

**Research Poster from the**  
***Linking Environment and Agriculture Research Network (LEARN)***  
***Enabling Research for a Competitive Agriculture***



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**Abstract LEARN-06**

**How do Restrictions on Foreign Ownership Affect Price: Empirical and  
Theoretical Analyses of the Saskatchewan Farmland Security Act**

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This poster shows that policy that forbids foreign ownership of farmland has a demonstrable effect on price. The empirical section of the poster compares annual price changes of farmland in Alberta and Saskatchewan using difference in differences methods. We use exploratory data analysis to motivate and justify two hypotheses: average price changes in Saskatchewan became lower than Alberta after the policy was introduced, or the average absolute value of price changes in Saskatchewan became lower. We find evidence that policy caused the absolute value of price changes to become smaller, that is, the policy dampened price changes in Saskatchewan. Since Saskatchewan prices were dampened by policy, we use Alberta price changes as an estimate for what Saskatchewan would experience without the policy. This suggests Saskatchewan farmland is underpriced by \$431/acre as of 2011, which is 73% of observed price. We find no evidence that policy caused the average price changes to decrease, which suggests that prior research found the effect of policy to be statistically and economically insignificant because of misspecification. The poster also discusses how to represent the effect of the policy in a supply-demand diagram. In a static model, the policy represents a grain for domestic farmland buyers. It is not clear if there is a net benefit, so this could represent regulatory capture. In a dynamic model, we show that policy will dampen price changes if the foreign and domestic demand curves both have the same sign; if not, then the policy can accentuate price changes. This research provides evidence that policy has affected farmland prices in Saskatchewan. This improves our understanding of the effect of trade restrictions and draws attention to the issue of foreign ownership. Policy may have also created pent up demand, which may have created the risk of a hot money problem if policy is changed carelessly.