

Farmland Values

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



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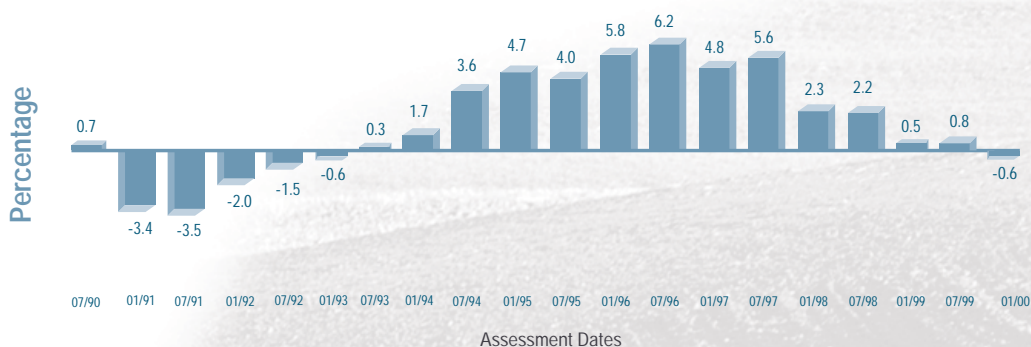
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Farmland values:
indicators of
agriculture's health

National trends

For the period of July 1, 1999 to January 1, 2000, farmland values across Canada remained stable or increased with the exception of Saskatchewan, where values decreased. Because Saskatchewan has the greatest area of improved farmland, its decrease significantly impacted farmland values on a national basis. The national values decreased by 0.6 per cent in the last six-month reporting period, compared to a 0.8 per cent increase between January 1 to July 1, 1999.

Canada
Semi-annual % change in farmland values



Methodology

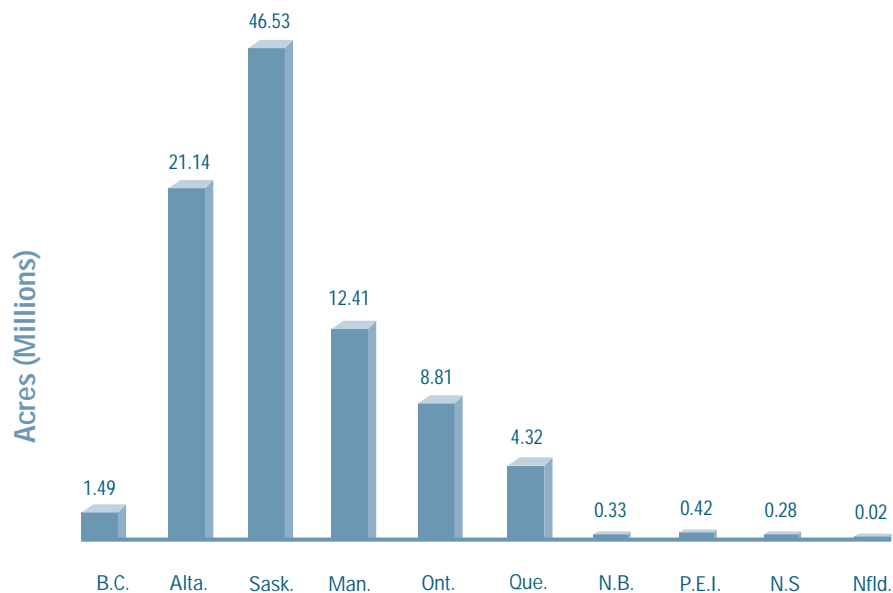
In 1985, FCC established a system of 245 benchmark farm properties to monitor variations in bareland values across Canada. Since 1990, benchmark properties have been appraised semi-annually as of January 1 and July 1. These selected parcels represent the most prevalent classes of agricultural soil in each census district.

The benchmark properties are zoned for agriculture and represent 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.

