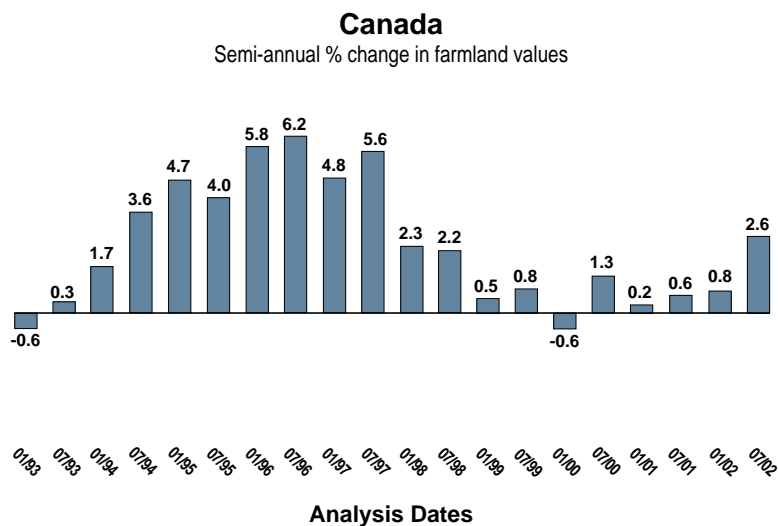


Farmland Values Comments – Fall 2002

For more than 40 years, Farm Credit Canada (FCC) has focused exclusively on Canadian farmers' success. Recognizing that market knowledge is key to success in the agricultural industry, FCC produces the Farmland Values Report. This unique report is the only source of national farmland values information and is produced every six months.

National Trends

Farmland values in all provinces improved or remained stable in the first half of 2002. National farmland values experienced their largest increase in five years – rising by 2.6 per cent from the 0.8 increase reported in January 2002. This percentage increase marks the fifth consecutive six-month period of growth, a good indicator of sustained demand in the Canadian farmland market.



Methodology

In 1985, FCC established a system of 245 benchmark farm properties to monitor variations in bareland values across Canada. Since 1990, benchmark properties have been appraised semi-annually at January 1 and July 1. These selected parcels represent the most prevalent classes of agricultural soil in each census district. The benchmark properties are zoned for agriculture and represent current land use. Weighting is assigned to each property and to each province, based on the improved farmland area recorded by the 1996 Census of Agriculture.

The appraisal process consists of updating the estimated market value of each benchmark property semi-annually. FCC appraisers estimate market value using recent bareland comparable sales. These sales must be arm's length transactions. Once sales are selected, they are reviewed, analyzed and adjusted to benchmark properties. Individual values are reconciled before accredited appraisers review the appraisal reports.

Provincial Trends

Quebec led all provinces with a gain of 6.2 per cent in values, compared to a 4.8 per cent increase for the last half of 2001.

In Atlantic Canada, only New Brunswick experienced a rise in values of 1.2 per cent. Farmland values in Newfoundland and Labrador as well as Prince Edward Island have remained unchanged for a full calendar year. Nova Scotia's values also remained steady following a 2.4 per cent increase recorded in the last evaluation period.

Ontario continued its steady climb, growing by 4 per cent, up from the 3.1 per cent increase reported in the previous six-month period.

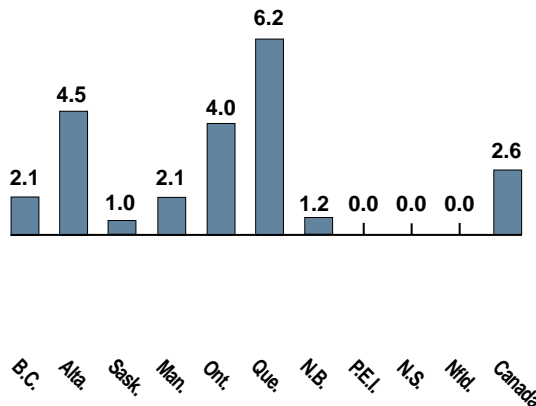
For the first time since 1999, land values in Saskatchewan appreciated, increasing by 1.0 per cent, compared to the last half of 2001 when values declined by a slight 0.4 per cent. Values in Manitoba increased by 2.1 per cent, compared to the 0.2 per cent variation reported in January 2002. In Alberta, land values climbed by 4.5 per cent for the current reporting period, considerably higher than the 1.6 per cent reported in the last six-month period.

