

POLICY POSITION

MARCH 2015

Ownership of Saskatchewan Farmland by Canadian Pension Plans

Background

Within Canada and in many places around the world, there is a growing interest toward investing in Saskatchewan farmland. Saskatchewan's booming economy, a growing global demand for food, rising commodity prices, and relatively cheap land prices have created an attractive opportunity for pension funds to invest in farmland while generating an attractive rate of return.

The Saskatchewan Farm Security Act and Regulations however, restricts the ownership of farmland by a "non-resident person" or a "non-Canadian-owned entity" to a maximum of ten acres, unless special permission is granted by the Farm Land Security Board.

The ownership restrictions in the Act apply to "land holdings," which include: ownership of farmland, any interest in farmland held under an agreement to purchase or lease, an interest in a limited partnership that has land holdings, and any interest in farmland held under an agreement that may directly or indirectly confer the right of possession or ownership, or any right or control ordinarily held by the owner of farmland. Furthermore, the definition of "Canadian-owned entity" used in the Act is quite restrictive, and therefore prevents many structures from being used as investment vehicles.

Saskatchewan's Farm Land Security Board does allow exemptions to the ownership restriction, but only after it fully considers factors such as the public interest, the potential impact to Saskatchewan, and the specific circumstances of the applicant.

Issue

The current Act has been in place in some form since 1974, with the most recent amendments relating to farm ownership restrictions being implemented in 2002. The original intent of the provincial government in enacting this legislation was to encourage and support young farmers and ensure stability in Saskatchewan's agricultural sector by keeping the price of farmland down.

This has resulted in a negative impact on land values which might be inadvertently hurting those farmers the legislation was expected to help. Some issues for consideration:

- 1) Farmers, both young and old, who are wanting to expand or diversify their farms often have limited capital with which to finance new opportunities as they arise. Young farmers

also realize that if land values are kept artificially low it may not benefit them when they eventually look to sell their land in the future.

2) Immigrants moving to Canada to farm will consider a number of different factors when deciding where to locate. While price is a consideration, a great deal of emphasis is also placed on the likelihood of farmland increasing in value rather than decreasing or staying the same.

3) Farmers wishing to retire or downsize are being denied the benefit of price increases and access to a larger market of interested buyers that would have normally been available to them if there were not artificial restrictions on farmland ownership in place.

4) Younger farmers in particular might also lack the money to purchase new equipment and the ability to work with an expanded base of buyers could allow for greater flexibility in terms of expanding their farming options, including custom farming and renting land, to increase their income.

5) The implementation of innovative and productivity-enhancing initiatives such as extensive irrigation systems involve significant amounts of capital investment that often require a longer-term outlook. These kinds of investments are something that farmers in their later years of active farming either cannot or are often not willing to pay for.

Some argue that the restrictions on farmland ownership are in place to ensure a viable rural population. Although the declining populations in many of Saskatchewan's rural areas is a legitimate concern, it is unlikely that the repopulation of rural Saskatchewan is helped at all by the current farmland ownership laws. Removal of these restrictions could help reduce the decline of rural populations by enhancing investment and farming opportunities for people wanting to farm land they own or access. It could also create a more attractive atmosphere for investment in other local projects or business ventures, which in turn would increase revenue to farmers, as well as to local businesses, local communities, cities and ultimately the province.

Opening up one of Saskatchewan's most attractive assets classes to reliable, long-term investors could create spinoff benefits in terms of increased visibility of the broader investment opportunities available in Saskatchewan. Also, by allowing pension funds and other sources of "patient capital" to invest in Saskatchewan farmland, there is the potential to generate additional revenue from the land by encouraging more long-term improvements such as irrigation systems.

With the exception of Prince Edward Island, all provinces and the federal government have legislation by which registered pension plans must abide. These various pieces of legislation work to ensure the legitimacy of the Canadian and provincially-based pension plans. Only plans registered with the appropriate authorities under such legislation within Canada, and whose contributors are majority Canadians, should be eligible to invest in Saskatchewan farmland.

A survey of the Saskatchewan Chamber's business members in March 2015 found that 74% of respondents felt that Canadian and Saskatchewan-based pension plans should be allowed to invest in Saskatchewan farmland. This shows that there is clear support for amending the current legislation to allow for greater ownership by pension plans that are registered either in Saskatchewan or other Canadian provinces.

A registered Canadian pension plan, with the majority of contributors being Canadian, is essentially a group of Canadians joining together to invest in farmland. As such, a pension plan should be eligible to invest in Saskatchewan farmland if it is both registered in Canada according to the applicable legislation, and also made up of a majority of Canadian contributors.

Saskatchewan Chamber of Commerce Recommendations

- 1) That the Government of Saskatchewan amend *The Saskatchewan Farm Security Act* to reduce or remove the current farmland ownership restrictions for Canadian and Saskatchewan-based pension plans.

- 2) That the Government of Saskatchewan provide additional clarity on ownership rules in *The Saskatchewan Farm Security Act* and/or its Regulations by defining eligible pension plans as those that are registered within Canada and also made up of a majority of Canadian contributors.