Omnigence's 14-Factor Farmland Test Finds Alpha That Standard Risk Factors Cannot Explain

New research finds that Canadian farmland returns are largely unexplained by equities, commodities, inflation or listed real estate.

CALGARY, AB, CANADA, September 9, 2026 /EINPresswire.com/ -- Omnigence Asset Management ("Omnigence") today published new research decomposing the returns of Veripath, its Canadian farmland platform, into 14 established risk factors — testing a question central to any allocator: is farmland's return genuine alpha, or merely unpriced exposure to risks that can be bought more cheaply elsewhere? The paper, Anatomy of Farmland Alpha: A 14-Factor Decomposition of Canadian Farmland Returns, examines 72 quarters from Q2 2008 through Q1 2026 against factors spanning equity markets, fixed income, agricultural commodities, macro conditions, Canadian real estate, and the academic factor-pricing literature.

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>
> *Stephen Johnston*

The approach is deliberately demanding. Each factor is first regressed individually against farmland returns — its best chance to show relevance — and then all 14 are entered together in a single joint model, with standard errors adjusted for the serial correlation that appraisal-based valuations introduce. A return stream that is really just repackaged risk should be revealed across the factors.

ONLY ONE FACTOR EXPLAINS FARMLAND — AND IT ISN'T EQUITIES, COMMODITIES, OR INFLATION: Of the fourteen factors, exactly one carries statistically significant explanatory power: the Canadian yield-curve term premium. Its t-statistic of 6.37 is consistent with farmland's nature as a long-duration real asset, and on its own it accounts for roughly 36.7% of the variation in Veripath's quarterly returns.

Every other factor tested comes up essentially empty. Regressed individually against farmland

returns, the equity market (t = −0.74), inflation (−1.15), wheat prices (−0.44), fertilizer costs (−0.33), the four Fama-French equity style factors (the strongest of them, size, at just +1.16), and Canadian REITs (+0.51) — along with the currency, credit spreads, real interest rates, and broad commodities — all fall between −1.15 and +1.16, none approaching conventional significance. Entered together in the joint model, all thirteen combined add only about 5.1 percentage points of explanatory power. Farmland, in short, is not disguised exposure to equities, commodities, inflation, or listed real estate.

That leaves the alpha — the portion of return no factor explains — at 13.41% per year with a t-statistic of 12.61. Tellingly, it barely moves as factors are added: across every specification from one factor to fourteen, the estimate stays within 13 basis points. An alpha that was really an omitted risk factor in disguise would shrink as the relevant factor was introduced; this one does not.

WHAT IT MEANS FOR A PORTFOLIO: The near-zero factor loadings are themselves the finding. Farmland's empirical correlation with Canadian equities over the period is about −0.09 — sustained through three severe equity drawdowns — so adding it introduces no incremental equity-market risk. Its zero loadings on the Fama-French style factors mean it cannot be replicated or hedged with long/short equity strategies, and its near-zero relationship with Canadian REITs (correlation of roughly +0.06) shows that farmland and listed real estate, often grouped together as "real assets," are economically distinct. In the paper's framing, farmland occupies a genuinely separate location on the efficient frontier rather than a more expensive version of something already accessible in liquid markets.

As to where the alpha comes from, the paper attributes it not to any tradeable risk premium but to structure and operations: access to a fragmented, information-inefficient market for Canadian farmland, and expertise in lease structure, tenant selection, and portfolio construction — the operating alpha of a specialized manager rather than compensation for bearing a systematic risk.

"The honest question about any strong track record is whether you're being paid for skill or just for risk you could buy in an ETF," said Stephen Johnston, a director of Omnigence and lead author of the paper. "So we threw fourteen factors at it — equities, commodities, inflation, style factors, REITs — and thirteen of them did essentially nothing. The only thing that moves with farmland is the yield curve, which makes sense for a long-duration real asset."

"What's left is a large alpha that stays put no matter how many factors we add, and that's the part that matters," Johnston added. "It isn't a hidden equity or commodity bet — it comes from operating in a fragmented, inefficient market and knowing how to buy and lease the land well. The practical payoff for an allocator is a return stream with almost no equity correlation that you simply can't rebuild out of liquid factors."

The research paper is available on request from Omnigence Asset Management. Members of the

media and interested readers may contact the firm using the details below.

About Veripath
Veripath is a partner fund of Omnigence Asset Management, a $1 billion alternative investment platform. Veripath invests in Canadian farmland and manages a portfolio of more than 140,000 acres of row-crop farmland across Canada. Its investment strategy is focused on farmland's potential to provide long-term value, portfolio diversification, inflation protection and exposure to growing global demand for food, feed, fuel and water.

About Omnigence
Omnigence is a Canadian-based alternative investment platform focused on farmland, operational private equity, and secondaries with partner funds managing over $1.2 billion. The firm targets fragmented, unfinancialized investment theses where scale, operational complexity, or size constraints limit participation from larger participants and therefore value is more compelling.

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