



Saskatchewan Real Estate Association

SUBMISSION TO

THE STANDING COMMITTEE
ON AGRICULTURE

RE: FARM OWNERSHIP
LEGISLATION

MAY 2002

On behalf of the Saskatchewan Real Estate Association, I would like to thank the Committee for the opportunity to make this submission to you today. My name is Dale Ripplinger and I am the Chair of the Association's Government Affairs Committee and with me today is Bill Madder, Executive Vice President of the Association.

The Saskatchewan Real Estate Association (SREA) is a voluntary, non-profit organization serving, representing, and providing direction and leadership to its members and to organized real estate. SREA is one of the largest single-industry trade organizations in Saskatchewan, representing the interests of over 1,100 licensed REALTORS.

Many of our members are involved in the sale of agricultural property and the issue we are here to discuss today is of great interest to them and more importantly, their clients. However, we feel that we speak for our entire membership in suggesting it is time for a change to Saskatchewan's farm ownership legislation. We also feel that while some may disagree, the economic interests of the agriculture industry and the overall economy of the province will be well served by the changes we are proposing.

The current *Saskatchewan Farm Security Act* has been in place in some form since 1974 and while the intentions of the legislation to encourage and support young farmers and to ensure the stability of our agricultural sector were then and continue to be honourable, we question whether restricting property ownership is an appropriate means to achieve those goals. In fact it is fair to question whether or not they have in fact been achieved. It is our position that the resulting negative impact on land values has offset any benefits that may have accrued and the legislation may in fact be hurting those it was intended to help.

The current legislation puts Saskatchewan at a competitive disadvantage when compared to both our neighboring provinces. As I'm sure you are aware, neither Alberta nor Manitoba place any restrictions on the amount of farmland that can be owned by Canadians and both provinces allow larger holdings by non-Canadians. It is our opinion that Saskatchewan cannot afford to continue placing itself at this type of disadvantage and recommend that the Act be amended to eliminate the restriction on ownership by Canadian citizens entirely and to raise the limit on allowable holdings by non-Canadians to 160 acres. Eliminating the restriction on Canadian ownership would create a level playing field across the Prairies for Canadian investment dollars and a 160 acre limitation on holdings by foreign owners would signal that this province wants to be at the head of the pack in attracting investors. At the same time we would still retain the principle of a limit, and thus not surrender the option of adjusting the limit at a later date.

Clearly, farm values in Saskatchewan have been affected. In the most recent national study by Farm Credit Canada, Saskatchewan was the only province to see a decline in farmland values. In fact Saskatchewan's values have dropped in each of the semi-annual reports since July of 1999. While drought conditions, dropping commodity prices and many other factors contributed to the decline, and while it can be argued that they affect Saskatchewan to a greater degree, these factors were not unique to our province. It is a commonly accepted principle that fewer potential buyers for any property results in fewer and ultimately lower priced offers. By restricting the number of potential buyers for farm property, the *Saskatchewan Farm Security Act* has had a negative impact on land values and it is our position that declining land values are not good for Saskatchewan's farmers and are not good for Saskatchewan.

While some would argue that keeping land values low can be a benefit, in our opinion this is a narrow view and difficult to substantiate. Declining land values have a number of detrimental effects, including:

- Farmers wishing to retire or downsize are facing reduced selling prices and in some cases may be unable or unwilling to sell. While some retiring farmers do in fact take their money to other provinces, the vast majority remain in Saskatchewan. In many rural communities retired farmers have a major impact on the local economies by buying homes, etc. and when they either have less to spend or they are not able to retire at all, those economies suffer.
- Existing farmers wishing to expand or diversify are faced with declining equity and have limited options to finance new opportunities as they arise. Young farmers must also realize that they will be retiring some day and land values that are kept artificially low will not benefit them now or in the future.
- Potential immigrants are less likely to locate here when faced with declining values. Immigrants moving to Canada to farm consider a number of factors when deciding where to locate but property values are very important. It should also be noted that potential appreciation is more important than price – most are prepared to pay a higher price initially if they can see that the price is likely to appreciate over time.

While no legislative changes can guarantee a turnaround in values, removing some of the current ownership restrictions will at least allow the market to react more naturally.

We do not share the view that reducing restrictions will open the floodgates to speculators and absentee landlords. Manitoba, which has no restrictions on Canadian ownership has seen no such trend and in fact an article on their Government website states that “the vast majority of farmland is still owned by family farms..”. It is questionable that we should be suspicious of outside investment. In most industries, we devote considerable effort to soliciting investors rather than imposing low limits. The need for new dollars in agriculture is great. The loss of the Crow Rate in the last decade has led to much higher costs for shipping our raw grain products, and also led to the consolidation of elevator delivery points, which also added to trucking costs. As a result of this sea change in the structure of farm costs, Saskatchewan faces large-scale re-orienting of our production to add more value and create new jobs and economic activity in our province. We have to produce more per acre, which means we have to become more intensive, and that means we need to mobilize capital and seek additional inflow of capital. Reducing the current restrictions on farmland ownership will help create a more positive environment for all concerned and will help reverse the downward trend in farm values.

Other factors which must be considered when reviewing this legislation is the perception it fosters that Saskatchewan is not receptive to outside capital investment. It is quite likely that when some potential resident owners, (whether they be immigrants from other countries or possibly other Canadians looking to relocate), find out the restrictive nature of our farmland ownership legislation, they simply eliminate our province from their list of prospective locations. In addition to this, we must consider that all investors are potential residents. If Saskatchewan were to allow more outside investment and at the same time work hard to create a more favorable business and tax environment, it is quite possible that we could see non-resident investors become residents.

One of the common arguments against changing the legislation has been that there already exists a method to apply for an exemption and that very few applications are refused. I understand you have already had presentations from some individuals who feel they have been unfairly denied an exemption and there are undoubtedly others. We must also realize that there is no way of knowing how many potential owners simply choose to take their investment elsewhere.

In closing, I would like to stress that the Saskatchewan Real Estate Association strongly supports the farmers of this province and understands the important role of agriculture in our society. However, it is our position that the existing farmland ownership legislation is not in the best interests of current and future farmers and hope you will consider the changes we have proposed. Thank-you very much for the opportunity to make this presentation and I would be happy to answer any questions you may have.