Improved farmland

The amount of improved farmland in each province establishes the weighting used to determine the change in land values and, ultimately, the national trend in farmland values. The following chart, based on the 1996 Census of Agriculture, illustrates the influence of each province in the national trend.



Source: Statistics Canada

Provincial trends

The increases seen in most provinces were modest compared to the previous report. The strongest increase was in Quebec, where land values rose by a strong 5.7 per cent, albeit a smaller increase than the 6.8 per cent recorded in the previous period. Although New Brunswick and Prince Edward Island showed continued increases of 3.4 and 3.1 per cent respectively, these values are down from the increases of 11.6 and 7.1 per cent recorded in July 1999.

Alberta showed an increase of 3.5 per cent, up from the 2.1 per cent increase of the previous report. In Ontario, land values increased by 1.1 percent, comparable to the 1.0 per cent increase of the previous period. The increase of 1.3 per cent in Nova Scotia was much lower than the 4.3 per cent increase noted in the previous report. Values rallied somewhat in Manitoba, which showed a 0.6 per cent increase up from 0.1 per cent in the previous six months. Land values in Newfoundland are unchanged from the previous period.

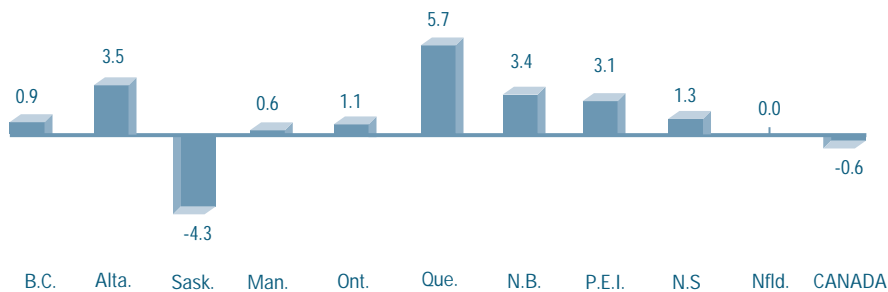
In British Columbia, land values rose by 0.9 per cent, offsetting the 0.5 per cent decrease experienced in the previous six months.

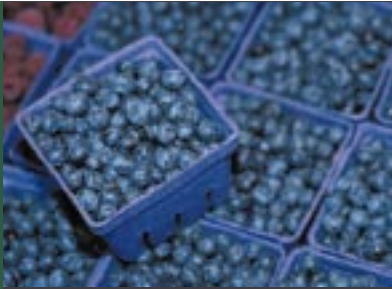
Saskatchewan was the only province where land values decreased (by 4.3 per cent). This result is attributable to low grain prices and the wet conditions in the southeastern portion of the province last spring and summer.



Provincial comparison of farmland values

*Semi-annual % change in farmland values
July 1, 1999 to January 1, 2000*





British Columbia

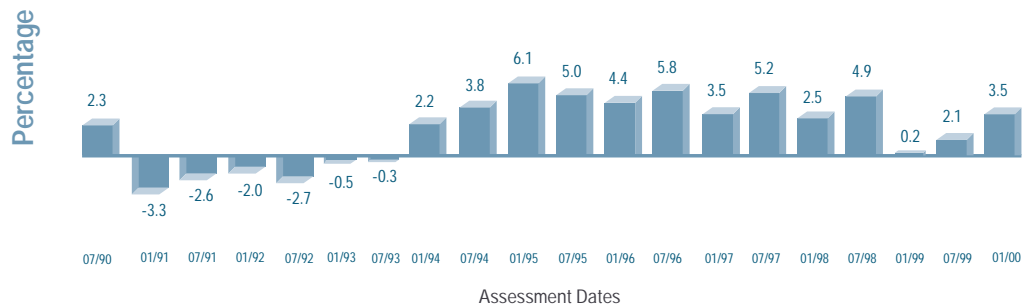
Semi-annual % change in farmland values



Land values in this market have increased modestly after three periods of decreases. The land market is active with relatively stable to slightly increasing values in the lower mainland. Higher quality soils, including land suitable for enterprises such as dairy, turf, nurseries and small fruit are showing an increase. Values in the interior are relatively unchanged except for land suitable for vineyards, which continues to be in strong demand. The values in the Peace River area are either holding or seeing slight increases due in part to off-farm income from the oil and logging sectors.

