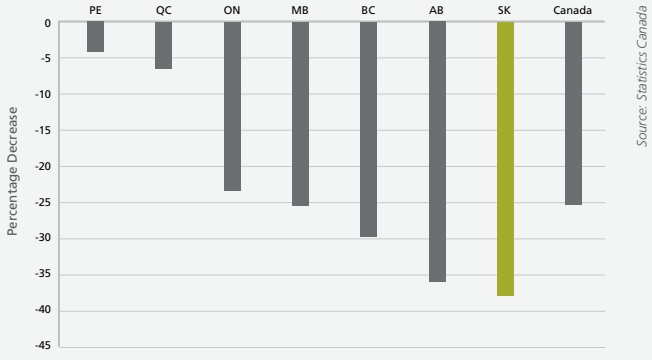


Figure 16: Total Farmland Value Loss from Peak (1981-1983 Average to Bottom)

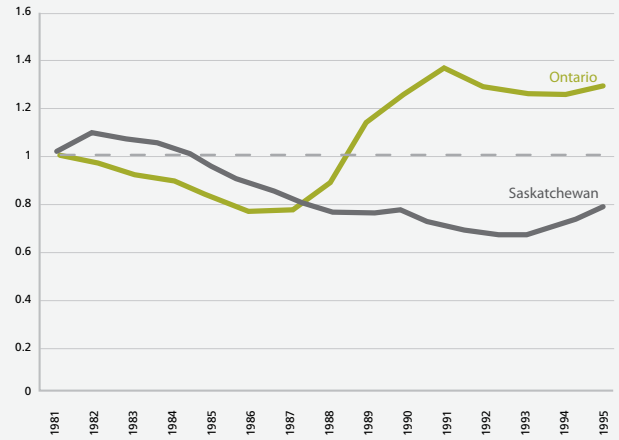
Saskatchewan's Farmland Ownership Act appears to have had the unintended effect of deepening and prolonging the depression of farmland values relative to the rest of Canada. The restrictions tended to prevent external equity capital from reaching and recapitalizing Saskatchewan agribusiness, leaving many farm operators in the province severely undercapitalized. As a result farmland values in Saskatchewan did not reach its bottom until 1993 after 11 years of price decline, compared to the national average reaching bottom in 1987 after six years of decline (see *Table 6*).

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	Peak Year	Bottom Year	Duration
Newfoundland and Labrador	1981	1986	5
Prince Edward Island	1981	1982	1
Quebec	1983	1985	2
Ontario	1981	1986	5
Manitoba	1981	1988	7
Saskatchewan	1982	1993	**11**
Alberta	1981	1988	7
British Colombia	1981	1987	6
Canada	1981	1987	6

Source: Statistics Canada

Table 6: Duration of Farmland Value Depression by Province



Source: Statistics Canada

Figure 17: Indexed Value of Farmland Value for Saskatchewan, Ontario 1981-1999

Not only did the farmland bust last longer in Saskatchewan, but farmland prices were also much slower to recover than elsewhere in Canada. High debt loads and interest rates, exacerbated by a sharp decrease in grain prices, contributed to the downturn in the farm sector. However, this slow recovery was also likely due in part to the restricted access to capital imposed by the *Farmland Security Act*. *Figure 18* shows prices for wheat recovered by the late 1980's, approximately six years from the start of farmland price decline. In contrast Saskatchewan prices did not fully recover until 2007, 25 years since their previous peak, while prices in Ontario rebounded to their pre-bust levels just seven years after reaching bottom.

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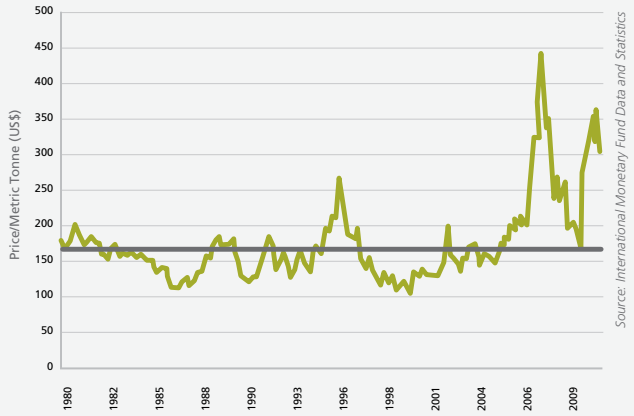


Figure 18: Wheat Price 1980-2010 relative to 1982 average price

In 2003 amendments to the Saskatchewan's *Farmland Ownership Act* allowed Canadians to own farmland in the province. Farmland values began to appreciate more in line with revenue – as they had done in the rest of Canada for decades. However, the legacy of restrictive ownership policy continues to affect farmland values in Saskatchewan. Saskatchewan had the greatest rate of value loss during the 1980's and the slowest rate of farmland value growth in the 1990's. High agricultural commodity prices have led to resurgence in the revenues of the grain and oilseed sectors, naturally benefiting agriculture in the prairies. Despite experiencing the greatest rate of revenue growth of any province, Saskatchewan farmland has appreciated the least of any prairie province in the past five years (see *Table 7*).

	1981-1990	1991-2000	2006-2010
Newfoundland and Labrador	0.19%	2.51%	4.23%
Prince Edward Island	4.31%	6.26%	-0.36%
Nova Scotia	4.06%	3.53%	4.44%
New Brunswick	4.75%	5.64%	3.31%
Quebec	3.35%	7.37%	4.82%
Ontario	3.70%	2.88%	5.15%
Manitoba	-1.23%	3.97%	7.12%
Saskatchewan	**-3.46%**	**2.51%**	**6.59%**
Alberta	-3.45%	6.17%	8.35%
British Colombia	0.31%	5.68%	8.41%
Canada	-0.76%	4.47%	6.65%

Source: Statistics Canada

Table 7: Average Farmland Appreciation Rates

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To date, Saskatchewan farmland values have recovered the least of any province from the highs of the early 1980's (*Figure 19*).

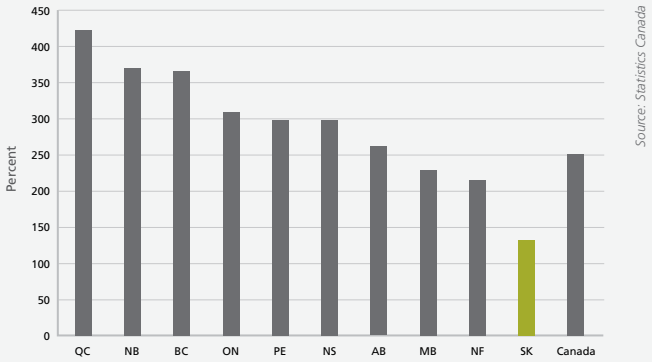


Figure 19: Current Farmland Value Relative to 1981-1983 average value

In summary, the data suggest that Saskatchewan's restrictive farmland ownership policies had lasting negative effects on the agricultural industry in that province. Restricted access to equity capital caused an over reliance on debt financing during the 1970's boom, contributing to a more severe and more prolonged downturn in the industry in the ensuing years. Not only did Saskatchewan farmers suffer more destruction in farmland value, but it took far longer for those values to recover than in it did in provinces where farmers had greater access to capital. It took 25 years for farmland values in Saskatchewan to regain the level of the early 1980's compared to just five to seven years in most other provinces. The data also suggest that Saskatchewan farmers continue to feel the impact of these restrictions today, with that province experiencing the lowest average farmland value growth rates of any of the Prairie provinces in the last five years, despite surging wheat prices worldwide.

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