FARM • CREDIT • CORPORATION

Farmland Values

Spring 1998

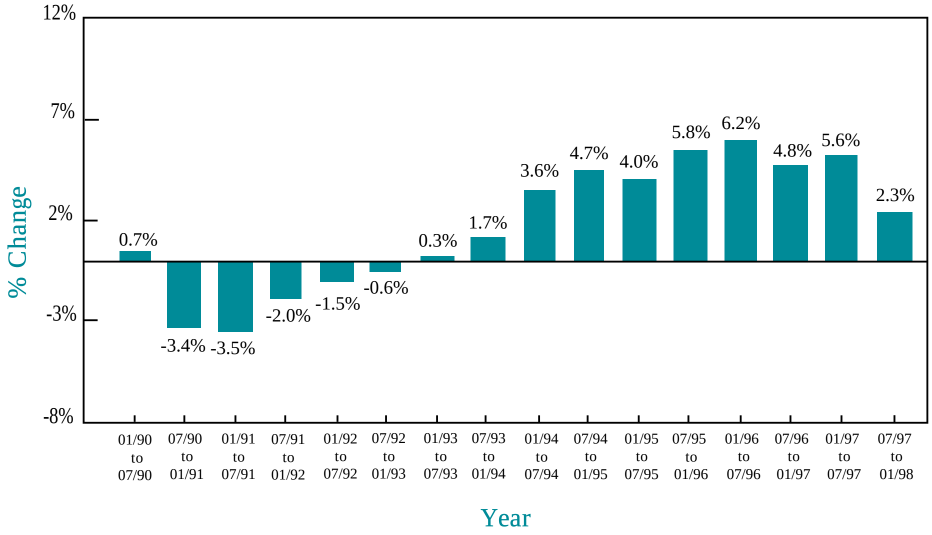
Inside

National trends

Farm Credit Corporation (FCC) estimates that Canadian farmland values rose 2.3 per cent between July 1997 and January 1998. This increase represents a continued upward trend in farmland values. The increase, however, is significantly smaller than the 5.6 per cent increase recorded in the previous six-month period.

Canada

Semi-annual % change in farmland values



FCC SCA
Farm Credit Corporation
Société du crédit agricole

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, which represents 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 1991 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.

