

Farmland Inc.

Robert Andjelic is Canada's largest farmland owner. He sees huge potential for the agriculture sector – if Canada doesn't mess up a once-in-a-century opportunity

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PHOTOGRAPHY BY TIM SMITH

THE GLOBE AND MAIL

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Robert Andjelic, the largest farmland owner in Canada.

If you had to come up with a worst-case scenario for a global food crisis, it would look a lot like what's unfolded this year: a dangerous combination of war, drought and punishingly high prices for fertilizer, fuel and crops.



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When the food and agricultural arm of the United Nations released its annual report on the state of food insecurity this summer, the agency warned that 345 million people are on the brink of starvation, and that looming famines threaten to bring about “global destabilization, starvation and mass migration on an unprecedented scale.”

Which is more or less the catastrophe Robert Andjelic envisioned more than a decade ago. Once the largest industrial property owner in Winnipeg, Mr. Andjelic set out in 2009, then in his mid-60s, to find an investment he could pass on to his children and grandchildren that would safeguard against the wave of inflation he believed was coming.

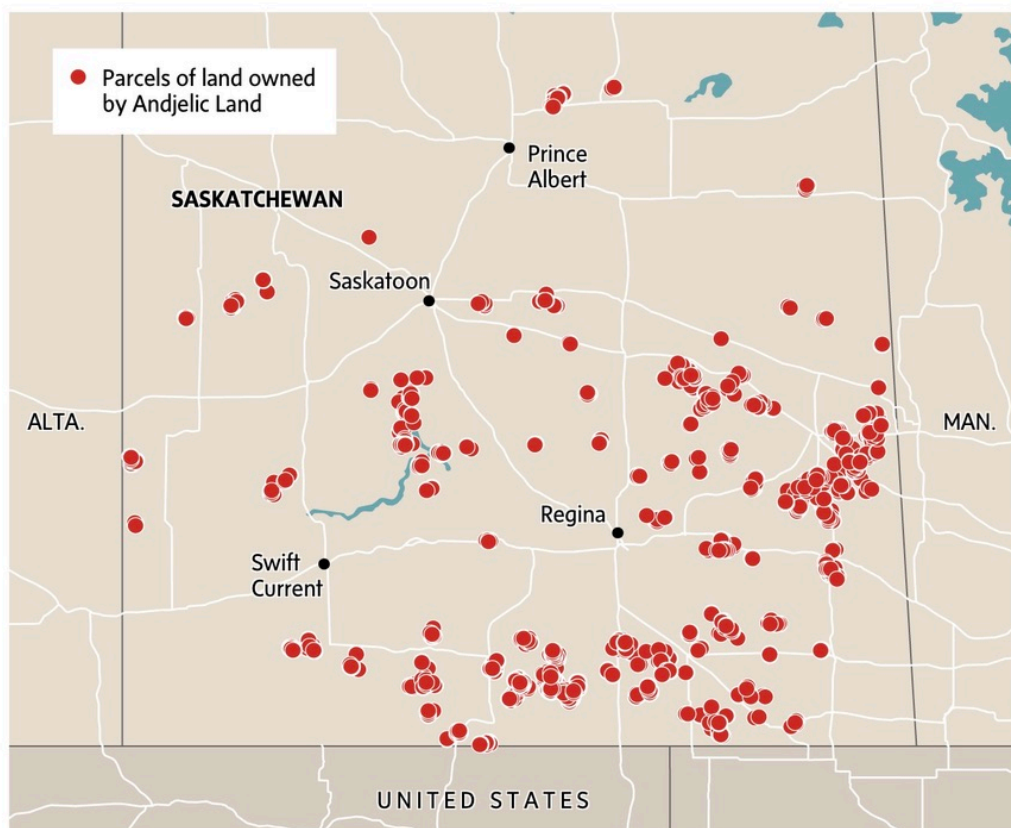
Ultimately, his search came down to a simple question: What does Canada have that the world needs, and that China can't dominate? The answers he arrived at were water and agriculture, specifically farmland. He bought his first tract of Saskatchewan soil the following year, convinced climate change and a deteriorating geopolitical landscape would wreak havoc on global food supplies in the years to come.