Alberta

Semi-annual % change in farmland values



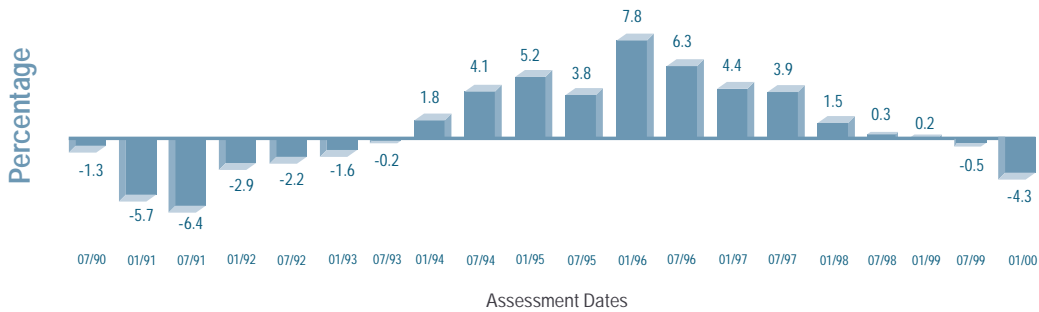
Land values in southern Alberta are generally higher, with the value of irrigated land leading the way. Outside investors have provided momentum. Dry land prices are stable to slightly higher.

The corridor between Edmonton, Red Deer and Calgary is the most active and has generally experienced the highest percentage increases in land values. Demand for land is strong and the market active. Strong off-farm employment, good beef prices and purchasers relocating both from within Alberta and from outside of Canada are driving the demand for land.

Northern Alberta including the Peace River area is showing stable land values. Higher cattle prices and improving off-farm employment are being offset by the lower prices for grains, oilseeds and grass seeds.

Saskatchewan

Semi-annual % change in farmland values

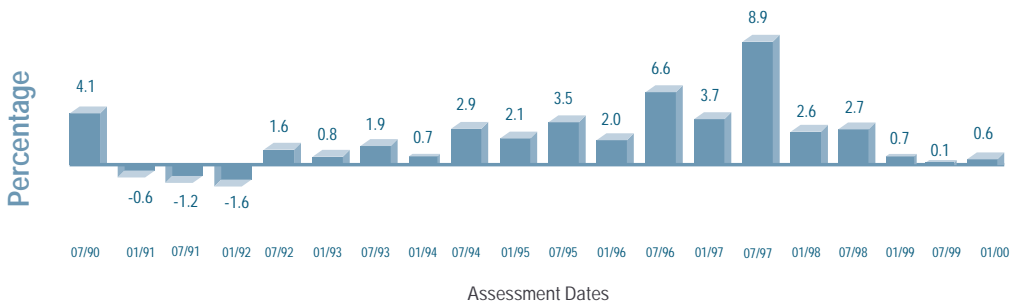


Low grain prices and rising costs have affected income throughout the province. The southeast area, affected not only by low commodity prices but also by inclement weather which delayed seeding last spring, has seen the most significant decreases in land values.