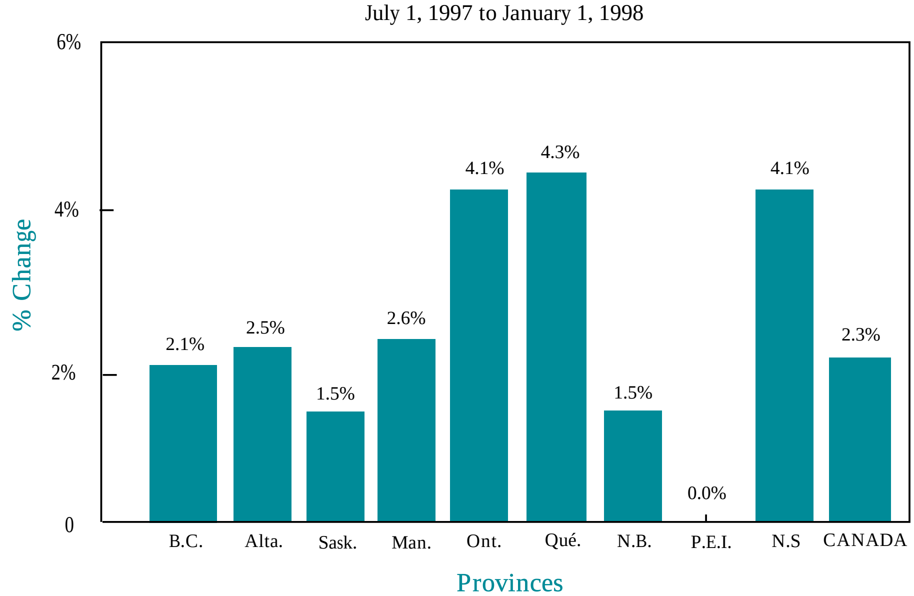
Provincial trends

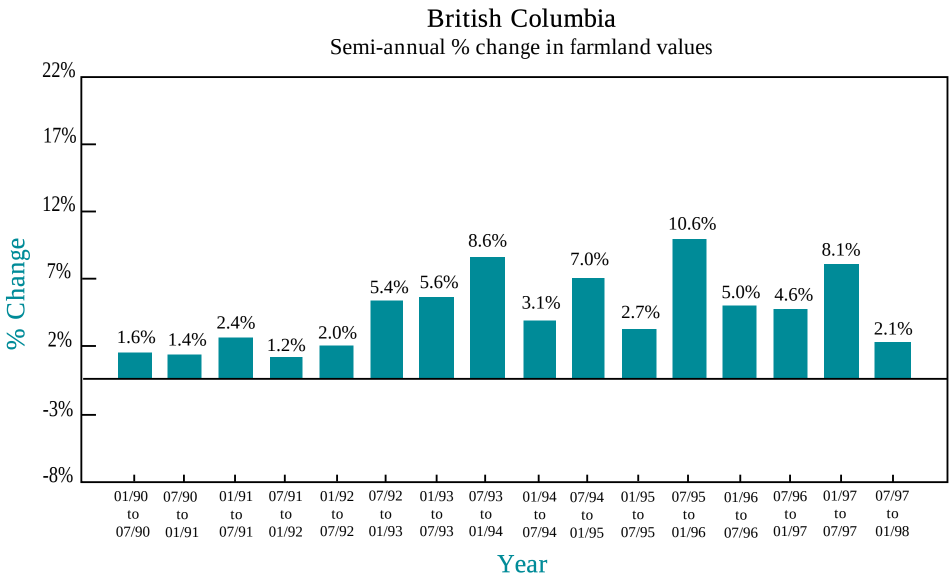
"Canadian farmland value trends vary considerably from province to province."

Canadian farmland value trends vary considerably from province to province, reflecting different factors in the agricultural economy. Québec, Nova Scotia and Ontario recorded semi-annual increases in the four per cent range. Manitoba, Alberta and British Columbia recorded increases of approximately two per cent, while Saskatchewan and New Brunswick increased about one per cent. Prince Edward Island experienced no change.

Provincial changes in farmland values are summarized in the following graphs:

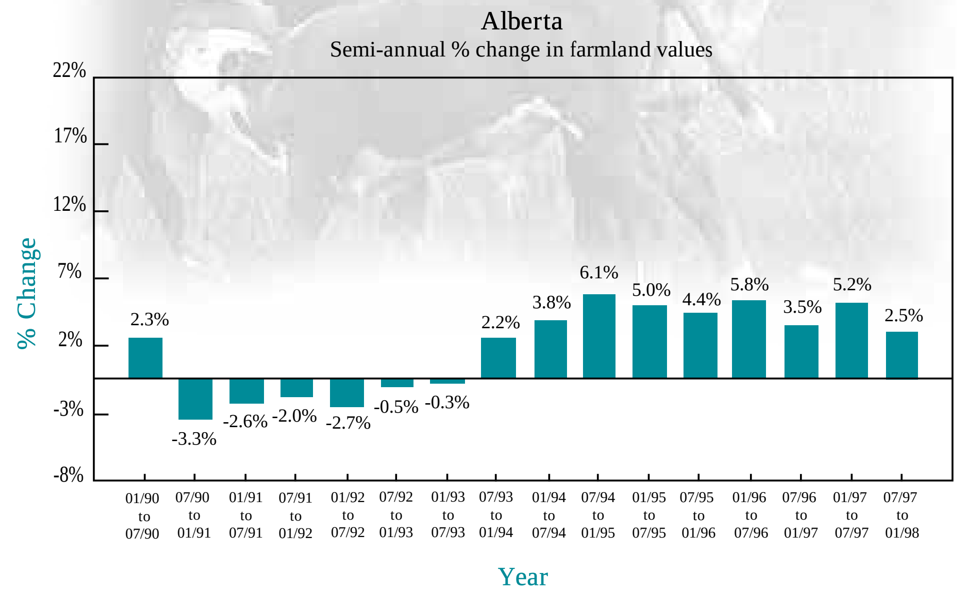
Provincial comparison of farmland values
July 1, 1997 to January 1, 1998