Today, Mr. Andjelic is not only the largest farmland owner in Saskatchewan; nobody in Canada owns more than he does. And in North America, only one other person boasts a larger portfolio: Bill Gates.

From a modest bungalow in the foothills southwest of Calgary, replete with 1970s wood panel walls and motel toiletries in the bathrooms, Mr. Andjelic has amassed more than 225,500 acres of land in Saskatchewan – a property portfolio worth somewhere between \$500-million and \$700-million – while raising the ire of some farmers and conservationists in the process.

Andjelic Land's holdings in Saskatchewan

Robert Andjelic's private company owns 225,500 acres of farmland across the province



THE GLOBE AND MAIL, SOURCE: ANDJELIC LAND INC.

Behind Mr. Andjelic's buying spree is an outsized bet that Canada's agricultural sector is presented with a once-in-a-century opportunity. A growing global population and, more importantly, an even faster-growing middle class hungry for protein-rich foods is clashing with a decline in available farmland brought on by urbanization and extreme weather. Even before Russia's invasion devastated Ukraine, the so-called bread basket of Europe, international food prices were up 40 per cent from 2019.

As the fifth-largest agricultural producer in the world, Canada is already well positioned to meet that growing demand. Yet Mr. Andjelic and many other people in the sector warn of trouble ahead.

FAO Food Price Index in real terms

Index, 100=2014-2016



THE GLOBE AND MAIL, SOURCE: U.N. FOOD AND AGRICULTURE ORGANIZATION

DATA SHARE

It's not just that Canada's creaking rail and port infrastructure is ill-equipped for getting agricultural goods to world markets quickly, let alone handling growing output in the future. Farmers across the country fear the federal government, in its push for a 30-per-cent reduction in fertilizer emissions by 2030 as part of its net-zero climate change plan, risks causing drops in crop yields, total output and revenue.

“Canada has a massive advantage over the rest of the world, but if it’s neglected or hurt, we’re going to completely lose that advantage,” says Mr. Andjelic, as he steers his hulking Dodge Ram Rebel truck along the TransCanada Highway southwest of Regina. “I worry the government is going to do to agriculture what it’s done to the oil and gas sector, but instead of just feeling it at the pumps, with agriculture there’s a human penalty that will be paid for with lives.”



Andjelic spends much of the year in his truck touring his farm land and meeting with his tenant farmers and partners.



Robert Andjelic visits with his tenant farmer Robert Cross at his farm near Saltcoats, Saskatchewan on a hot July afternoon.

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For two weeks each month, Mr. Andjelic crisscrosses the Prairies visiting some of his roughly 250 farmer tenants or speaking with them by phone for hours on end as he drives. In a year, he easily clocks more than 60,000 kilometres on such trips.

Over the summer, The Globe and Mail joined Mr. Andjelic on a 1,500-km road trip across Saskatchewan, talking with producers and others along the way about changes they face.

At 76, Mr. Andjelic, a father of five and grandfather to 12, exhibits the energy of someone decades younger. He regularly hikes the foothills near his home and makes it a point to close the daily exercise rings on his Apple Watch, even if that entails pacing his hotel room until after midnight to get his 10,000 steps in.

Though he came to the agricultural industry without a background in farming, Mr. Andjelic speaks effortlessly with his tenants in their language of crop nutrients, soil moisture levels and weed management. He also shares their exasperation with eastern city dwellers. “All this Hee Haw stuff of farmers in

plaid shirts with pitchforks is what those people think farming is,” he complains at one point.

But because Mr. Andjelic was an outsider, it also allowed him to question how farmland was being managed without the burden of tradition. When hiring staff for Andjelic Land, the 10-person Regina-based company that manages his holdings, he prioritizes those without agriculture backgrounds. “I don’t have to hear them say this is how things have been done for 40 years,” he says.