British Columbia showed stable growth with an increase in farmland values of 2.1 per cent, up from the 0.1 per cent gain reported in early 2002.

Provincial comparison of farmland values

Semi-annual % change in farmland values

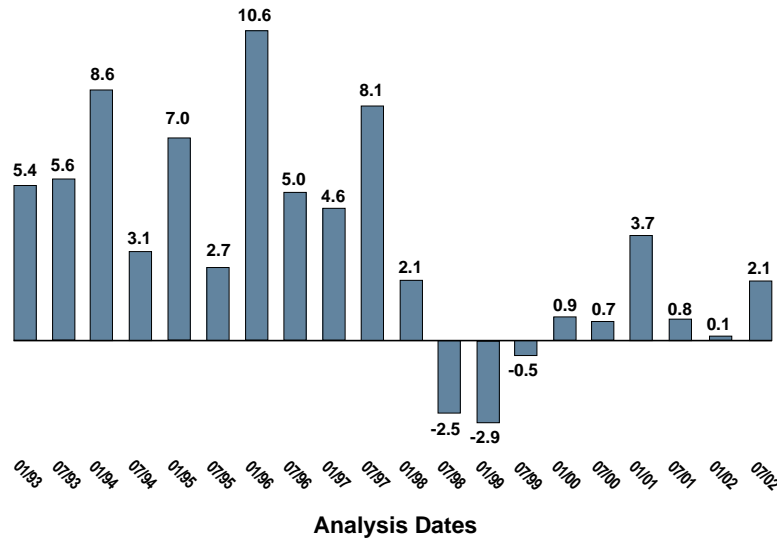
January 1, 2002 to July 1, 2002





British Columbia

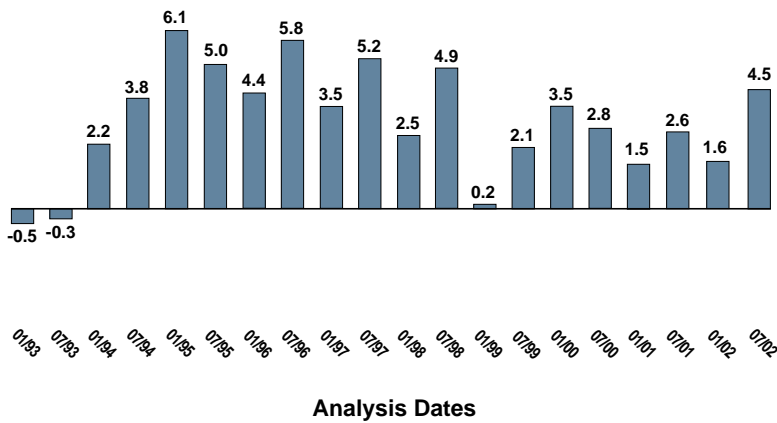
Semi-annual % change in farmland values



The B.C. farmland market, relatively stable over the past 12 months, is showing an increase. Upward value movements, especially in the North Peace River area and the Interior rural residential market, were partly driven by strong off-farm income and a short supply of land for sale. Values in the Lower Mainland remained steady or increased slightly. The Okanagan Valley remained largely unchanged with strength in areas suitable to intensive fruit production. Values on Vancouver Island were relatively unchanged.

