

Farmland values soar in Western Canada

Some areas see boost of up to 25%

BY ROD NICKEL, REUTERS SEPTEMBER 11, 2012

Cattle graze in Chillwack, B.C. Farmland across Western Canada has increased in value, a RE-MAX report finds.

Photograph by: Reuters, Reuters

Western Canadian farmland is soaring in value, as farmers expand their lands and look to cash in on high crop prices, a report by real estate organization RE/MAX said on Monday.

The price of high-end grain-producing land in southern Saskatchewan has jumped 20 per cent on average from last year to a range of \$1,200 to \$1,800 per acre, while the average price in central Alberta is up 20 to 25 per cent to between \$2,000 and \$4,500 per acre of nonirrigated land.

"(With) the strong pricing in cereal grains and beef, a lot of Alberta farmers are looking to expand and (are) buying Saskatchewan farmland - that has really increased the price," said Elton Ash, regional executive vice-president of RE/MAX in Western Canada, from Kelowna, B.C.

"And in the rest of Alberta, Saskatchewan, Manitoba, the largest demand is from local farmers wanting to expand their own operation."

Canada is the world's biggest producer of canola and the sixth-largest wheat grower. The average Canadian farm grew to a record size in 2011, and the number of farms shrank to a record low, according to Canada's census.

Improving machinery has made it possible to farm larger areas, and size also gives farmers negotiating power for selling their crops. Grain prices have touched historic highs in recent years on growing demand for food in developing countries like China and India, as well as the usage of corn, wheat and oilseeds in production of biofuels.

This year, severe drought in the U.S. Midwest has raised concerns about supplies falling well short of demand. As in Western Canada, farmland values in the United States have risen sharply over the past several years, and not even this year's drought could keep prices from climbing in the second quarter.

Along with farmers scooping up more land, funds are steadily amassing large areas of the Western Canadian crop belt, then leasing fields back to farmers to work.

"Certainly we don't influence the price because we're not big enough to do that," said Doug Emsley, president of Saskatchewan-based Assiniboia Capital Corp., which owns 120,000 acres of farmland in the province.

"But what does start to move the dial is when farmers start to buy land on the basis of farmer economics."

In the past two years, farmers in Saskatchewan, which produces more wheat and canola than any other province, have seen significant buying interest from out-of-province Canadian residents.

The Saskatchewan government requests identification from out of province buyers to verify the land will remain in Canadian hands, said Mark Folk, general manager of the Saskatchewan Farmland Security Board.

But it's possible that some Canadians may be buying land to hold for foreign investors, he said.

All three Western Canadian Prairie provinces have restrictions severely limiting how much farmland foreign investors can own, Folk said.

Land in the eastern province of Ontario is generally more valuable than land in the west, due in part to greenhouses and the supplymanaged dairy and poultry sectors.

© Copyright (c) The StarPhoenix