

Allow for the Creation of Agriculture REITs

Issue

One of the biggest obstacles to growth of the agriculture sector is the fragmentation and availability of farm land.

Background

Arable farm-land in Canada is among the most productive and expensive in the world. Throughout the years as technology and equipment has evolved the scale of the average farm operation in Canada has grown exponentially as the number of people doing the work has decreased.

In Alberta the majority of high-quality, arable farm-land exists along the QE2 corridor, alongside with most of the province's population. This combination has resulted in this farm-land being among the most expensive in the world.

According to 2011 census, the 56% of Albertan farmers are 55 years and older.⁴⁴ More so than many other industries, Alberta is facing a massive demographic shift as an entire generation of farmers representing more than half the producers in our province will be retiring in the near future.

The 'family farm' remains a staple of Canadian agriculture, yet the trend towards large-scale, big-business farming continues to grow as the immense value for land and equipment and difficulties around succession create significant hurdles for younger generations looking to take over the family farm. Alongside the cost increases, advancements in technology and equipment have resulted in fewer farmers harvesting more land. The 2016 census showed there were 5.9% fewer farms and the average area per farm increased by 5.3%.⁴⁵

Real Estate Investment Trusts (REITs) have proven themselves to be an invaluable tool for investors and the renters of the properties they manage. With access to public markets, REITs can raise high levels of capital along with the organization required to provide liquidity in what is typically a non-liquid market. Being listed on public markets requires REITs adhere to the highest standards of governance and reporting, ensuring they remain transparent and accountable to the public.

Canadian REITs were established in 1993 and excluded from the income trust tax legislation passed in 2007. This allows REITs several tax advantages. As of 2016 there were 48 public equity REITs with a market cap of over CAD \$50 billion.⁴⁶ Canadian REITs exist in the areas of commercial, office, industrial, residential, healthcare real estate, hotels, and even automotive properties, yet remain glaringly absent in the realm of agriculture.

As the boomer generation of farmers continue to retire, they will be looking for options to sell or pass on their land. Selling to an agriculture REIT could be one of those options and would subsequently create a much more robust rental market for new farmers and established looking to expand.

As agriculture REITs will benefit the users of land, they will also benefit Canadian investors looking to invest in land and agriculture.

⁴⁴ <https://www150.statcan.gc.ca/n1/pub/96-325-x/2014001/article/11905-eng.htm>

⁴⁵ <https://www150.statcan.gc.ca/n1/daily-quotidien/170510/dq170510a-eng.htm>

⁴⁶ <https://ir.lib.uwo.ca/cgi/viewcontent.cgi?article=5530&context=etd>

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Allow for the creation of Real Estate Investment Trusts and the same access to investment capital that other Canadian industries have, to ensure sustainability of the farming operations for agriculture land.



Finance (Federal)