He developed analytics tools specifically geared to farmland investing, with a database 800,000 spreadsheet rows deep on everything from tenant financials, to fertilizer usage and water sample results, not to mention grasshopper outbreaks across all his properties. It’s like *Moneyball*, the Michael Lewis book about the Oakland Athletics’ embrace of statistics to evaluate players, only for dirt.





Reshaping the land

Andjelic has spent \$25 million over removing fence lines, brush and old farm buildings from farmland he buys in order to boost yields, such as this parcel of land south of Assiniboia, Sask.

GOOGLE EARTH

But, more than anything, Mr. Andjelic has pursued a strategy of land improvements in which his team strips away old fences, tree lines, rock piles and crumbling farm structures that long characterized the Saskatchewan landscape, enabling farmers to guide their sprawling 90-foot-wide seeders and sprayers for kilometres at a time without slowing down or turning.

By his estimate, Andjelic Lands has spent \$25-million on land improvements over the past decade.

“Robert’s land really stands out because there are no trees or old yard sites and tenants gravitate to that because he’s made the land more efficient,” says Harry Sheppard, a realtor who brokered some of Mr. Andjelic’s first land purchases.

Or as Mr. Andjelic puts it himself: “I’ve been in this business only about 11 years, but I’ve turned it on its head.”

The path to farmland baron was far less straight than the rows in Mr. Andjelic’s sprawling fields. Born in Croatia, then part of the Socialist Federal Republic of Yugoslavia, he and his two siblings were smuggled by their mother across the border to Austria in 1958, evading dogs and guards armed with machine guns. They joined Mr. Andjelic’s father, who’d fled earlier, in Winnipeg, where the family began renovating houses.

Mr. Andjelic didn’t speak English, and says he endured taunts from people upset with the influx of Eastern European immigrants. In time, however, the family expanded their burgeoning construction business into larger contracts, such as hydro projects and schools in northern Manitoba. After setting out on his own in the 1980s, Mr. Andjelic launched Sun-X Properties, an industrial warehouse developer in Winnipeg.



Robert Andjelic examines blades of wheat while touring a crop of wheat belonging to one of his tenant farms south of Whitewood, Sask. Entering the agricultural industry as an outsider allowed Andjelic to question how farmland was being managed without the burden of tradition.

There's a pattern of impeccable timing to Mr. Andjelic's life in business, and the recession of the early 1990s revealed that. Anticipating a downturn, he built up a cash buffer which left his business relatively unscathed. "The guy left standing is perceived by bankers to be the most stable, and they were coming to me asking me to take buildings off their hands," he says. "Virtually all of my competition went broke and that's when I took over the market."

By the mid-2000s, Sun-X had become the largest industrial landowner in Winnipeg, with more than three million square feet of warehouse space at its peak.

Which is when Mr. Andjelic once again sensed trouble.

In early 2007, a year before the financial crisis hit, Mr. Andjelic sold Sun-X to British Columbia Investment Management Corp., a public-sector pension manager, in a deal then valued at between \$100-million and \$200-million.

Mr. Andjelic won't reveal the sale price, only that it was in the "hundreds of millions." He adds, wryly, "That was a big tax bill."

