

Farmland Values

F a r m C r e d i t C o r p o r a t i o n

National trends

Methodology Provincial trends

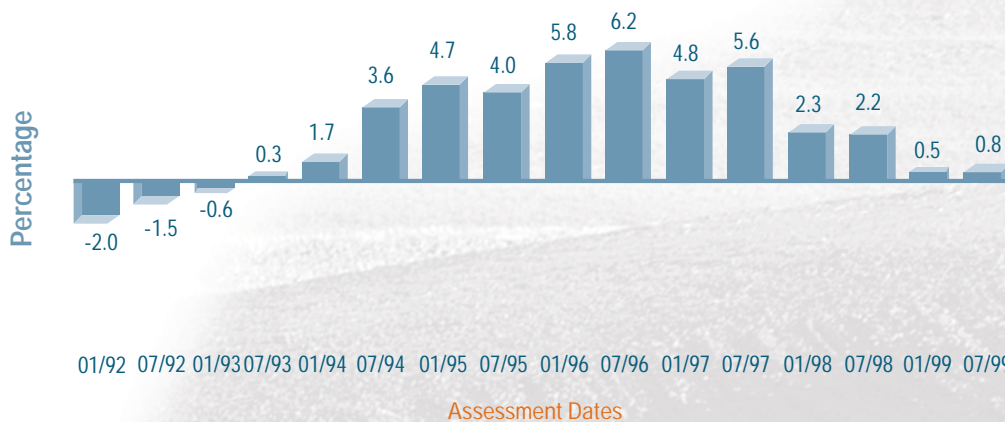


Provincial Farmland Value Analysis



Farm Credit Corporation (FCC) estimates that Canadian farmland values rose by 0.8 per cent for the period of January 1 to July 1, 1999. This increase is slightly stronger than the 0.5 per cent increase reported from July 1, 1998 to January 1, 1999.

Canada Semi-annual % change in farmland values



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 as of 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, representing the current use of the land. A 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 the 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.

FCC appraisers estimate the market value using recent bareland comparable sales

Provincial trends

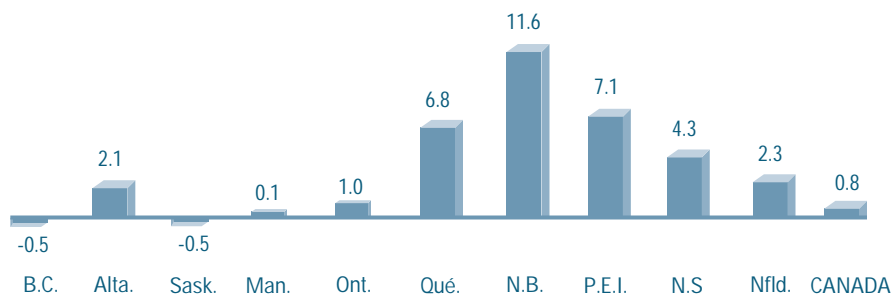
Strong performance in certain sectors and competitive forces have contributed to increased farmland values at the national level. The most dramatic increases were experienced in New Brunswick (11.6 per cent) and Prince Edward Island (7.1 per cent), which had reported generally stable prices in the previous period.

Land values in Québec rose by an average of 6.8 per cent, which is an increase over the previous period average of 4.0 per cent. Alberta, Nova Scotia and Newfoundland, where values at January 1, 1999 were relatively stable, reported increases of 2.1, 4.3 and 2.3 per cent respectively. In Ontario, land values continue their upward trend, although the 1.0 per cent increase was less than the 1.9 per cent increase in the previous period. Values in Manitoba were virtually stable – 0.1 per cent increase – compared to a very small increase of 0.7 per cent in our last report.

Saskatchewan and British Columbia are the only provinces where land values have decreased, although by only 0.5 per cent in both cases. This follows five consecutive years of increasing values in Saskatchewan. The values in British Columbia had decreased by 2.9 per cent in the previous six-month period.

Provincial comparison of farmland values

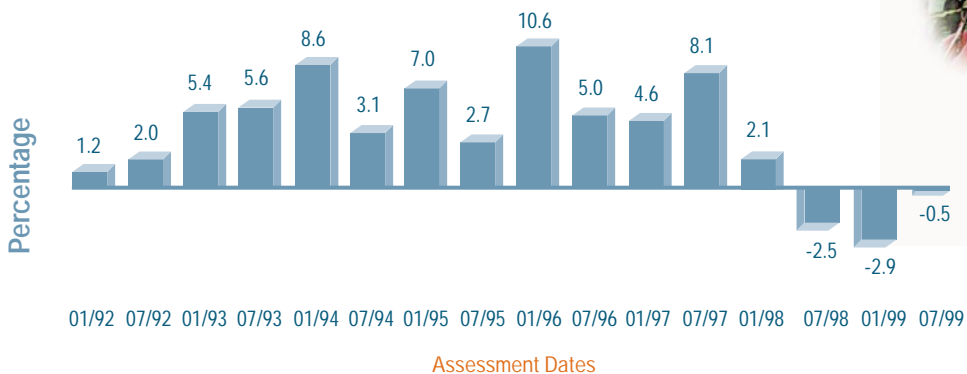
*Semi-annual % change in farmland values
January 1, 1999 to July 1, 1999*