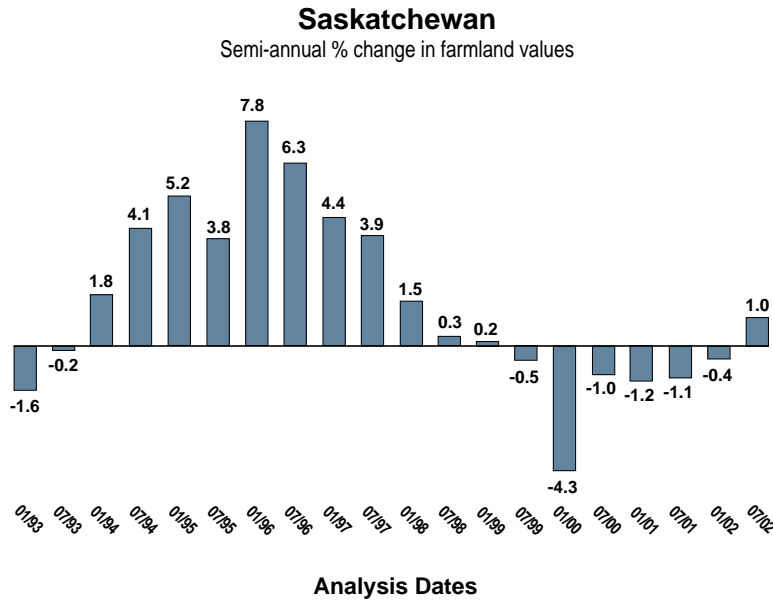
Alberta

Semi-annual % change in farmland values

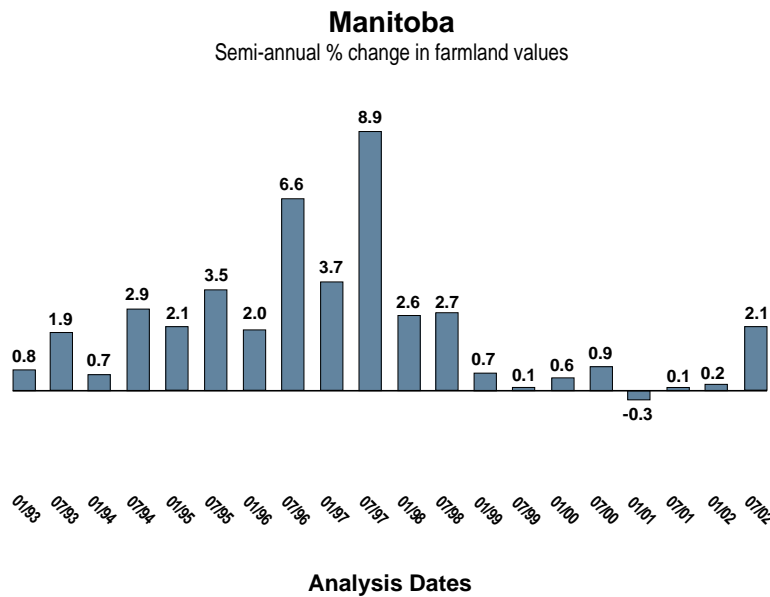


The long-standing trend of increasing farmland values continued in Alberta. Expanding farms, strong off-farm employment and continuous demand from farm operators relocating in the province drove this trend.

While land values increased in the central corridor, values for dry land in the southern and eastern regions have begun to show signs of weakness. Irrigated, grassland and forage lands remained strong due to needed pasture and feed requirements but irrigated land did not increase at the rate of the past few years.



The declining land value of the past three years appears to be changing. Within the current period, there was a reported increase of one per cent, however a cautious attitude persists because of low commodity prices, increasing costs of production and drought in certain areas. Relocating pasture and forage land purchasers helped to drive the prices upward.