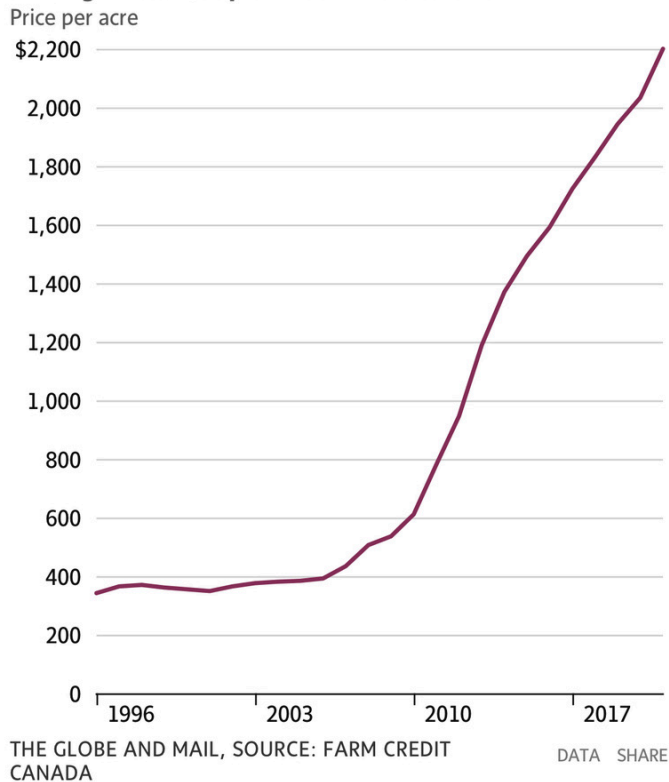
Despite his fortune, Mr. Andjelic lives a surprisingly frugal life. He doesn't collect art or cars – the only other vehicle in his garage besides his truck is a dust-covered 2006 Corvette – and is not above haggling for a \$20 discount on a room at a Ramada. "If I was on welfare, I think I could stay within my budget," he says.

With the cash proceeds from the sale of Sun-X, Mr. Andjelic hunted for a legacy investment for his family. He'd seen first-hand from his commercial tenants how cheap goods from China and low-cost competition from Amazon.com Inc. could decimate a business.

As Mr. Andjelic saw it, farmland would avoid those threats, and Saskatchewan offered some of the most affordable land in the country, thanks to years of strict ownership rules under which only provincial residents could purchase land.

Those rules were eased in 2003, allowing any Canadian resident to buy here. Mr. Andjelic acquired the bulk of his portfolio in the first five years, using satellite imagery to evaluate land and overseeing every aspect of each purchase himself.

Average farmland prices in Saskatchewan



When Mr. Andjelic bought his first acres in late 2010, the average price in the province was around \$500 an acre, less than half that of Manitoba. Last year the average price hit \$2,200, according to Farm Credit Canada, a Crown corporation that provides loans to farmers. Mr. Andjelic pegs the average price of his land at \$3,000, because of land improvements and location.

As for debt, he says the loan-to-value ratio on his farmland portfolio is “quite a bit below” 30 per cent.

“I’ve worked with hundreds of farmland investors and I don’t know anyone who is as hands on as Robert,” says Ted Cawkwell, another realtor who has handled transactions for Mr. Andjelic. “He has more of a 30,000-foot view than anyone I’ve ever met.”



Mr. Andjelic examines damage from a storm at one of his tenant farms. As Mr. Andjelic emerged as a significant farmland owner, he faced criticism from some farmers, conservationists and academics about his approach to land improvement.

Mr. Andjelic's big-picture perspective can be grim to listen to, as he lays out his bullish thesis for Canadian agriculture.

He's a strong believer climate change is real, though he won't be pinned down on its cause. He points to an analysis he did 10 years ago, predicting up to half of America's agricultural land could eventually be out of commission compared with two decades ago. Just days before our talk, California, which produces more food than any other state, restricted farmers' access to water due to drought.

Mr. Andjelic sees supply constraints emerging everywhere: In China, where his commodity broker contacts say the country's wheat inventory is plagued by spoilage levels vastly higher than officials there admit; in India and other countries that are imposing export restrictions; and, of course, in Ukraine, where despite the opening of some ports, he believes crop output will take years to recover.

Add it together, and Mr. Andjelic predicts a wave of social unrest is on the horizon, driven by food shortages and inflation. “This is how you get a world facing famine and possible riots and how regimes are toppled,” he says. “Just look at the French Revolution, the Russian Revolution, the Arab Spring – it’s always about the cost of food and food availability.”