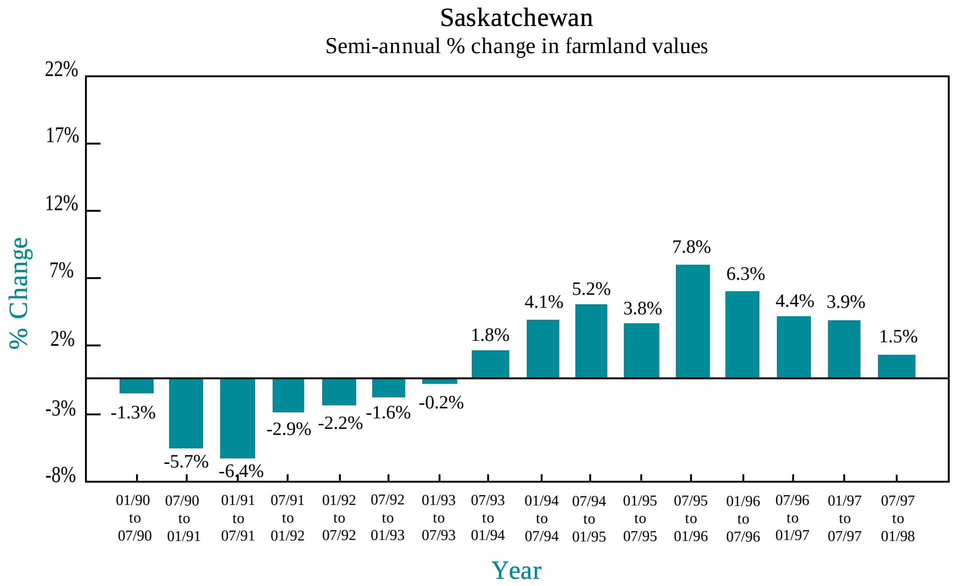
Over the last year, land values in British Columbia increased by 10.2 per cent (8.1 per cent in the first half, followed by a modest 2.1 per cent increase in the last six months of 1997). Demand for vegetable and berry land dropped significantly, largely due to wet conditions during the growing season and projections for lower berry prices in 1998. There continued to be strong demand for land suitable for vineyards, while the demand for forage land was stable.

"The demand for forage land was stable."

