



The Effect of Long-term Real Rates on Farmland Appreciation Behavior

Canadian farmland
1970 to 2025

Q3 2026

EXECUTIVE SUMMARY:

This paper reviews the historical behavior of Canadian farmland prices versus long-term real interest rates over the period 1970 to 2025, with a focus on average appreciation rates, up-year frequency and the incidence of drawdowns. The sample is divided by the level of long-term real rates, defined as the annual average 10-year CAD bond yield less annual average CPI inflation, into three regimes: negative real rates, real rates between 0% and 4%, and real rates at or above 4%.

Farmland behavior steps down monotonically across the three regimes on every measure. In negative real rate years, farmland appreciated at an average of 15.2% per annum, with no down years. Between 0% and 4%, average appreciation was 9.7% per annum with up years in 96.8% of regime years. At real rates of 4% or higher, average appreciation fell to 1.2% per annum, up years occurred in 60.0% of regime years, and the regime contains every material drawdown in the series. The sample spans two inflation shocks: the 1970s stagflation episode and the 2021 to 2023 period, in which realized real rates reached negative 4.0% in 2022, the deepest reading in the 56-year series. Farmland appreciated at double-digit rates through both episodes.



Stephen Johnston

Director

sjohnston@omnigenceam.com



Matt Barr

Director

mbarr@omnigenceam.com



Barclay Laughland

Director

blaughland@omnigenceam.com



METHOD:

The farmland series is the annual national average change in cultivated farmland values, drawn from Statistics Canada and the FCC Farmland Values Reports. CPI is the Statistics Canada all-items annual average change. The long-term nominal rate is the annual average Government of Canada 10-year benchmark yield. The real rate is the nominal yield less CPI in the same calendar year, a realized rather than ex-ante measure.

Each year is assigned to one of three regimes by the level of the realized real rate: negative (10 years), 0% to 4% (31 years), and at or above 4% (15 years). Analyzing the series by regime rather than through a single correlation statistic makes an asymmetry in farmland behavior apparent that the correlation alone does not convey.

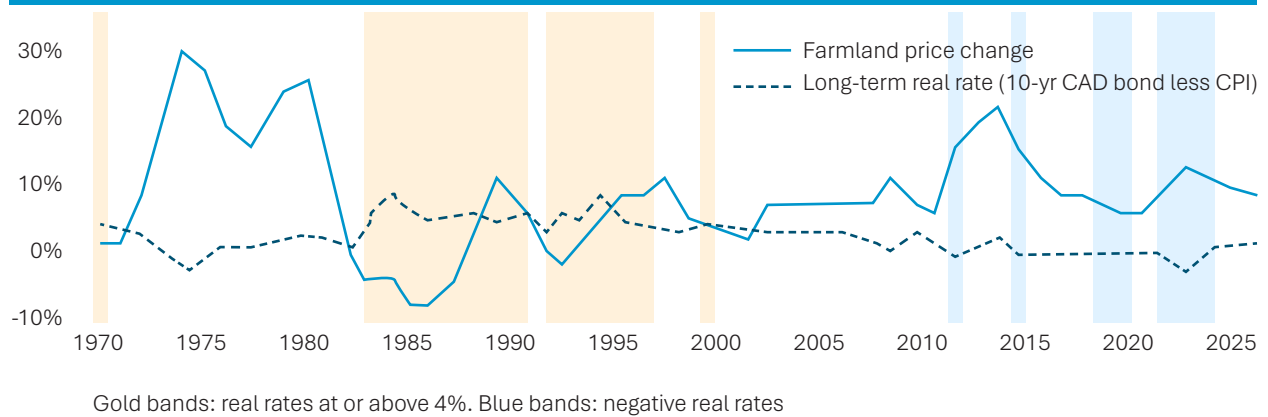
RESULTS:

The regime statistics are summarized in Table 1.

