



CPPIB Statement About the Saskatchewan Government's Farmland Decision

Toronto, Ontario (April 13, 2015): Canada Pension Plan Investment Board (CPPIB) is concerned about the Saskatchewan government's decision to temporarily prohibit certain institutional investors from purchasing farmland in the province. CPPIB will be assessing the implications of the new restrictions over the coming days.

CPPIB has owned farmland in Saskatchewan for more than a year and intended to make further purchases. CPPIB was proactive about ensuring that it was a qualified buyer before it bought farmland in the province, including notifying Saskatchewan's Farm Land Security Board about its plans in advance. CPPIB did not receive any indication at the time that its investments in farmland were not welcome.

CPPIB, which invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 18 million contributors and beneficiaries, including more than 700,000 residents of Saskatchewan, is quintessentially Canadian. It was and still is permitted to buy the land under *The Saskatchewan Farm Security Act*. And it has heard from Saskatchewanians who believe that the patient, engaged and productive capital of 18 million Canadian savers, invested through CPPIB, could add considerable value to the sector and farmers.

"CPPIB has long been a proud investor in Saskatchewan businesses, and we trust that the government will ensure that the province remains open to Canadian investors," said Michel Leduc, Senior Managing Director & Global Head of Public Affairs and Communications at CPPIB. "We are confident that our farmland investments will generate returns for the CPP Fund while doing no harm to Saskatchewan, its farmland market or the farmers. If anything, they will benefit. We intend to fully participate in the government's review, and we welcome the government's perspective that Saskatchewan farmland should be owned by Canadians for the benefit of Canadians."

For more information please see the attached backgrounder.



Backgrounder CPPIB's Saskatchewan farmland investment

- Canada Pension Plan Investment Board (CPPIB) launched its agriculture investment program in 2012 with an initial focus on farmland opportunities in Canada, the U.S., Australia, New Zealand and Brazil
- Farmland is appealing to CPPIB because it has historically provided stable returns and will be a new source of diversification for the CPP Fund. CPPIB believes that rising populations and incomes in some developing economies will increase demand for agricultural products
- CPPIB studied the Saskatchewan market carefully and ensured that it was abiding by all of the rules before entering. It notified the province's Farm Land Security Board of its intention to buy Assiniboia and no objections were raised
- The *Saskatchewan Farm Security Act* was amended in 2002 to allow Canadians to own farmland in Saskatchewan. This includes both permanent residents and citizens of Canada, as well as entities that are 100 per cent Canadian owned. The Act prohibits foreigners and publicly-traded entities (because those entities could be acquired or controlled by non-resident persons) from owning more than 10 acres of land
- CPPIB announced on December 12, 2013 that it had signed an agreement to acquire the assets of Assiniboia Farmland LP (Assiniboia), a fund that owned and managed a portfolio of farmland in Saskatchewan. CPPIB's initial equity investment was about \$120-million
- Assiniboia was created in 2005 and built a diversified portfolio of approximately 115,000 acres of farmland. The portfolio is comprised of pockets of land across the province, and the individual farms are rented out to local farmers who farm the land. The original Assiniboia management team continues to manage the portfolio from Regina
- CPPIB's ownership of Assiniboia is providing financial opportunities that support the family farm structure in what has become an extremely capital intensive business. It allows young farmers who don't have much capital to get into the business; farmers to expand their operations and maximize economies of scale without taking on too much debt; provides opportunities for farming families to monetize part or all of their investment while continuing to operate the farmland if they wish; and creates buyout opportunities for farmers who may have difficulty finding a buyer for their land when they wish to retire
- CPPIB is a responsible long-term investor that will provide patient capital to facilitate the improvement of the farmland (through drainage projects, on-farm irrigation infrastructure, etc.), boost production output, and enhance the livelihoods of those working in the sector
- CPPIB's purchase of 115,000 acres represents just over one-third of one per cent of Saskatchewan's farmland by market value
- CPPIB's intention has been to invest approximately \$500-million into Canadian farmland over a period of five years or so. Even if all of that was in Saskatchewan, CPPIB estimates that its holdings would still constitute less than one per cent of the farmland market by value
- Since CPPIB's initial investment it has, through Assiniboia, bought 12 additional farms at an aggregate cost of \$33.7 million. To date CPPIB has bought roughly one in every 30 farms it has looked at, and transaction data from Saskatchewan's Farm Land Security Board indicates that local farmers often outbid it for land



- CPPIB intends to own the farmland for generations. It might sell the odd tract here or there to optimize the portfolio, but has every intention of being a long-term investor
- Based on Agricultural Census data from Statistics Canada, between 35 to 40 per cent of farmland in Saskatchewan has been farmed under lease agreements since the mid 1980s, indicating the continued importance of rented land in the broader market
- The average age of Saskatchewan farmers has been rising for the past two decades, and more than 70 per cent of the farms are now operated by farmers who are over the age of 50. The proportion of farmers who will be considering their retirement options is increasing

According to a recent poll commissioned by CPPIB, a majority of Saskatchewan residents believe pension plans should be allowed to purchase Saskatchewan farmland: Among types of potential buyers, pension plans receive over two-third support (69%), second to Canadian individuals (74%).

The survey was conducted by Innovative Research Group Inc. Between March 27th and 29th, 2015, with a representative sample of 500 Saskatchewan residents 18 years or older. A random probability sample of this size has an estimated margin of sampling error of +/- 4.4 percentage points, 19 times out of 20.

Canada Pension Plan Investment Board

Canada Pension Plan Investment Board (CPPIB) is a professional investment management organization that invests the funds not needed by the Canada Pension Plan (CPP) to pay current benefits on behalf of 18 million contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, New York City and São Paulo, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At December 31, 2014, the CPP Fund totalled C\$238.8 billion. For more information about CPPIB, please visit www.cppib.com.

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