Above-average yields in the remainder of the province have partially offset the impact of low commodity prices. Land is still in demand in areas where crop production and quality are strong

Manitoba

Semi-annual % change in farmland values



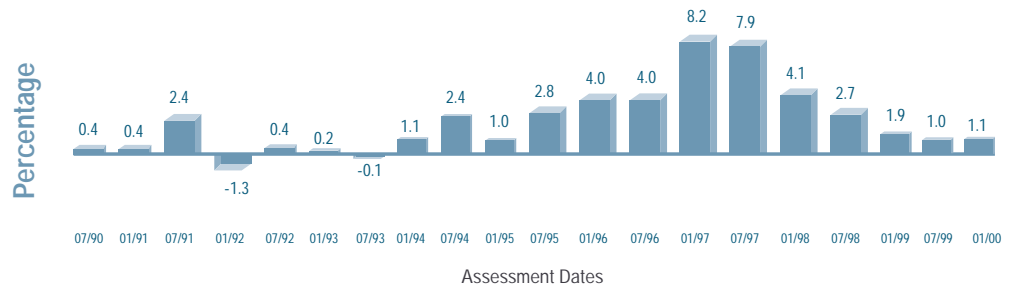
Overall, the Manitoba market is up slightly although the majority of the province shows a holding pattern. Throughout the province, there are pockets of strong local demand for land in areas of intensive livestock operations and specialty crop production. In contrast, wet growing conditions, low commodity prices and limited production have reduced the demand for land in the southwest part of the province.





Ontario

Semi-annual % change in farmland values



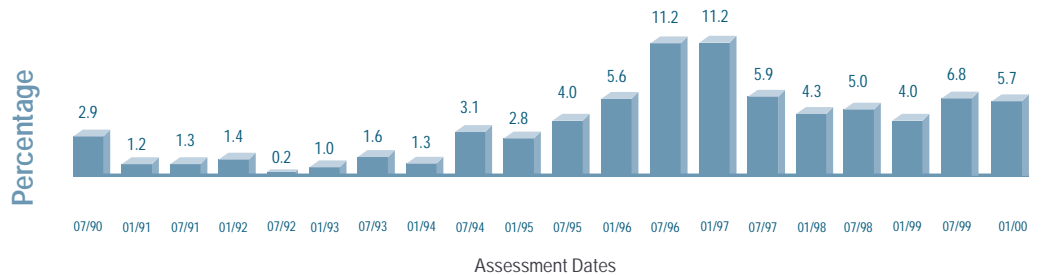
Due to slower market activity, prices of better quality farmland have levelled off in most parts of Ontario. In eastern Ontario, some poorer quality land is experiencing an increase due to general supply and demand conditions. Farmers producing supply-managed commodities are purchasing land for expansion, thereby contributing to the slight upward trend in provincial values. In the traditional cash crop areas where corn, soybeans and wheat are the mainstays, values remained unchanged due to weak prices for these commodities.

This market continues to see variations with singular sales higher than the general trend. These exceptions in values are usually due to motivated purchasers for a neighbouring farm or by the influence of new farmers choosing a specific location or type of property.

Land values did not increase in northern Ontario.

Québec

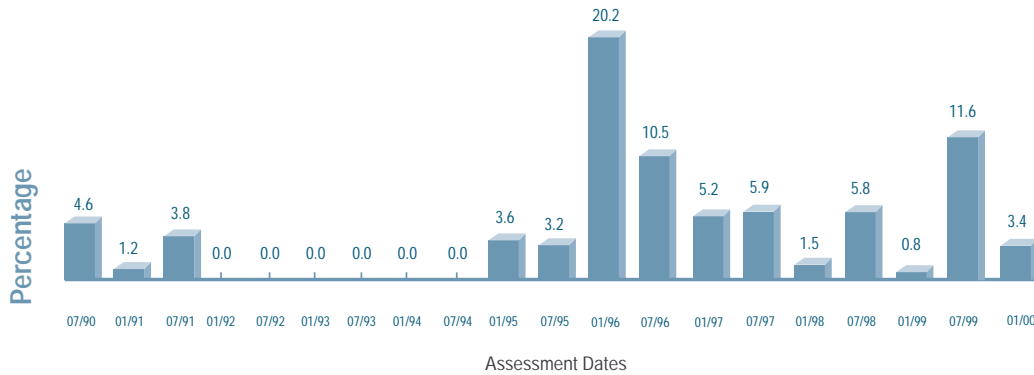
Semi-annual % change in farmland values



Value of cultivated land in Québec increased by 5.7 per cent over the past six months, a more modest increase than the previous increase of 6.8 per cent. This continued increase over the past two to three years is due to expansion in areas of strong livestock production by producers who must conform to new environmental standards. Land values in areas of crop production showed only a slight increase because of falling commodity prices.

