

Urbanization, not foreign ownership, the real threat to farmland

Three per cent of Canada's arable land was lost to sprawl between 2001 and 2011, investor says

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The real threat to farmland is our growing cities, not the tiny amount foreign owners hold.

People looking to protect farmland need to look at the real issues, Tom Eisenhauer, recently told the Senate agriculture committee.

"The biggest threats are urbanization, rezoning and the conversion of farmland for real estate development, quarries and industrial uses," said Eisenhauer, president and CEO of Bonnefield Financial, a Toronto-based firm which buys land for investors and leases it back to farmers.

"Statistics Canada reports that 2.4 million acres, which is almost three per cent of all the arable land in Canada, was lost to urbanization between 2001 and 2011," he said. "That is a staggering statistic that dwarfs all other threats to Canadian farmland.

"We believe that rezoning high-quality farmland for non-agricultural use should be expressly prohibited everywhere in Canada," said Eisenhauer, whose company is Canada's largest farmland investment and property management firm. "Rezoning applications for farmland should not be the purview of unelected officials... or elected municipal officials who often favour rezoning as a means of increasing their local tax base."

Instead, rezoning applications for high-quality farmland should not be permitted, except with the

agreement of elected government officials at the highest level, and only in exceptional circumstances deemed to be in the national interest, Eisenhauer said.

"Farmers sometimes have a perverse incentive, especially those who have made the decision to retire or who live on the fringe of urban centres, to seek rezoning of their land and sell it to developers," he said. "This is a problem that sale-leaseback financing of the type that Bonnefield provides can help solve. With a sale-leaseback, a farm family can access some of the equity locked up in their land without the need to sell it to a developer."

Eisenhauer also stressed that protecting farmland would not require Senate investigations into agricultural policies or onerous new regulations.

"It is as simple as enforcing existing zoning regulations already on the books of every municipality in every farming region across Canada," he said.

He also insisted foreign ownership of farmland is not a widespread problem in Canada.

"It might amount to a quarter of one per cent of the land base," he said.

Bonnefield was formed in 2009 to acquire farmland and lease it out to farmers, he said.

"Our largest transaction to date was our purchase in 2013 of a large tract of mostly Class 1 farmland in Dufferin County, Ontario.

"We purchased it from a U.S.-based hedge fund that wanted to convert it into what would have



Growing cities are gobbling up more farmland than anything else in Canada. PHOTO: THINKSTOCK

become North America's largest aggregate quarry," he said.

That land is now being farmed by "six local farm families," he said, and farm buildings and houses on that land have now been repaired and sold, adding to the local population base.

Eisenhauer also said Bonnefield's studies found most foreign farmland purchases involve people who intend to farm it.

"We are aware of, and deplore, isolated purchases of farmland by non-Canadians in places like the Lower Mainland of B.C., where farmland has been taken out of production and where the owners benefit from tax breaks intended for bona fide farmers," he said.

Manitoba and Saskatchewan's restrictions on farmland owner-

ship to only Canadian individuals and landed residents are well intentioned, but are not evidence based, he said.

"They are short sighted because they inadvertently restrict the flow of capital to Canadian farmers, therefore making them less competitive," he said. "They force farmers in those provinces to rely more heavily on debt than they otherwise would."

The agriculture sector in Canada is predominantly made up of businesses run by farm families, large and small, he said.

"Some of these farm families operate very large, sophisticated businesses, but contrary to popular belief, there are very few, if any, corporate conglomerates operating farms in Canada."