

# BUSINESS BUSINESS MONDAY

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## Land in Saskatchewan is getting hot

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**More and more people are buying up land in the prairie province.**

By CP

CALGARY -- Saskatchewan farmland is following the province's blistering housing market as one of the hottest commodities in Western Canada's boom.

While the big headlines have been reserved for the screaming growth in neighbouring Alberta, growing numbers of buyers have been snapping up cropland in the prairie province more synonymous with wheat fields than investment opportunities.

Harry Janzen began to get calls last fall from as far away as Australia from potential buyers looking for "the next hotbed" in investment.

"As far as people putting their dollars into the province, that started in January and have been accelerating ever since," said Janzen, executive officer of the Saskatoon Real Estate Board.

Home prices in Saskatoon have jumped more than \$100,000 over the last year, partly as people frustrated by Alberta's soaring housing prices began seeking more affordable options. Farmland is following close behind.

"It's not just Calgary oil money and the Ontario pension funds that are interested," said Ken Ziegler, a lawyer in Saskatoon who specializes in international land investment.

Farmers from across Canada or even as far away as Europe who can't afford to expand their operations at home have sought greener pastures in Saskatchewan. The trickier part is the investors who want to buy land and either rent it out or pay someone to operate the property as a going concern.

"We could sell the whole thing three times over but I need to have people in place to manage and farm the land -- that's my biggest problem," said Bob Lane of farm and ranch specialists Lane Realty.

"The sale is subject to having a lease in place for five years and having a bona fide, suitable guy there," he said. "These investors want to make sure their investment is secure -- there's a lot more than just walking out and buying a farm."

Ziegler says he's not having problems linking buyers with farmers who are happy to work the land for someone else without the financial headaches of figuring out how to pay for machinery and fertilizer.

"There's a marriage there for some," said Ziegler. "The net return they'll receive on that land will be greater than if they owned it and managed it themselves."

Saskatchewan has almost half of the country's arable land -- a staggering figure that helps explain its reputation as Canada's bread basket for its propensity of growing wheat and grain. But that land wasn't viewed as a wealth-growing commodity, partly because until recently, ownership was limited to Saskatchewan residents in an effort to preserve family farms.

Those restrictions were lifted in 2002 and although there was immediate demand, there was no land rush. Even now, the province's cropland remains among the least expensive in the world at \$250 to \$950 an acre.

That compares with an average \$900 an acre in Alberta and up to \$1,800 for U.S. farmland.

Ziegler lobbied the Saskatchewan government to remove those constraints, which critics have long argued kept prices artificially low. Despite the ramp-up of interest, he believes the land remains undervalued.

Stephen Johnston certainly thinks so. The Calgary man recently launched a limited partnership in farmland investment, focused on Saskatchewan.

"You could buy all the farmland in Saskatchewan for \$22 billion," said Johnston, investment director of Amcapita Investments.

"That sounds like a lot of money but that would make you one of the largest grain exporters in the world and that would still be 40 per cent of what a private equity firm paid for BCE, a Canadian fixed-line telecoms operator," he said.

"I don't know about you, but I'd prefer to have 10 per cent of the global grain export market," said Johnston. "Certainly I expect the disparity to disappear -- I can't predict how long that will take. At \$350 an acre, there's deals to be had."

That outside interest has pushed up prices up in select parts of the province, says Roy Hjelte of the Farm Credit Corporation's valuation centre.

"We have sales up 20 per cent from what we thought they should be," said Hjelte. "Prices would be driven up partly by that outside competition."

But there are other considerations.

Changing environmental and health concerns have increased demand for biofuel feedstock and the trans-fat-free cooking oil from canola. It's tougher to justify those crops in Alberta when land is being increasingly gobbled up for housing or other needs.

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