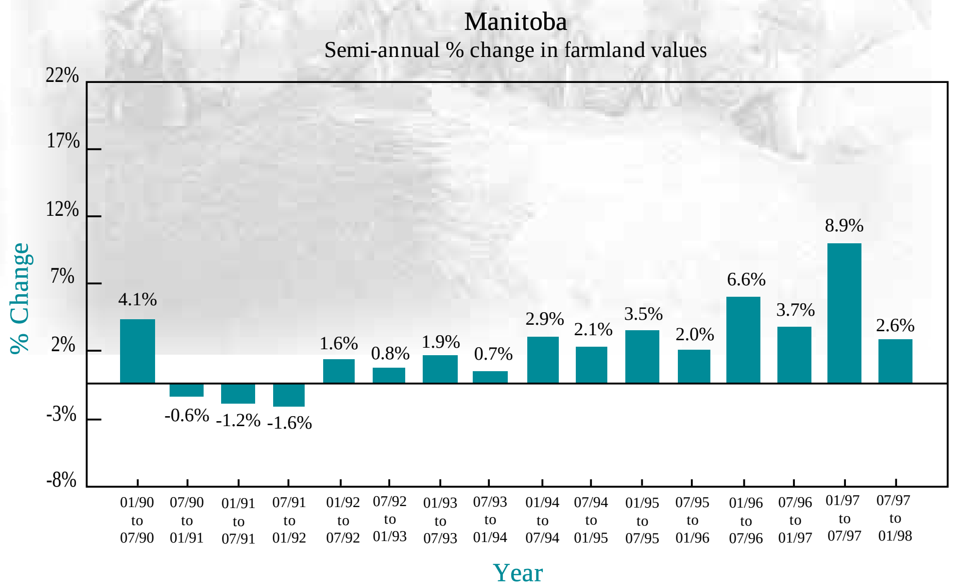


The demand for land in Alberta increased due to significant expansion in the livestock and specialty crop industries. The grain and oilseed areas generally experienced a stable demand, although poor harvest areas saw an increase in land offered for sale. The off-farm economy remained relatively strong.

“Land prices appear to have leveled off at current values.”



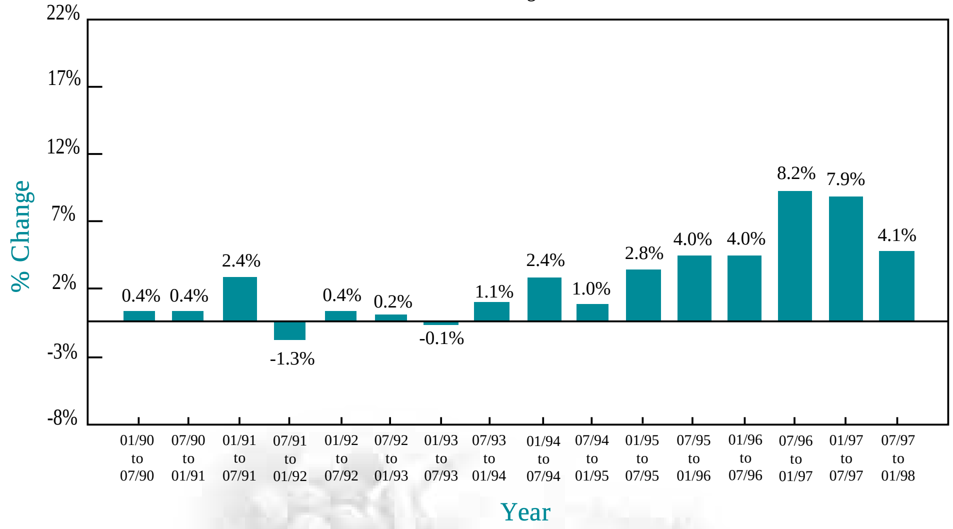
Land values in Saskatchewan increased 1.5 per cent in the last six months of 1997. Demand was steady, without the price increases or aggressive bidding of the previous four years. Higher freight costs, lower-than-expected cereal grain prices and pessimistic cereal grain forecasts influenced farmers’ buying decisions. Land prices appear to have leveled off at current values.



Overall, land values in Manitoba increased. However, increases were lower than in the previous reporting period. Throughout the province, localized areas showed strong demand for land. Land values in southeastern Manitoba continued to rise due to development of intensive livestock operations. Potato expansion continued to put upward pressure on land with irrigation capability, suitable for growing potatoes.