New Brunswick

Semi-annual % change in farmland values

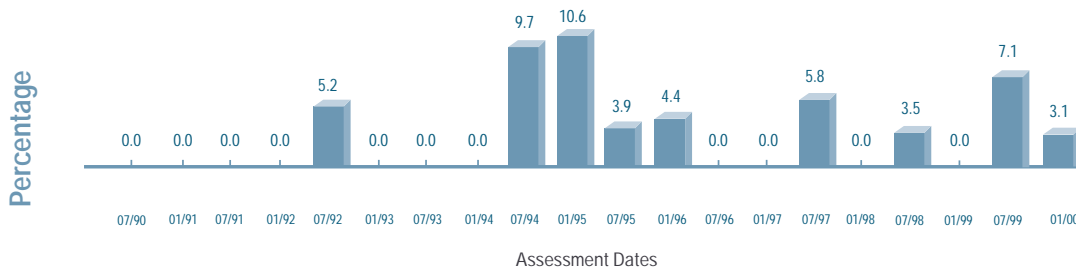


Land values showed an increase in each of the sections of the province monitored during this assessment period. The major influence on land values were the potato-growing sectors in the central and northern regions of the Saint John River valley. Increased production of potatoes is affecting the demand for land, both for expansion and for rotation within an existing operation. In the south-central portion of the province, the expansion trend noted in previous reports continues, albeit at a slower pace.



Prince Edward Island

Semi-annual % change in farmland values



The increase in land values has moderated somewhat from that of the previous six-month period. However, there is still a demand for land by potato producers in order to allow for a three-year rotation of land. As well, there is a certain amount of competition between the dairy sector and the potato sector for land in the central portion of the province.



Nova Scotia

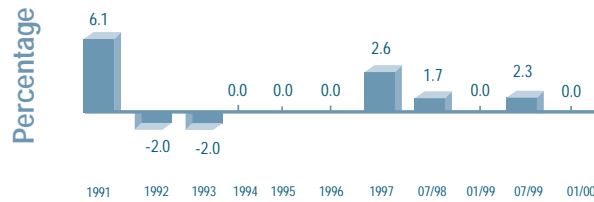
Semi-annual % change in farmland values



During the current assessment period, land values were unchanged in most of the province with the exception of the central portion, which is primarily occupied by dairy farms. The stable incomes of the dairy sector enable this industry to pursue expansion for feed production and manure disposal. This is a continuation of a trend noted in the previous report.

Newfoundland

Semi-annual % change in farmland values



There was no change in land values during the current assessment period in Newfoundland. In the western farming area around Deer Lake, the modest demand for land by dairy farmers was met by supply, resulting in no upward pressure on values. In the eastern sector around St. John's, known as the Avalon peninsula, a similar trend was noticed. The demand for land for urban development seems to have stabilized, as have values in this region.

Farmland values: indicators of agriculture's health

When the agricultural industry and government want information on farmland values, they turn to Farm Credit Corporation (FCC). The *Farmland Values* report, published since 1983, is the country's best resource of farmland value statistics from across the country. People from both industry and government view the report as an important barometer of the general health of the agricultural economy.

"Although farmland values is only one measurement we examine when preparing future plans or policies, Farm Credit Corporation's report is particularly useful because it provides the provincial trend over the years as well as a comparison to activity in other provinces," says Phil Regli, Economist with the Policy Analysis Branch of the Ontario Ministry of Agriculture, Food and Rural Affairs.