The solution, he says, is more Canadian-grown food, whether that’s bulk commodities or, better yet, value-added products such as protein extracts from pulse crops – including chickpeas, yellow peas and lentils – as well as processed canola. Over the past decade, he’s worked with companies, investors and banks to promote the plant-based protein industry in the Prairie provinces where, by his count, 25 protein-extraction plants have opened over the past five years.

He also points to the land improvements he carries out, which boost yields per acre. However, as Mr. Andjelic emerged as a significant farmland owner, he faced immediate criticism from some farmers, conservationists and academics about his approach.

Some of it comes down to aesthetics. Mr. Sheppard, the realtor on Mr. Andjelic’s early deals, recalls the backlash from some nearby farmers at the sight of land being cleared of trees and old farmyard structures. “Here was this stranger coming in from Winnipeg, erasing the history and landmarks that had been there for 75 years,” Mr. Sheppard says. “Those old yard sites were somebody’s history, but those people are gone, and now it’s productive farmland that was being wasted.”



Mr. Andjelic examines the soil at one of his tenant farms south of Whitewood, Sask.

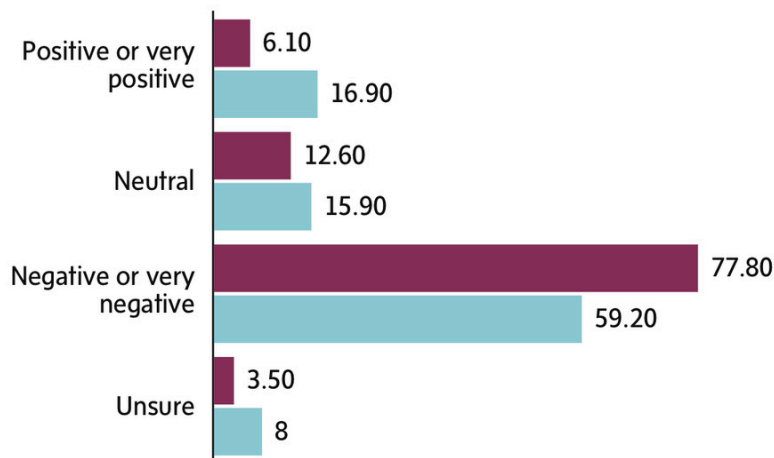
Other critics blame investors for surging land prices that shut young farmers out of the market. “We need a new generation of farmers, yet young farmers can’t purchase land,” says Annette Aurélie Desmarais, a professor at the University of Manitoba, who studies food sovereignty and has co-authored several papers on investor “land grabbing” on the Prairies. “Farmers see investors as supercompetitors; they’re up against people like Andjelic who have much deeper pockets than themselves.”

In a coming paper, Ms. Desmarais and her co-authors detail the results of a survey of 400 Prairie grain farmers they conducted about farmland investment and large-scale farm operations, which showed most respondents were apprehensive about the changes. Close to 78 per cent said farmland investors had a negative impact on local communities, and 60 per cent saw a negative impact on local farmland markets.

Impact of non-farm investors purchasing land

Percentage of survey respondents

● On local community ● On local farmland market



THE GLOBE AND MAIL, SOURCE: ANDRÉ MAGNAN, MENGISTU WENDIMU AND ANNETTE AURÉLIE DESMARAIS

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Yet the responses also seem to be a reaction to the transformation under way in farming. The sector is becoming a more sophisticated, data-driven, bottom-line-oriented business, in which the number of farms in Saskatchewan has fallen steadily from a peak of 140,000 in the 1940s even as output has dramatically increased.

