

# Consultation on The Saskatchewan Farm Security Act – Farmland ownership provisions

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Canadian Bankers Association

for

Saskatchewan Ministry of Agriculture

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Good morning.

Thank you for your invitation to participate in the review of the farm land ownership provisions of The Saskatchewan Farm Security Act. The Canadian Bankers Association represents 61 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 280,000 employees. I am joined today by several bankers representing institutions active in Saskatchewan's agricultural sector.

Given the importance of the agricultural sector to the province of Saskatchewan, we recognize that farm land ownership is a complex issue that warrants thoughtful debate and consideration. We are not here today to take a position on farm land ownership rules; rather, we are here today to provide the government with the banking industry's perspective on issues surrounding farm land ownership. Our observations are based on the interactions banks have with their clients and we hope that the information and perspectives offered today will assist the government as it proceeds with its consultations.

The banking industry has long played a central role in the development of Canada's economy, including the agricultural sector with \$30.3 billion in bank loans outstanding to Canadian farmers through operating, term and mortgage loans. Furthermore, the agricultural sector represents a significant part of bank financing to SMEs, with almost 16% of bank SME loans extended to agriculture. In Saskatchewan, bank lending to farmers has grown by 44% over the last five years, reaching a total amount of \$3.3 billion in credit outstanding. Just under half of this amount is to finance mortgages.

In addition to bank financing, farmers have come to expect everyday products and services from banks such as deposit and operating accounts as well as insurance, investments and financial advice. And banks provide international trade-specific products and services as well as guidance and advice to agricultural clients so that they can take advantage of the opportunities that emerge in international markets.

Banks help farmers during every phase of their development, from young farmers at the beginning of their careers to farmers who wish to expand domestically and internationally, and those who are approaching the end of their career and in need of succession and retirement planning. Because of this, we work with clients on all sides of the farm land ownership debate.

The composition and demographics of Saskatchewan agriculture continues to evolve. While the number of Saskatchewan farms continues to decline, with a decrease of about 40% in the last twenty years (1991-2011), the average farm size has increased by approximately 53% over the same period.

As farms increase in size, the average age of farm operators is also increasing. According to the 2011 Census of Agriculture, almost 55% of Saskatchewan farmers are over the age of 55 compared to 35% in 1991. These farmers are approaching the end of their farming careers and are considering the best options available to them for the future of their farm. Some farmers may opt to sell their farms, while others may choose to lease or transfer the land to their own family members.

These are difficult decisions for farmers. For many, their property not only represents a lifetime of work but also their retirement savings. For those farmers who opt to sell, adequate marketplace liquidity for farmland is necessary to help them in retirement. Leasing provides an option for those farmers who choose to maintain ownership while enabling lessees to reduce the cost of a land purchase. Transferring land within a family also helps mitigate the costs of purchasing land for the next generation while enabling the initial property owners to fund their retirement. Regardless of the choice, banks are available to their clients to finance and facilitate these transactions as well as provide advice surrounding retirement and succession planning that suits their individual and family needs.

In contrast to the increasing proportion of aging farmers, the number of younger farmers is declining in Saskatchewan. In 2011, the proportion of farms with the oldest operator under 40 years old was just over one in 10 farms, whereas two decades earlier it was about one in five. Young farmers beginning their career will likely have to make significant capital investments by purchasing land, machinery and equipment. There are challenges for these farmers to enter into the sector in the absence of an intergenerational transfer of land, particularly given the increasing size of farms combined with the cost of land and other capital investments.

For young farmers who elect to purchase land as they begin their careers, banks are available to provide financial advice with access to a variety of financial services and credit products including mortgage financing. Although leasing land has long been an option for farmers, this is an alternative that is increasing in use by young farmers. This option enables young farmers with limited cash flow to participate in the sector and put more capital into machinery and equipment to take advantage of economies of scale that comes with larger farms. Banks also offer the federal

government's Canadian Agricultural Loans Act (CALA) program which helps young farmers purchase land, buildings, machinery and equipment.

As Canada's leader in agricultural exports, the province of Saskatchewan plays an important role in Canada's presence in the agriculture and agri-food market internationally. With the forging of new trade and investment agreements, our banks will continue to work with their clients to ensure they have the necessary tools and resources needed to participate in the global economy. Farmers can take advantage of Canada's national banking system and banks' growing international presence to expand their operations. Canadian banks apply the same prudent lending practices and excellent risk management systems to the agricultural sector as they do in every other line of business. These practices and systems have led to a banking system that is recognized internationally for its safety and soundness. With this strong recognizable Canadian brand, banks are able to help their agricultural clients expand their businesses across international borders.

As national institutions that operate across the country, banks recognize there are varying requirements in each province with respect to farm land ownership. Banks follow these requirements on farm land ownership within each province while meeting the credit and financial needs of their clients. We encourage the government to continue to communicate with the banking industry as you go through the consultation process to discuss the possible impact of changes, if any, to servicing our clients

Thank you again for the opportunity to speak here today, my members and I would be happy to address any questions you may have on the comments I have made today.