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Canadian Farmland Liquidity and Institutional Capacity:

An Analysis of Transaction Volumes and Fund Sizing Implications

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EXECUTIVE SUMMARY:

The Canadian farmland market exhibits meaningful underlying liquidity, with estimated annual transaction volumes of approximately $20-43B, representing 3.5-7.0 million acres, within a total market capitalization of roughly $816B.

This assessment is derived from a multi-method analysis combining regional weighted market capitalization, mortgage origination data, farm transition demographics, and industry consolidation trends. Across these approaches, estimates converge on a base case of 3.5-4.6 million acres and $20-25B annually, with an upper range of 5-7 million acres and $27-43B annually.

$816B
farmland market cap

$43B
annual volume

7M
annual volume in acres

For institutional allocators, liquidity is most often evaluated against the conventional '30% in 30 days' framework commonly applied to liquid strategies. Under this standard, a vehicle is considered appropriately sized if its trading activity would represent no more than 30% of the market's estimated 30-day transaction volume, indicating that capital could be deployed or exited without materially moving the market or affecting pricing.

Applying this benchmark to observed farmland turnover suggests that current market liquidity could support a single farmland fund approaching $10B in AUM while maintaining prudent liquidity parameters, particularly when sourcing is diversified across provinces and parcel sizes.

Historically, farmland transaction activity has remained stable through public market dislocations and credit cycles, consistent with the asset class's structurally low correlation to traditional financial markets and the alignment between long-term holding periods and moderate short-term liquidity needs.

It is also important to distinguish between observed listings and total transfer activity. While annual farmland transfers are estimated at $20-43B, approximately 60-75% of transactions occur through intergenerational succession or privately negotiated sales, with 25-40% executed through brokered or publicly marketed channels.

Consequently, effective liquidity extends beyond visible listings, and investors with established sourcing capabilities typically participate in both on-market and off-market transactions.

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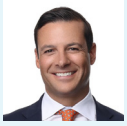

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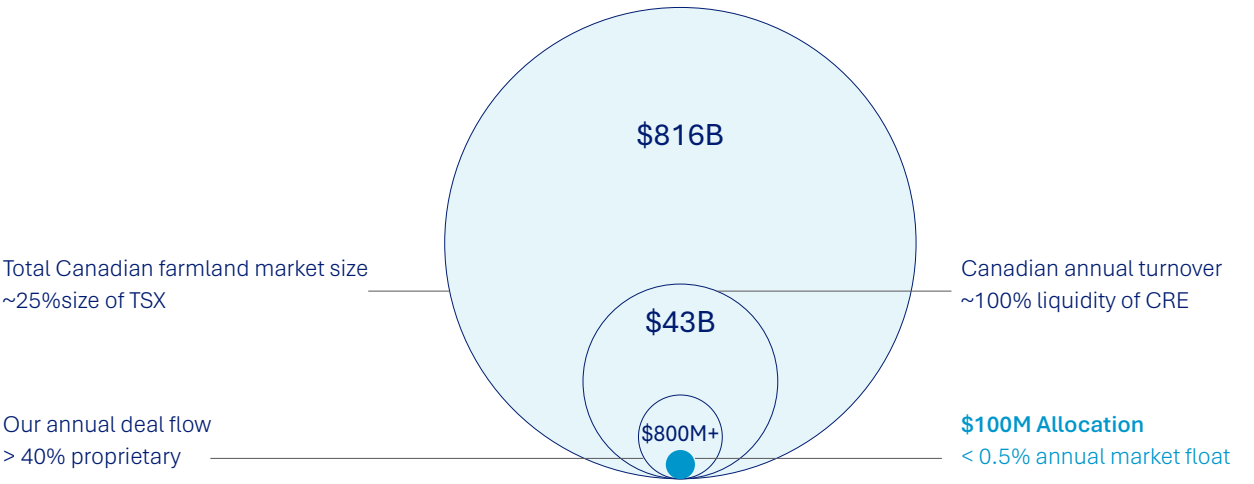
Canadian Farmland Liquidity Structure



MAIN FINDINGS:

Our analysis employs multiple methodologies to triangulate Canadian farmland market liquidity, drawing on market capitalization dynamics, mortgage origination patterns, demographic transition trends, and structural consolidation rates. Each approach captures distinct dimensions of market activity while collectively establishing liquidity boundaries across varying assumptions:

Method	Annual Turnover (In Million Acres)	Annual Turnover (in Billion $)
Market Cap - Regional Weighted	7.05	$43
Mortgage Origination (60% LTV)	3.86	$21
Mortgage Origination (50% LTV)	4.63	$25
Farm Transition Demographics	3.53	$19
Consolidation Rate	3.74	$20

METHOD 1: MARKET CAPITALIZATION WITH REGIONAL WEIGHTING

Regional heterogeneity in Canadian farmland markets necessitates differentiated turnover assumptions. Western provinces exhibit higher transaction velocities driven by institutional capital deployment and weaker generational succession traditions. Eastern supply-managed operations demonstrate lower turnover reflecting family succession patterns and regulatory barriers to entry. British Columbia and Maritime provinces show minimal turnover due to concentrated dairy/poultry quota systems and limited land availability.

Data:

- Total acres: 153.7 million
- Average farmland value: ~$4,951/acre (2023, StatsCan)
- 2024 farmland value: ~$5,314/acre (estimated with 7.3% increase)
- Total market cap: 153.7M × $5,314 = $816.8B
- Regional Turnover Weighting:
  - SK/AB: ~ 90M acres at 5-6% annual turnover (once in 20 years) due to less family succession tradition and active institutional investment = 4.95M acres @ ~$4.5K/acre
  - ON/QC/MB: ~ 50M acres at 3-4% turnover (once in 25 years) due to more mixed farming, some supply management, moderate family succession = 1.75M acres @ ~$10K/acre
  - Maritimes/BC: ~14M acres at 2-3% turnover (once in 50 years) due to high supply-managed dairy/poultry concentration, strong family succession, smaller parcels = 0.35M acres @ $8K/acre

Results:
Land value: (4.95M x $4.5K) + (1.75M × $10k) + (0.35M x $8k) = $42.6B
Acres: 4.95M + 1.75M + 0.35M = 7.1M
National sale rate: Once in 21 years

METHOD 2: FCC MORTGAGE-BASED ESTIMATION

Farm Credit Canada dominates agricultural lending with approximately 40-50% market share, providing a reliable proxy for total market mortgage activity. Annual origination patterns reflect both new land acquisitions and portfolio refinancing. Conservative assumptions isolate actual land purchases by excluding refinancing and operating credit components, while loan-to-value ratios capture varying leverage preferences across buyer segments.

Data:

- FCC is Canada's largest agricultural lender
- Farm Credit Canada loan portfolio: ~$63B
- FCC market share: ~40-50% of agricultural lending
- Total farm debt market: $63B ÷ 0.45 = ~$140B

- Average mortgage term: 5 years
- Annual refinancing/new purchases: 12-15% of portfolio
- Annual originations at 13.5% midpoint: $140B × 0.135 = $18.9B
- Only 60-70% of originations represent actual land purchases
- Remaining 30-40% is refinancing existing mortgages, operating credit, equipment financing
- Land purchase originations: $18.9B × 0.65 = $12.3B in new mortgages

Results @ 60% LTV: Land value: $12.3B ÷ 0.60 = $20.5B Acres: $20.5B ÷ $5,314 = 4.0M National sale rate: Once in 38 years	Results @ 50% LTV: Land value: $12.3B ÷ 0.50 = $24.6B Acres: $24.6B ÷ $5,314 = 4.6M National sale rate: Once in 33 years

METHOD 3: FARM TRANSITION DEMOGRAPHICS

Demographic transition dynamics provide an independent estimate of market liquidity driven by generational transfer. Census data indicates significant near-term retirement activity requiring asset reallocation. Land constitutes the dominant share of total farm asset value in grain and oilseed operations, the primary commodity sectors driving Canadian agricultural production and export activity.