British Columbia

Semi-annual % change in farmland values

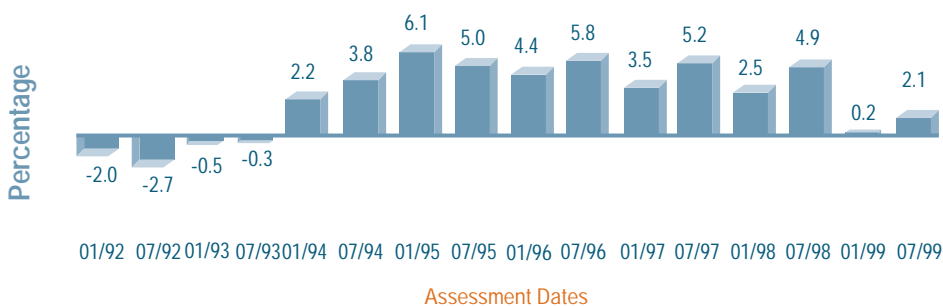


The value of highly productive cash crop land, including land suitable for berry production, has been strengthening.

The British Columbia land market includes many diverse enterprises. The overall downward trend in provincial land values, which began in 1998, continues but at a lesser rate. The value of highly productive cash crop land, including land suitable for berry production, has been strengthening. Demand for orchard and vineyard properties has stabilized. The economic downturn in the forest industry has affected values in areas where potential purchasers' income depends on this sector's performance.

Alberta

Semi-annual % change in farmland values

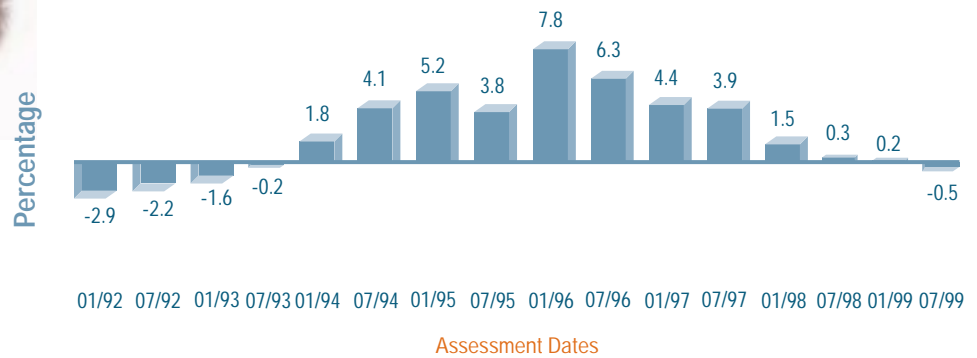


The upward trend in farmland prices continues in Alberta. The value of irrigated land in southern Alberta remains strong due to demand from specialty crop and livestock producers. Low commodity prices in the grain and oilseed sector have resulted in a decreased demand for land in these areas. The urban fringe districts as well as those areas containing supply managed operations are experiencing strong demand. Land prices in central and northern Alberta continue to be influenced by purchasers relocating from outside the area.



Saskatchewan

Semi-annual % change in farmland values

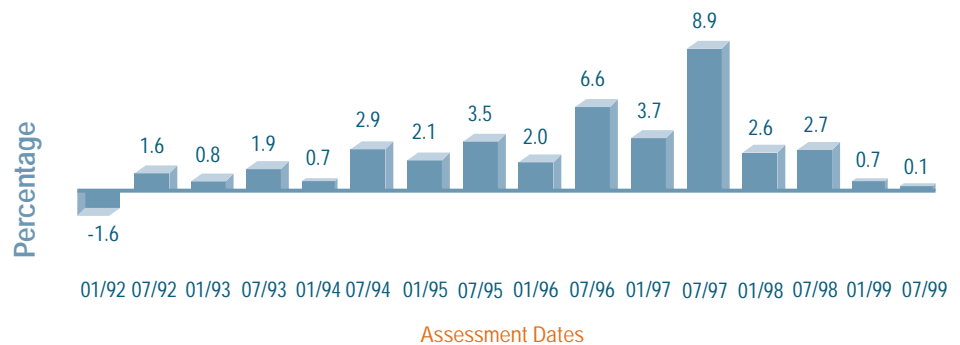


Farmers remain cautious due to low grain prices and the difficulty producers in some areas have experienced in seeding their 1999 crop.