Farmland Values, distributed each spring and fall, helps agricultural lenders including FCC gauge the direction of lending volumes and the potential impact on those parts of a loan portfolio where farmland is offered as security. Governments and industry stakeholders use this information to determine production costs and develop policies. Individual producers may also follow farmland value trends when considering buying or selling land.

FCC has been working with the agricultural industry and producers across the country for 40 years. With offices in every province, the Corporation is one of the few organizations in Canada with the resources and processes in place to assess farmland values nation-wide. In response to repeated requests for this information, FCC began formally reporting on farmland values in the September 1983 issue of the *Economic Report*, an FCC quarterly report produced during the 1980s. *Farmland Values* was first issued as a standalone report in January 1991. ● [Continued on page 10](#)

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Reporting on farmland values

Farmland Values reports variances in land values in percentages rather than in actual dollars. Because land demands significantly different prices from one region of the country to another, reporting the variances in percentage format allows for a more accurate comparison of market activity. FCC's appraisers base their calculations on the changes in value experienced by its 245 benchmark properties across Canada during the course of the six-month reporting period. To better illustrate the result of market activity, provincial trend graphs were first introduced in the fall 1997 issue with corresponding narrative describing the influences on these varied markets.

"What we're actually measuring is the land market reaction to changing economic conditions," explains Roy Hjelte, Senior Appraiser. "Through the narrative for each province, we have the opportunity to explain what the influences are in that particular market and how they impact land values."

Improved technology has helped FCC refine the system for tracking values over the years. In 1991, FCC introduced the National Land Sales System (NLSS), a database FCC staff could use not only to store land sales data but also to perform land appraisals. In 1999, FCC introduced a more sophisticated network-based valuation tool, which offers guides for the age, size and type of farm buildings and allows quicker valuation capabilities of these assets.

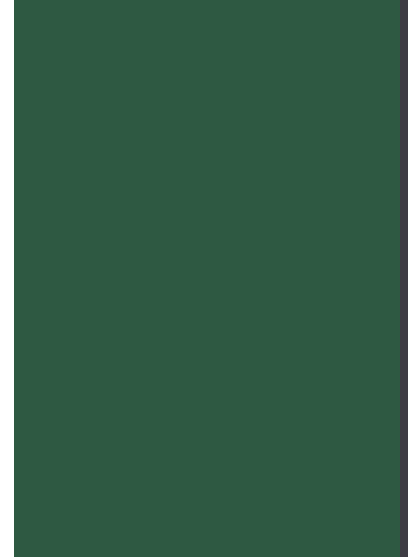
With the advent of electronic communications, FCC is currently looking at different ways of making its farmland value information more easily available to all in the industry who seek it.

Serving agriculture and rural Canada

Despite changes made to the content and format over the years, FCC still publishes the *Farmland Values* report with the same original intent – to provide accurate and timely information on changes in land values to communities across rural Canada.

After 40 years, FCC, Canada's largest agricultural term lender, is still 100 per cent focused on serving the needs of primary producers and agribusiness in rural Canada. *Farmland Values* is an important tool to help meet these needs.

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Questions regarding farmland values can be directed to:

Atlantic Region:

Maurice Chassé (bilingual)
(506) 851-3366

Québec:

Michel Rousseau (bilingual)
(418) 648-7613

Ontario:

Tom Nolan (bilingual)
(519) 826-2033

Western Canada:

Roy Hjelte
(306) 780-3489

Adrienne Gagnon (bilingual)
(306) 780-7997

We welcome your feedback!

Please send your comments/suggestions to:

Farm Credit Corporation
1800 Hamilton Street P.O. Box 4320
Regina, Saskatchewan S4P 4L3
Telephone: (306) 780-3490 Fax: (306) 780-3491
www.fcc-sca.ca

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