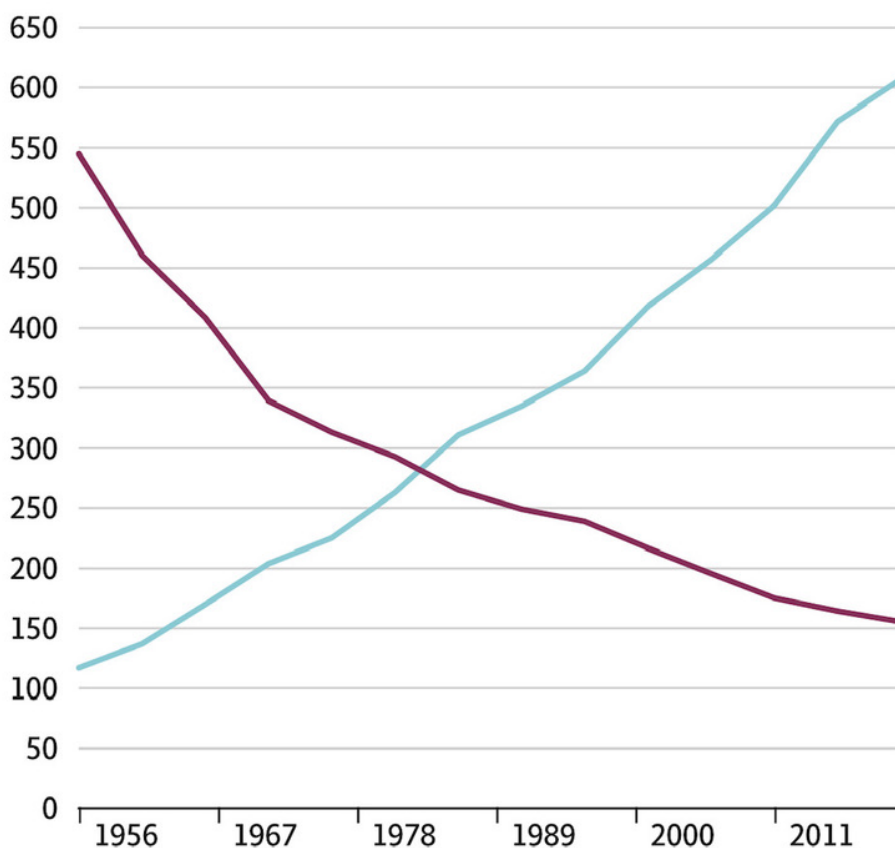
Last year, there were 34,128 farms, according to the latest census of agriculture by Statistics Canada, down by nearly one-third from 2001 (though the agency says the latest census includes a change in the definition of farms that weeds out some hobby farms and makes historical comparisons difficult).

“The market has become cutthroat, pitting neighbour against neighbour,” complained one survey respondent. Added another: “Smaller operators just don’t count. Large very rich players don’t have time of day for smaller operators. No neighbours, only competitors.”

Number of farms and average size for cropland farms in Canada

Average acres per farm and number of farms in thousands

● Number of farms reporting (x 1,000) ● Average area in acres



THE GLOBE AND MAIL, SOURCE: STATISTICS CANADA CENSUS OF AGRICULTURE

DATA SHARE

The heavy rain that had been falling for much of the drive across Saskatchewan has slowed as Mr. Andjelic eases his truck along a damp dirt road near the town of Moosomin, by the Manitoba border.

Mr. Andjelic is here to meet with Kristjan Hebert, managing partner of Hebert Grain Ventures, which farms 30,000 acres of canola and other crops. When he returned to run the family farm in 2009 after a five-year stint as an accountant, it was a 3,500-acre operation. He's expanded by buying land or leasing it from landowners such as Mr. Andjelic.

"Everyone's always saying that farms are getting bigger because they're greedy and corporate and I would say ... we've gotten bigger so we can have better people, and pay more, and so we can invest in technology to farm every acre as good as the first acre," Mr. Hebert says. "If you run a farm like a way of life, it's actually a pretty bad business, but if you run it like a business, it's a pretty good way of life."

