

# **Western Canadian Wheat Growers Association**

## **Submission to the Province of Saskatchewan**

### **Farmland Ownership Review**

**August 10, 2015**

## **Introduction**

The Western Canadian Wheat Growers Association welcomes this opportunity to provide our views to the Saskatchewan government regarding its consultation on farmland ownership rules and regulations.

The Wheat Growers support open and competitive markets. As much as possible, we believe the marketplace should determine the market value of goods and services, including farmland.

The Wheat Growers also place a high value on property rights – the right of owners to the use and enjoyment of their property, and the right to sell their property to a buyer of their choice. Implicit in this principle is that a landowner should be perfectly free to exclude certain buyers (e.g. pension funds, mutual funds, an unwanted neighbour) from buying their land if they so wish.

We recognize however that there can be government interference in the marketplace that distorts land values, whether that is through direct ownership of land by state-owned entities, or through laws that undermine open and competitive markets.

Our goal is to ensure prairie farmland is traded at a price that is determined in the open market, in which price discovery is determined through the actions of a willing buyer and willing seller, unfettered by market distortions.

Thus, our recommendations to this review will be based on the following guiding principles:

- 1) Owners of farmland should be free to sell their land to a buyer of their choice, providing we can be assured the buyer is not owned, controlled or financed by a foreign state.
- 2) Owners of farmland should be free to sell their land to a Canadian buyer of their choice, providing the buyer is not an entity that is owned or controlled by a federal or provincial government.
- 3) Owners of farmland should be free to sell their land to a buyer of their choice, including Canadian mutual funds, pension funds, investment funds and family trusts, providing the tax treatment applied to the beneficial owners of such entities is comparable to the tax treatment facing individual farm families.

## **Recommendations**

### ***Ownership by Canadians***

The Wheat Growers support the existing legislation under which Canadian individuals and Canadian-owned or controlled companies are free to purchase farmland in Saskatchewan without restriction. We do not support the purchase of Canadian farmland by Crown corporations or state-trading enterprises, given that such entities have access to financing at sovereign rates. As such they are not competing on equal terms with farmers or others who must borrow at commercial rates.

### ***Ownership by non-Canadians***

In principle, the Wheat Growers do not object to land ownership by foreign citizens or foreign companies unless they are state-owned trading enterprises, or receive financial backing from their state government. However, given that it is extremely difficult to assess whether a foreign entity is backed by state financing, we support continuation of acreage limits on foreign ownership.

We maintain that restrictions on the purchase of farmland by foreign entities should be consistent across the prairies. As it stands now, there are no restrictions in B.C., a limit of 20 acres in Alberta, 10 acres in Saskatchewan and 40 acres in Manitoba. We recommend the limit be increased to 40 acres across the western provinces.

Notwithstanding the above, we recommend the Saskatchewan government give consideration to permitting individual non-Canadians to purchase Saskatchewan farmland in those cases where Canadian farmers are allowed to buy farmland in their native country. We note for example that many Canadian farmers have farmland holdings in the United States and other countries. We believe Canada should be open to ownership from individuals in these countries on a reciprocal basis. In our view, these sorts of provisions could and should be included as part of international trade agreements.

### ***Ownership of farmland by the Canada Pension Plan Investment Board***

The Wheat Growers recognize the CPP Investment Board invests funds on behalf of Canadians, and therefore meets our “Canadian” ownership test. However, we note that it is a Crown corporation, with all of its board appointees made by the federal government. As such the CPP Investment Board is to be regarded as a state enterprise, and therefore violates our principle that only non-state enterprises should be eligible to buy farmland.

For this reason, the Wheat Growers recommend the CPP Investment Board be prohibited from acquiring farmland on the prairies and that this same prohibition apply to the Quebec Pension Plan or any provincial or territorial pension plan that may be established.

That said, the Wheat Growers recognize the CPP Investment Board has already acquired farmland in Saskatchewan, reportedly amounting to 115,000 acres. Given that this purchase was made when such transactions were permitted under law, we recommend the CPP Investment Board be allowed to retain or dispose of this land as it sees fit. This will ensure any rental agreements that the CPP Investment Board has entered into can continue without disruption.

### ***Ownership by mutual funds, pension funds, investment funds and family trusts***

The Wheat Growers do not recommend any restrictions be placed on farmland ownership by Canadian institutional investors, including mutual funds, pension funds, investment funds and family trusts. We make this recommendation based on the assumption that the beneficial owners of these investment vehicles do not receive preferential tax treatment relative to farmers or any other buyers of farmland.

While we expect the vast majority of institutional buyers will indeed rent out the land to new or existing operators, we do not recommend the government mandate this. If a pension fund, mutual fund, investment fund or family trust wishes to make a go of farming on its own (by hiring employees or custom contractors), they should be permitted to do so. We suspect most of such efforts would fail, given that we do not believe that one can improve upon the owner-operator model (or the renter-operator model) of farming, at least not in grain farming where weather and other variables are such that any other approach usually leads to sub-optimal business decisions.

In most cases, these types of institutional investors are making investment decisions based on expectations of rental returns and/or capital appreciation. We doubt that many of these types of institutional investors are in a good position to make better assessments of market value than local farm operators. Therefore, in any case where an institutional investors “overpays” for land, then we expect that land will likely be on the market again in a few years, once they realize that returns are not up to expectations.

### ***Ownership of farmland by the Crown***

The Wheat Growers see no basis for ownership of farmland by the Province of Saskatchewan or any agent of the Crown. We recommend the Province dispose of all its farmland holdings on a tender basis. In those areas where large Crown holdings are held, we recommend that these divestitures occur over a five to ten year time period, so that there is not a sharp price-depressing effect on farmland in these areas, which might occur if all the land was disposed of at once.

### ***Statutory Review***

The Wheat Growers recognize that circumstances may change over time and that land ownership rules that are put in place today may not be suitable for the marketplace in the future. As such, we recommend that the legislation governing land ownership be subject to a statutory review every 8 years.

We also encourage the Government of Saskatchewan to work closely with other provinces in western Canada, so that land ownership rules are consistent across the prairies, and that periodic reviews of these rules are well-coordinated.

## **Summary**

The Wheat Growers appreciate the opportunity to participate in this review of farmland ownership rules in Saskatchewan.

In putting forward our recommendations, the Wheat Growers are seeking to ensure that property rights are respected and that the value of land is determined through the actions of willing buyers and willing sellers, unfettered by market distortions.

In our view, markets can be distorted by the purchase of farmland by state-owned or controlled enterprises, whether these entities are Canadian or foreign-based. As such, we believe restrictions on ownership of farmland by such entities are warranted.

The Wheat Growers contend that our recommendations strike a good balance between the interests of farmers who may be retiring or otherwise exiting from farming and the interests of those individuals who may want to begin farming. Our recommendations will help ensure the marketplace, and not government distortions, will determine the fair market value of farmland in Saskatchewan.

Thank you for your consideration of our views.