Ontario

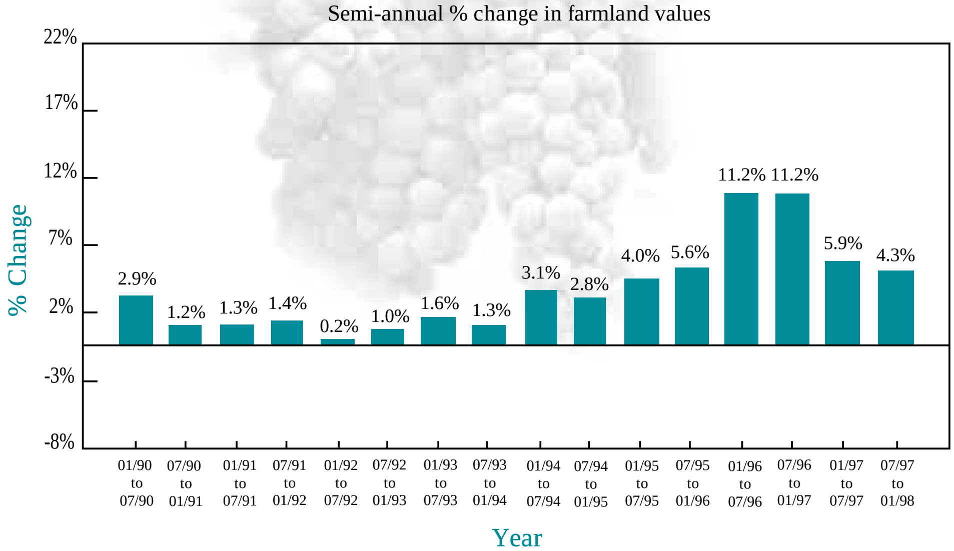
Semi-annual % change in farmland values



The increase in land values that began in southwestern Ontario continued to spread to central and eastern parts of the province. In localized market areas, aggressive farmers bid up land values to expand their land base. The number of sales remained relatively high, indicating good market activity. Continued expansion in livestock operations created additional demand for land.

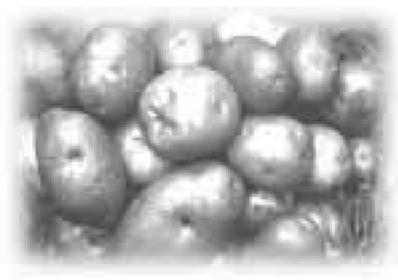
Québec

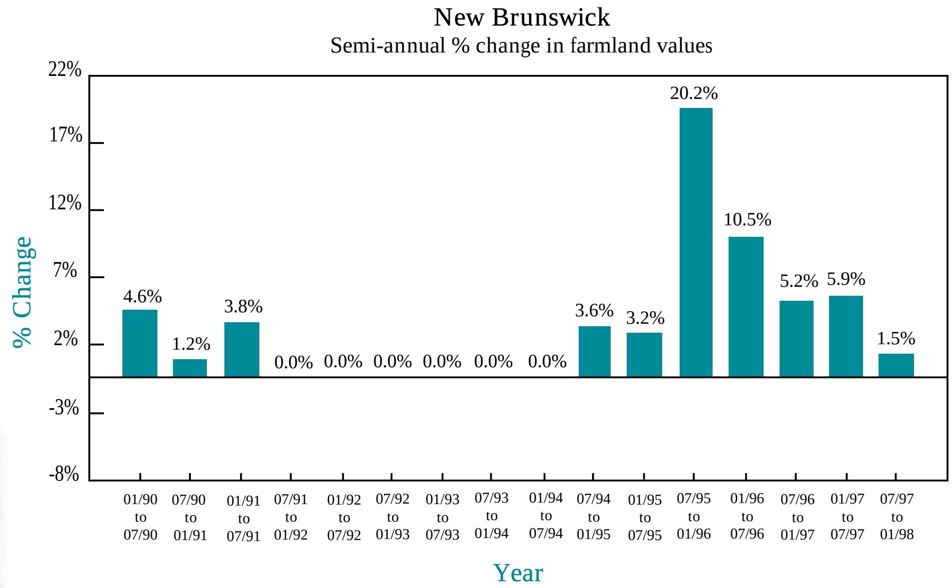
Semi-annual % change in farmland values



"Prices stabilized toward the end of the reporting period."