As the two men sit down, wheat prices have retreated from the spike brought on by the Russian invasion, but remain high. "The whole world is probably paying more attention to agriculture now than it has in 70 years," Mr. Hebert says.



Kristjan Hebert, farmer and principal managing partner of Hebert Grain Ventures, at his farm and office northwest of Fairlight, Sask., on June 30.

Like many Canadian farmers, Mr. Hebert took advantage of elevated prices to plant more acres of wheat. The latest wheat harvest estimates from Statistics Canada suggest production this year will be 13 per cent higher than the five-year average.

Yet he and many others in the sector say Canada's transportation infrastructure is not able to keep pace.

"As long as Mother Nature co-operates, Canada can produce as much grain as we always have and more, but we need to ensure we can get that to the world," he says. "We can't have railway disruptions and strikes; we can't have the Port of Vancouver not loading cars; we can't have container ships not able to get into port. That's all out of farmers' control."

In the absence of progress on a long-term national transportation strategy, some leaders have taken things into their own hands.

In Regina, Murad Al-Katib, founder and chief executive of AGT Food and Ingredients Inc., a global commodity trading firm and processor of pulse crops that has 40 processing facilities worldwide, points to the \$150-million railway container terminal he built next door to his first facility. It's part of a series of deals AGT, backed by Fairfax Financial Holdings Ltd., undertook to assemble the largest short-line railway in Western Canada, capable of moving agricultural goods quickly from farms to ports in Vancouver and Prince Rupert.

Far more will need to be done if Canada is to live up to its potential. Mr. Al-Katib estimates gains from technology, crop innovations and irrigation could boost Canada's annual principal field crop production significantly in the years to come. Yet trade corridors are already congested.

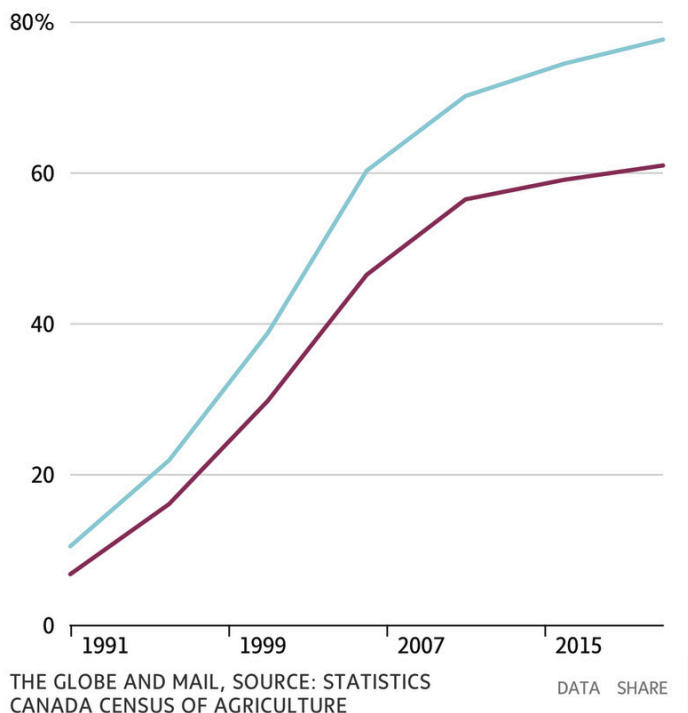
"We're a country of 35 million with the productive capacity to feed billions of people," he says. "But that's contingent on our ability to trade with the world."

Back at Mr. Hebert's farm, the conversation soon turns to the federal government's push to reduce emissions from farmers using fertilizers. Earlier this year, Agriculture Canada released a proposal to cut fertilizer-related emissions by 30 per cent within eight years. Ottawa insists the cuts will be voluntary, but the plan has renewed feelings that eastern politicians take the work farmers do for granted.