Farmland values in Saskatchewan have decreased in the last six months after five consecutive years of increases. Farmers remain cautious due to low grain prices and the difficulty producers in some areas have experienced in seeding their 1999 crop. Reduced net incomes have resulted in less demand for land.

Manitoba

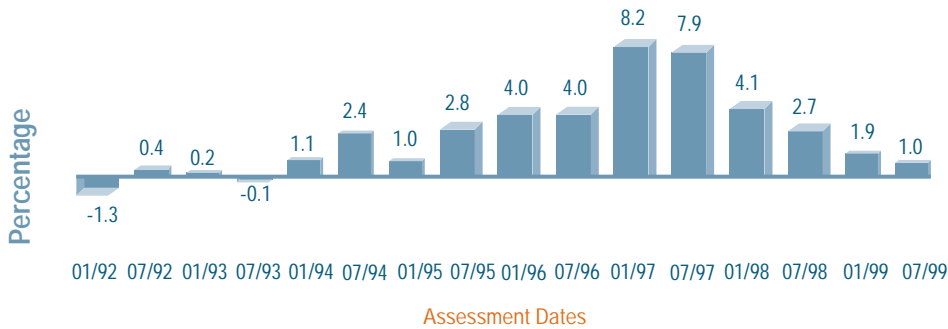
Semi-annual % change in farmland values



Farmland values in Manitoba were stable from January to July 1999. Wet conditions in the southwestern area of the province have meant a reduction in total seeded acres. As in Saskatchewan, low commodity prices have negatively influenced the market. However, competition in some areas is holding up land prices. Other areas have reported few sales and a stable market.

Ontario

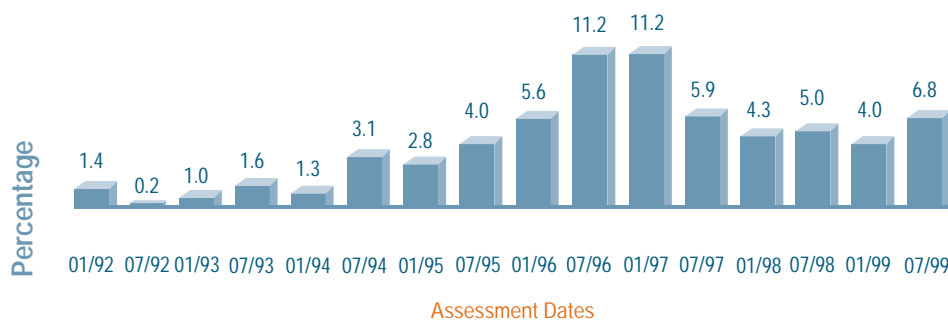
Semi-annual % change in farmland values



In eastern Ontario, land values vary considerably. Prices in the higher value areas have levelled off, apparently in response to pessimistic crop price forecasts. Some of the lower priced land is experiencing an upward pressure on values due to general supply and demand conditions. In most of the province, however, there appears to be little change in land values with few new sales being reported. Values have stabilized because purchasers are reluctant to pay current asking prices and vendors are unwilling to negotiate. Some pockets of land in southwestern Ontario show slight increases even though cropping incomes are expected to be lower.

Québec

Semi-annual % change in farmland values



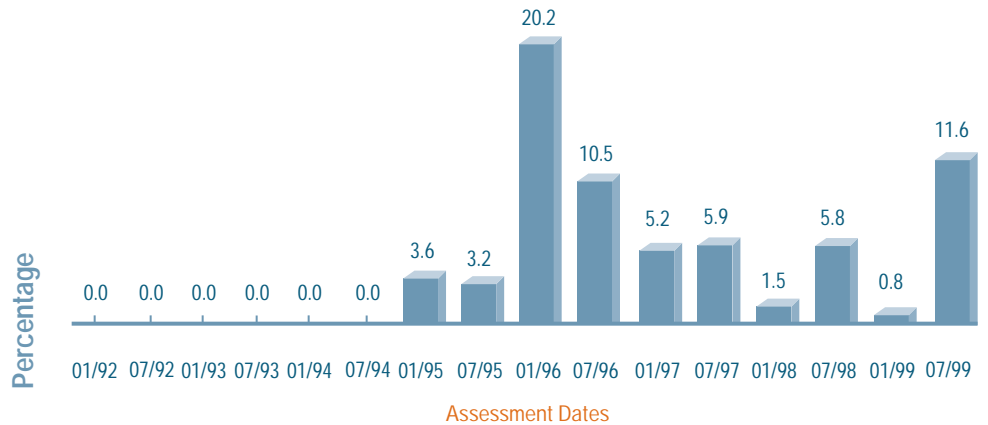
Land values in Québec rose by 6.8 per cent, which is a greater increase than that experienced in the last two years.