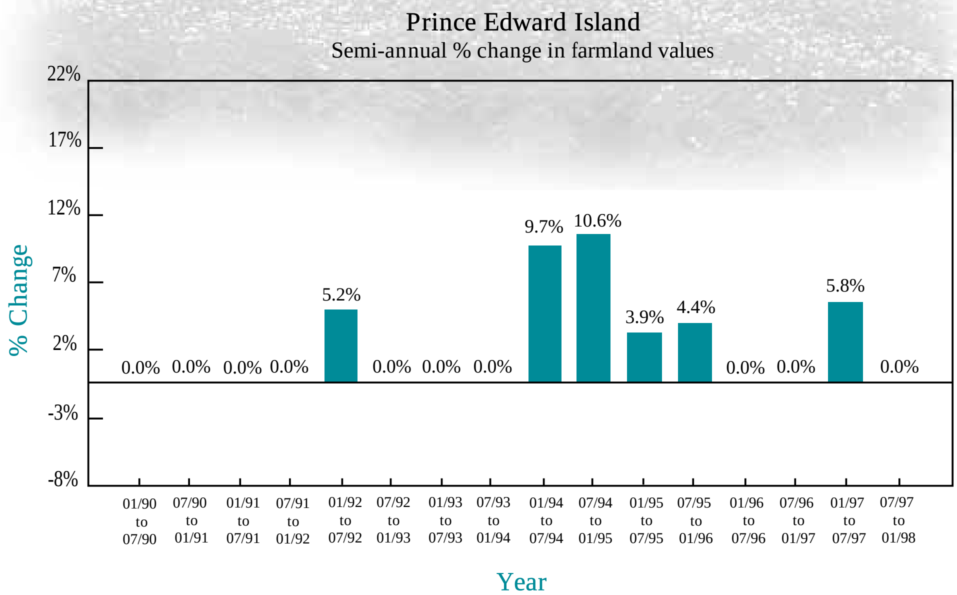
Land values in Québec rose 4.3 per cent during the reporting period, compared to 5.9 per cent in the previous six months. Weaker commodity prices resulted in less competition between buyers. Prices stabilized toward the end of the reporting period. There continued to be demand for land suitable for intensive livestock operations.



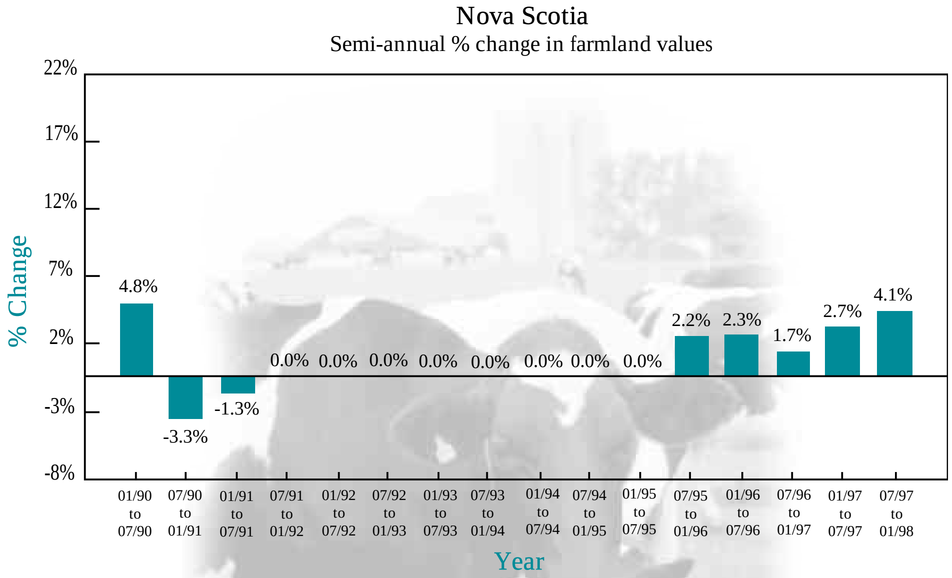


The most significant factor affecting land values in New Brunswick was demand from the potato sector, where expansion required larger parcels of land to accommodate crop rotation. In addition, farmers endeavoured to be more self-sufficient in grain production following the withdrawal of the Feed Fright Assisiance program. Costs escalated for clearing and developing land, resulting in competition for existing crop land.