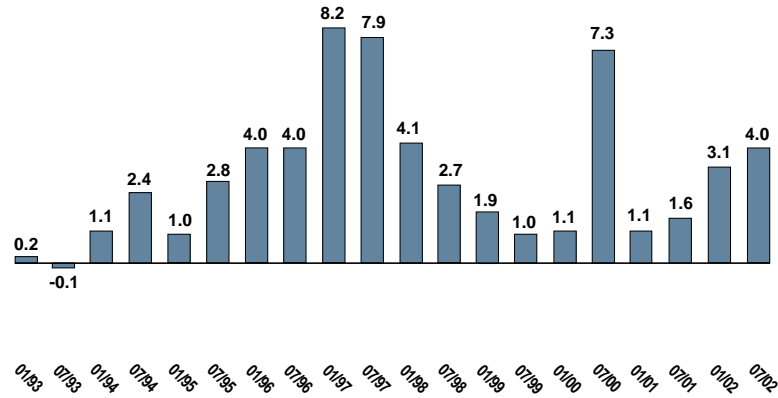


Manitoba farmland prices, stable during the last three years, showed more strength. Increased demand for land contributed to the boost of prices. Diversification in agricultural production has also contributed to this trend. Regions suitable for intensive livestock, beef and special crop production, such as potatoes and pulses, led the way in pushing values up.



Ontario

Semi-annual % change in farmland values



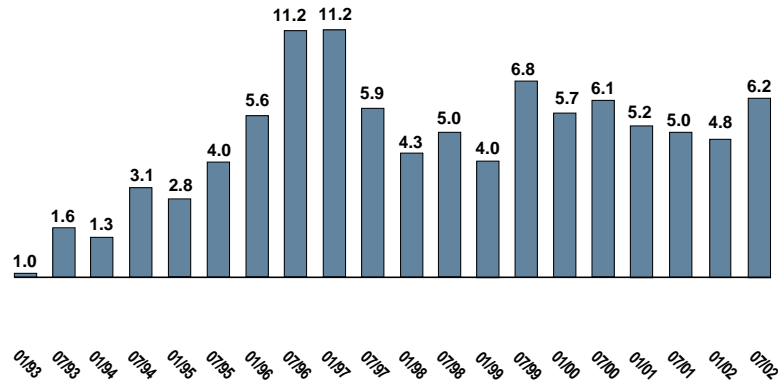
Analysis Dates

Changes in land values across this province were varied. Many diverse factors influenced this trend. In specific regions, land of poorer quality often used for cash cropping is losing value due to low returns in that sector. In regions witnessing expansion and new investment in dairy, poultry or hogs, all types of land are much in demand for manure disposal. This is likely due to the pending implementation of new provincial nutrient management legislation.

There seems to be price resistance in the Perth, Oxford, Bruce, Huron and Elgin markets where heavy clay or low water-retention soils are dominant. High urban housing prices and demand for rural retreats and rural residences or hobby farms had a noticeable impact north of Toronto and around Ottawa. The Chatham area saw demand for sugar beets, while prime sand vegetable (tomatoes) land was still very much in demand around Leamington with stable prices.