Share of acres farmed using zero-till practices

Percentage of acres

● Canada ● Saskatchewan



Much of the frustration lies in the fact farmers have already taken significant steps to reduce fertilizer use, if only for their bottom lines. As one farmer griped to Mr. Andjelic during a phone call: “No one is going to put on more fertilizer than they need. Farmers are tight-asses.”

Many farmers already operate sprayers with variable nozzles connected to GPS applications that automatically turn off if going over land that’s already been sprayed. Hebert conducts soil tests every four acres to fine-tune how much fertilizer is needed. And nearly 80 per cent of Saskatchewan farmers now practice zero-till farming – they don’t plow fields before sowing crops. That helps prevent soil erosion, keeps carbon in the ground and reduces the need for fertilizer.

But farmers also fear if Ottawa makes its 30-per-cent emissions cut mandatory, it would require a sharp drop in fertilizer usage, slashing how much food they can produce. The uncertainty has farmers on edge.

“The only risk in agriculture that actually scares me is bad policy,” Mr. Hebert says. “I can deal with what mother nature throws at me, but policy is something that’s really tough to hedge against.”

There are signs the message is getting through. “We believe there’s an opportunity to reduce nitrous oxide emissions by employing different methods,” said Kody Blois, chair of the House of Commons agriculture committee, in an interview. “However, we are in a period right now with the war in Ukraine that Canadian agriculture is needed more than ever.”

Mr. Blois says it’s a “misconception” Ottawa plans to ban certain amounts of fertilizer, and blames a “communications gap” on the federal Liberals having no seats in Saskatchewan.

But if voluntary emissions reductions fail, would Ottawa impose mandatory ones? “That’s ultimately a decision for government to make,” he says. “What I can say, as a member of Parliament that does not sit in the Privy Council, now is not the time to be compromising Canada’s food security.”

For Mr. Andjelic, the proof will be in the federal government’s actions: “If these guys in Ottawa think they’re going to tell farmers, who know their land, how to implement a fertilizer cut, it’s insulting.”



Mr. Andjelic lies in a field of wheat farmed by one of his tenant farmers. He says he has no interest in selling and is doing due diligence to acquire farmland in Alberta and Manitoba.

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Since Mr. Andjelic's first foray into Saskatchewan farmland, more investors have poured in, including, for a time, the Canada Pension Plan Investment Board. The fund bought 120,000 acres in 2013, but sold its holdings four years later after the province brought in rules banning institutional investors from buying farmland. CPPIB also sold its U.S. farmland holdings that year to Cascade Investment LLC, a company controlled by Mr. Gates.

Mr. Andjelic says he has no interest in selling and is doing due diligence to acquire farmland in Alberta and Manitoba. He's also structured his estate in a way that discourages family members from selling their share of the land.

That's not to say he doesn't have an exit strategy. He's geared his portfolio toward use by Hutterites, a Christian sect that embraces communal land ownership. As Hutterite colonies grow, they split to create new ones that typically buy farmland in the process, and Mr. Andjelic sees that adding to demand over the next 10 years.

"I don't have an exit strategy because I want to sell, but in case I'm ever forced to sell," he says. "I always run my businesses with options a, b, c, d, up to k, so that no matter what's thrown at me, I'm ready for it."

For now, the opportunities are too enticing to pass up, he says, from the potential for Saskatchewan to be the world's top producer of plant-based proteins, to the northern expansion of crops such as corn and soybeans as climate change extends the province's growing season.

Mr. Andjelic is even turning his attention to that other Canadian commodity the world is desperately short of: water.

"There will be countries where the bulk of the population will have to move to areas with water," he says. "I'm starting to look at opportunities to monetize that. But there's only 24 hours in a day, and I'm only one guy."

<https://www.theglobeandmail.com/business/article-farmland-ownership-canada-andjelic/>

People who "know the price of everything and the value of nothing." Excuse me if I don't buy their insistence they are devoted to "feeding the world." Mr. Andjelic and his kind are in it for the money, and as soon as there is more money to be made elsewhere, they will be gone. And what will be left of the land?

TJB