"The price of good crop land remained steady."



The demand for additional land was also felt in Prince Edward Island where farmland prices are tied closely to the yield and price of potatoes. In the western section of the island, the price of good crop land remained steady and supply and demand were on par. In the eastern part of the island, there was a steady demand as potato processing continued to expand.

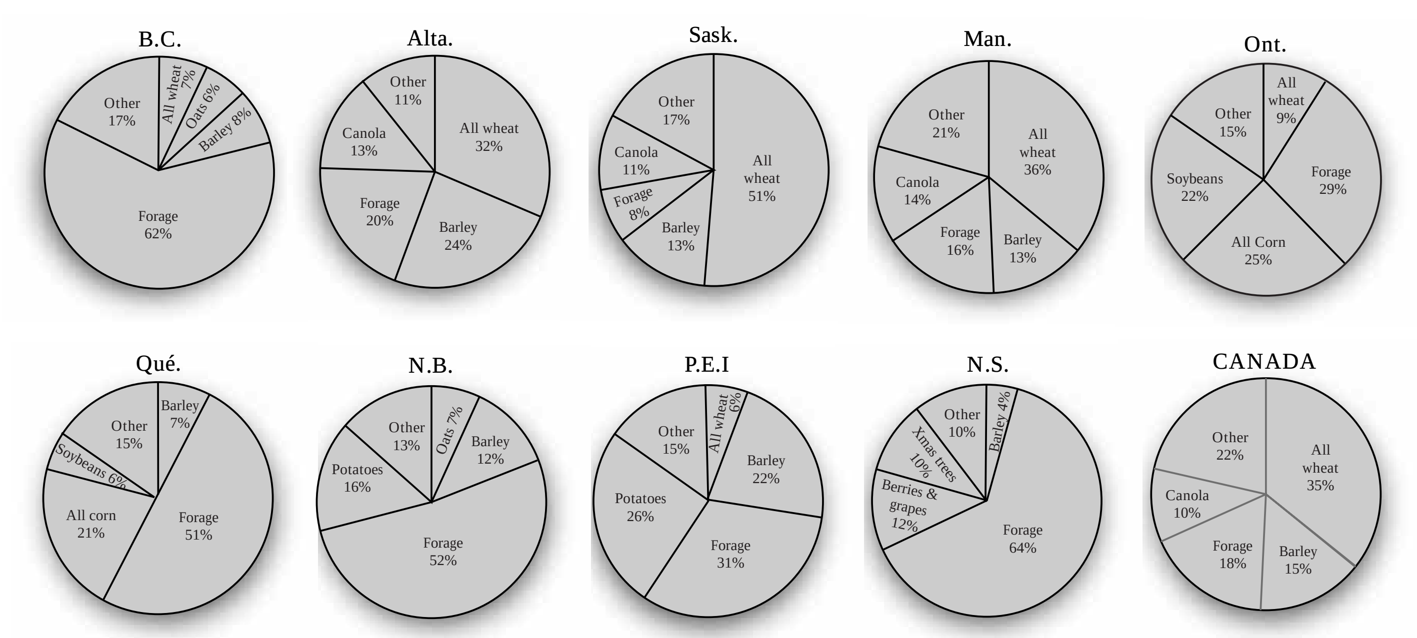


The strength of the dairy industry in Nova Scotia contributed to the 4.1 per cent increase in the value of farmland in that province. Producers' desire to be self-sufficient in grain production was evident following the withdrawal of the Feed Freight Assistance program.

(The factors influencing land values are the observations of Farm Credit Corporation appraisers in the local areas.)

Field crops by province

The following chart is based on the 1996 Census of Agriculture and shows the major field crops grown in each province as well as Canada.



Source: Statistics Canada, Agricultural Profile of Canada, 1996, Catalogue No. 93-356, pages 6,7,8,10,11,13,18,27,34,44 and 45.

We welcome your feedback!

Please send your comments/suggestions to:

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Ce rapport est également offert en français.

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Canada