Quebec

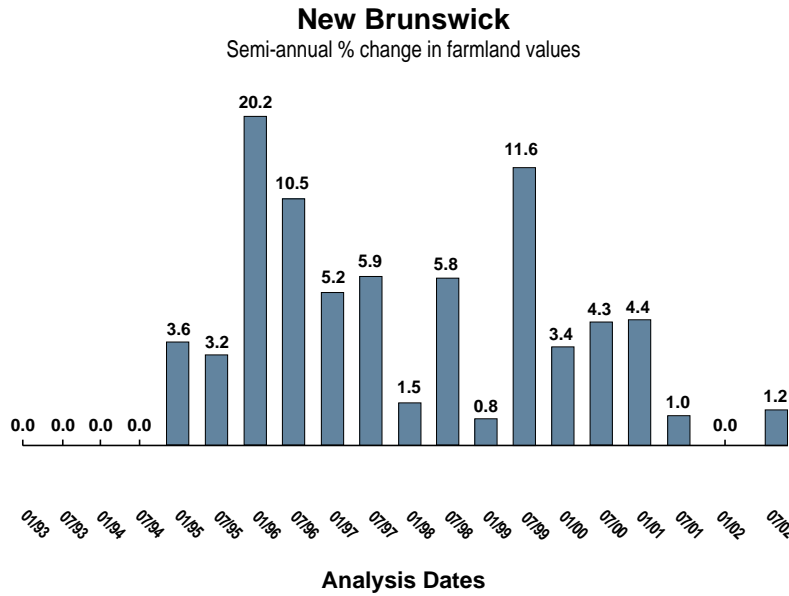
Semi-annual % change in farmland values



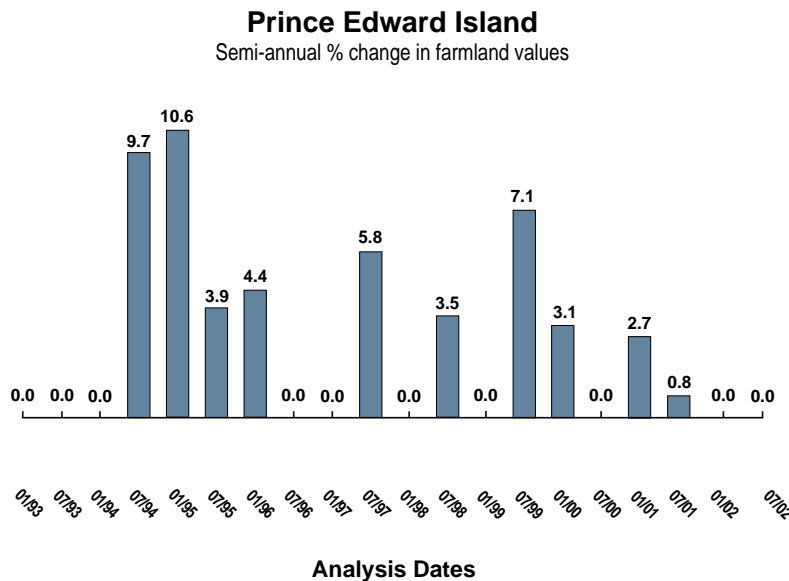
Analysis Dates

As in previous reporting periods, demand for land used for expansion purposes held steady in areas with a high concentration of livestock operations, particularly hog operations. Demand for land for manure spreading was also still being felt.

Land values in areas not affected by these conditions remained generally unchanged. The year 2001 was difficult for grain production, which limited the number of buyers in the market.



Land values were unchanged in the potato-growing sectors of the central and northern regions of the St. John River valley. In the dairy-focused south-central portion of the province, there was a slight increase in land value as dairy farmers acquired more land for forage and grain production. Dairy farms were generally increasing their milk production levels. This created a greater feed requirement to maintain the higher per cow milk production. As a direct result, more land was needed.



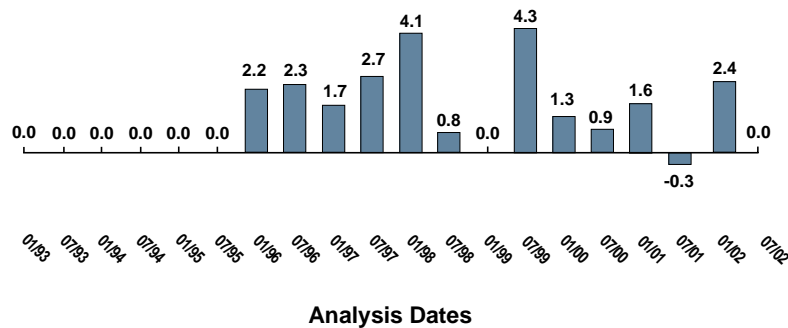
Land values over the six-month period remained unchanged. Last year's drought conditions created uncertainty as yields were below average and affected potato producers' investment decisions. Net revenues from potato operations were lower and producers were more cautious. The impact of new provincial legislation requiring rotation of row crops has had no effect on land values yet, since it was just enacted.