Data:

- ~20-25% of farmers are retiring in next 8 years
- ~$200B in assets need to transact
- Land represents 75% of farm assets (grain/oilseed operations)
- Plant/equipment: 25% of assets
- Annual asset transfer: $200B ÷ 8 = $25B

Results:
Land value: $25B × 0.75 = $18.8B
Acres: $18.8B ÷ $5,314 = 3.5M

METHOD 4: CONSOLIDATION & EXPANSION RATE

Long-term structural trends show persistent farm consolidation as operations pursue scale economies in commodity production. Census data spanning two decades reveals consistent farm number reduction and average acreage expansion. This consolidation necessitates land transactions as expanding operations acquire acreage from exiting farmers, while modest new entrant activity supplements overall market turnover.

Data:

- Farm numbers declined from 246,923 in 2001 to 189,874 in 2021
- Average farm size increasing (676 to 809 acres)
- Annual farm reduction: ~2,850 farms/year (20-year trend)
- Assuming each consolidation requires land purchase
- Plus ~1,000 new entrants purchasing land
- Total farms transacting: ~3,850 farms
- Average acres: 809 × 1.2 (buyers tend to be larger) = 971 acres

Results:
Land value: 3.74 x $5,314 = $19.9B
Acres: 3,850 X 971 = 3.7M

POTENTIAL FUND SIZING IN CANADIAN MARKET:

Institutional allocators employ standardized liquidity frameworks when evaluating alternative asset strategies. The “30% in 30 days” convention represents industry practice for assessing whether funds have adequate liquidity to meet potential redemption requests without forced asset liquidation.

This framework is used here as a directional benchmark rather than a direct equivalence, recognizing that farmland transactions involve longer settlement timelines but benefit from continuous underlying transaction activity and stable bid-side demand.

Applying this framework to Canadian farmland market turnover indicates that current annual transaction volumes could support a single institutional fund approaching $10B in assets under management without the fund taking a dominant share of market activity.

In practical terms, transaction velocity rather than annual turnover determines capital deployment speed. Based on observed closing timelines and pipeline conversion rates in Canadian farmland markets, deploying or exiting $100M typically occurs within one to two quarters under normal market conditions, assuming active sourcing and diversified regional exposure.

Below is an indicative deployment timeline based on observed market activity, assuming no increase in resources:

Capital	Typical deployment
50M	2–3 months
100M	3–6 months
350M	6–12 months

Farmland liquidity characteristics merit attention in another way. Historical transaction patterns demonstrate continuous and orderly market function through public equity market dislocations and credit cycle stress periods.

This resilience reflects farmland's structural low correlation with traditional asset classes and its fundamental link to agricultural commodity demand rather than financial market sentiment.

Consequently, long-term liquidity behavior closely mirrors short-term patterns, contrasting with alternative assets where market stress materially constrains transaction activity and widens bid-ask spreads.

CONCLUSION:

Farmland liquidity differs structurally from that of centralized financial markets. Transactions occur through dispersed local networks, bilateral negotiations, and seasonal sale cycles. Liquidity is therefore better understood as continuous and distributed rather than episodic or exchange driven.

This paper assesses Canadian farmland liquidity using multiple lenses, including regional transaction dynamics, mortgage origination patterns, demographic transitions, and structural consolidation trends. Across these approaches, estimated annual transaction activity converges in the range of approximately $20-43 billion, representing roughly 3.5-7 million acres. The consistency of these independent estimates provides confidence in the market's capacity to absorb institutional capital.

Farmland liquidity also exhibits distinct behaviour during periods of financial stress. Transaction activity tends to be stable, supported by the low sector leverage, uncorrelated operating cash flows, and the essential nature of agricultural production. This characteristic, combined with historically low correlation to financial assets, reinforces the relevance of farmland within institutional portfolios seeking diversification and stable return profiles.

Observed transaction volumes include both publicly marketed properties and privately negotiated transactions. Managers with established local networks often participate in transactions that never appear in public listings, increasing effective access to market turnover relative to headline statistics.

For allocators evaluating farmland exposure, current liquidity metrics indicate capacity to support meaningful institutional scale while preserving portfolio flexibility, particularly when capital is deployed through diversified sourcing across provinces and parcel sizes. Under these conditions, and based on conventional liquidity parameters, a fund size in the range of approximately $10 billion appears to represent a reasonable upper boundary for participation without requiring dominant market share or introducing material exit constraints under normal market conditions.

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