Land values in Québec rose by 6.8 per cent, which is a greater increase than that experienced in the last two years. In areas where there is a high concentration of livestock, producers are acquiring additional land to help them comply with new environmental guidelines. This has contributed to maintaining the demand for land, thereby creating an upward pressure on land prices. Last year's exceptionally high yields, combined with the increased efficiency of production over the past few years, has significantly improved cash flow of operations, making it easier for producers to finance the acquisition of new parcels.



New Brunswick

Semi-annual % change in farmland values

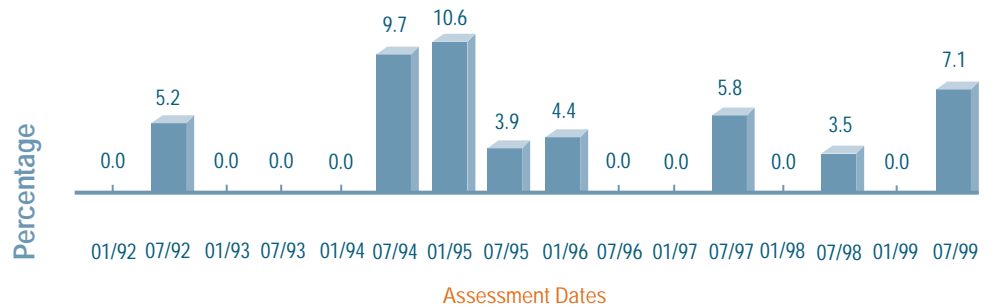


Land values were consistently up across the province as both the potato and dairy sectors have expanded. Relatively stable incomes in both areas helped spark a modest increase in values for the southcentral portion of the province. Existing dairy operations continue to expand, thus requiring additional land to provide grain and forage for larger herds.

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Prince Edward Island

Semi-annual % change in farmland values



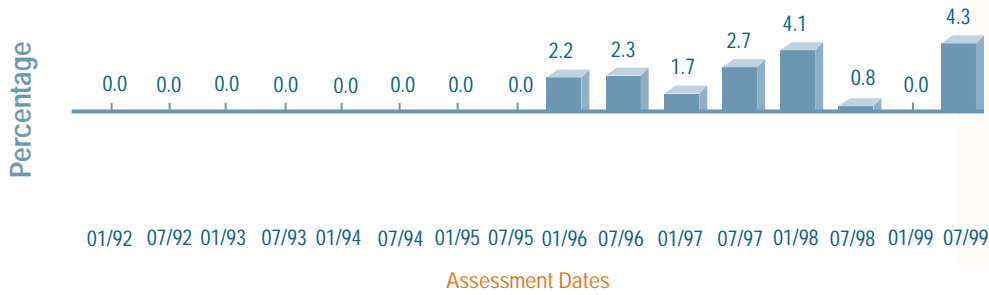
A strong increase in land values was recorded in Prince Edward Island for the current assessment period. Once again, the need for larger land bases for proper rotation within the potato industry has helped push values up. A buoyant dairy sector also is competing for arable land for feed production, thus helping maintain a steady demand.





Nova Scotia

Semi-annual % change in farmland values

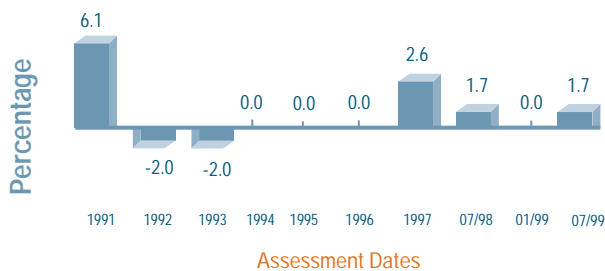


In the Annapolis Valley area, farmers have endured three successive years of below normal rainfall. Based on the increased need to irrigate crops, land that has access to water is in demand and has increased in value. In the central part of the province, expansion in the dairy industry has resulted in increasing demand for land, therefore the price of land is rising. Land values remain unchanged in the eastern portion of the province.

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Newfoundland

Semi-annual % change in farmland values



The region around Deer Lake on the western portion of the island showed no change in values during this analysis period. However, land values in the eastern portion of the province around the city of St. John's have increased due to competition from urban land requirements. A generally strong urban-based economy means that some land is moving out of agriculture to meet urban expansion needs.

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We welcome your feedback!

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