Nova Scotia

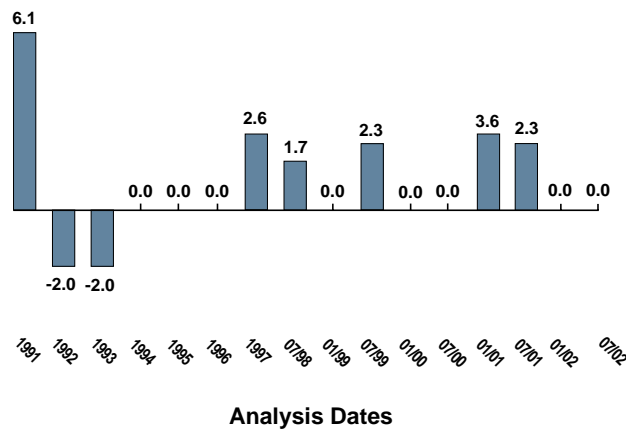
Semi-annual % change in farmland values



During the assessment period, land values were unchanged in each of the three key sectors of the province where appraisals are undertaken. The stable marketplace shows a balance between supply and demand for land. This equilibrium does not mean that land was not trading - but rather that the deals made reflected the large increase of 2.4 per cent noted in January 2002.

Newfoundland and Labrador

Semi-annual % change in farmland values



Land values again remained stable during the current assessment period in Newfoundland and Labrador. In the western farming area around Deer Lake, the demand for land by dairy farmers was moderate and was met by the supply, hence no upward pressure on values. In the Avalon Peninsula and around St. John's, the demand and prices for farmland stabilized.

It's midnight. Do you know what farmland property values in your area are doing?

Check out Farmland Values Online.

Local farmland value information for most locations in Canada is now available 24 hours a day through the new Farmland Values Online service, the latest in a growing suite of online services from FCC's Web site.

All you need to do is register for FCC online services at www.fcc-fac.ca. Registration is free and you will gain quick and easy access to data on values in specific areas of each province over the last 12, 18 or 24 months. Users can zero in on values by land type (e.g. cultivated land, cultivated irrigated land, pasture, irrigated tile drained land) and use (e.g. grain, orchard, dairy). Farmland Values Online provides a maximum, minimum and average value per hectare and per acre in each area.

Farmland Values Online was launched in response to numerous requests for timely information on local land value trends. FCC has been the agricultural industry's primary source of farmland value information for the last two decades through the Farmland Values Report.

Other free FCC online services include Ag Insight, a wealth of detailed and insightful articles on farm financial management; online daily quotes for commodity prices; regional weather forecasts; loan calculators and the Farm Financing Kit; FCC publications; and online loan application submission. If you are already an FCC customer, you can also check your loan balances online.

FCC has dedicated employees who continually update the Web site with innovative technology and processes. They strive to bring current information to the agricultural industry's doorstep. If you have any suggestions, you can contact us through the Web site. We welcome your ideas, which are important for continual improvement.

Questions regarding farmland values can be directed to:

Atlantic Canada:

Maurice Chassé (bilingual)
(506) 851-3366

Quebec:

Michel Rousseau (bilingual)
(418) 648-7613

Ontario:

Tom Nolan (bilingual)
(519) 826-2033

Western Canada:

Roy Hjelte
(306) 780-3489
François Magny (bilingual)
(306) 780-7997

We welcome your feedback!

Please send your comments/suggestions to:

Farm Credit Canada
1800 Hamilton Street P.O. Box 4320
Regina, Saskatchewan S4P 4L3
Telephone: (306) 780-8100
Fax: (306) 780-6103
www.fcc-fac.ca

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