Table 1: Farmland Price Changes by real rate regime, 1970 to 2025			
	Real Rates < 0%	Real Rates 0% to 4%	Real Rates >= 4%
Number of Years	10	31	15
Average Annual Appreciation	15.2%	9.7%	1.2%
Up Years as Percent of Regime Years	100.0%	96.8%	60.0%
Average Size of Up Year	15.2%	10.1%	5.4%

Sources: Statistics Canada; FCC; Bank of Canada; Macrotrends; Omnigence analytics. Real rate = annual average 10-yr CAD bond yield less annual average CPI inflation.

Chart 1: Canadian farmland price changes versus long-term real rates, 1970 to 2025



Sources: Statistics Canada, FCC, Bank of Canada, Macrotrends, Omnigence analytics

Three features of the series are worth noting.

- First, the relationship is monotonic: average appreciation, up-year frequency and up-year magnitude all decline as the real rate regime rises.
- Second, the negative regime is the strongest environment in the sample and contains no down years; its observations cluster in three episodes, the 1970s stagflation (1973 to 1975, with gains of 21.3%, 30.5% and 26.9%), the post-2010 financial repression years, and the 2021 to 2023 inflation shock, in which real rates reached negative 4.0% in 2022, the deepest reading in the series, while farmland gained 12.8%.
- Third, the higher-rate regime, concentrated in the 1983 to 1995 period, contains all six material drawdowns in the series (1983 to 1987 and 1992, ranging from negative 2.3% to negative 7.5%).

Over the full sample the correlation between annual farmland price changes and the real rate is approximately -0.58. The regime framing describes the data more informatively than the single correlation statistic, as the relationship is concentrated in the behavior of drawdowns: every negative farmland year in the sample occurred at positive real rates, with all but one occurring in the highest regime.

CONCLUSION:

Real rates have had a material effect on the behavior of Canadian farmland over the 56-year period studied, expressed in average appreciation rates, up-year frequency and the incidence of drawdowns, each of which deteriorated monotonically as real rates rose. Current realized real rates of approximately 1% remain materially below the 4% threshold associated historically with the lower end of farmland returns. To the extent that elevated developed-market sovereign debt loads constrain the scope for sustained high, long-term real rates, we believe that the rate environment will continue to inhabit the sub 4% regime historically associated with the highest farmland appreciation and so continue to be highly constructive on continued farmland deployment.



Toronto Office:

TD Canada Trust Tower, 161 Bay St.
27th Floor, P.O. Box 508
Toronto, ON, M5J 2S1

Calgary Office:

Suite 300, 4954 Richard Road SW
Calgary, AB, T3E 6L1

Montréal Office:

3 Place Ville Marie, Suite 3190
Montréal, QC H3B 2E3

www.omnigenceam.com

DISCLAIMER

Our reports, including this paper, express our opinions which have been based, in part, upon generally available public information and research as well as upon inferences and deductions made through our due diligence, research and analytical process. The information contained in this paper includes information from, or data derived from, public third-party sources including industry publications, reports and research papers. Although this third-party information and data is believed to be reliable, neither Omnigence Asset Management nor its agents (collectively "Omnigence") have independently verified the accuracy, currency or completeness of any of the information and data contained in this paper which is derived from such third party sources and, therefore, there is no assurance or guarantee as to the accuracy or completeness of such included information and data. Omnigence and its agents hereby disclaim any liability whatsoever in respect of any third-party information or data, and the results derived from our utilization of that data in our analysis. While we have a good-faith belief in the accuracy of what we write, all such information is presented "as is," without warranty of any kind, whether express or implied. The use made of the information and conclusions set forth in this paper is solely at the risk of the user of this information. This paper is intended only as general information presented for the convenience of the reader and should not in any way be construed as investment or other advice whatsoever. Omnigence is not registered as an investment dealer or advisor in any jurisdiction and this report does not represent investment advice of any kind. The reader should seek the advice of relevant professionals (including a registered investment professional) before making any investment decisions. The opinions and views expressed in this paper are subject to change or modification without notice, and Omnigence does not undertake to update or supplement this or any other of its reports or papers as a result of a change in opinion stated herein or otherwise.