

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

Farm Credit Corporation (FCC) estimates that Canadian farmland values rose by only 0.5 per cent from July 1, 1998 to January 1, 1999. This increase is less than in previous periods. One reason for the smaller increase is the uncertainty of commodity markets and the Canadian agricultural economy.

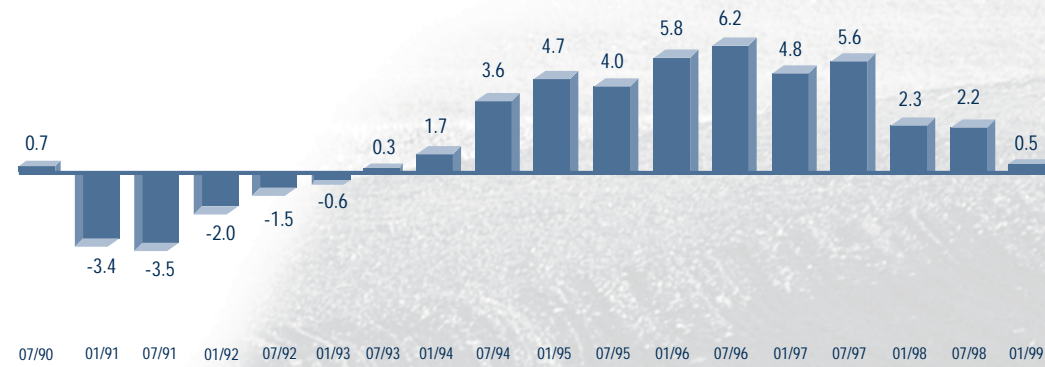
Methodology
Provincial trends



Provincial Farmland
Value Analysis



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, 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 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.

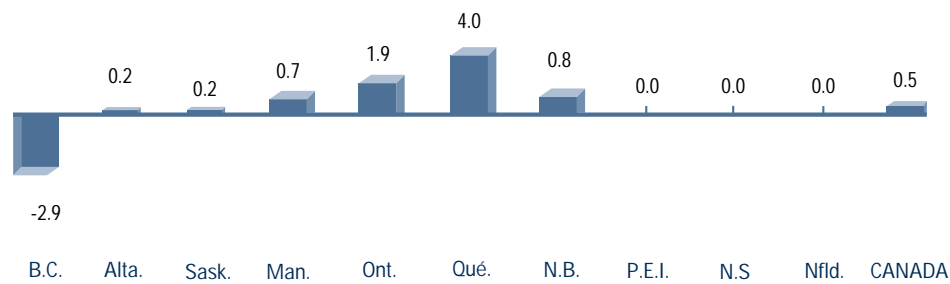
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Provincial trends

The upward trend in farmland values appears to be losing momentum. This is reflected by a lower rate of increase in most provinces. Ontario and Québec showed modest increases of 1.9 and 4.0 per cent respectively, down from the 2.7 and 5.0 per cent averages reported in the previous six-month period. Alberta, Saskatchewan, Manitoba and New Brunswick reported slight increases that were less than the 4.9, 0.3, 2.7 and 5.8 per cent respective increases of the previous reporting period, while values in Prince Edward Island, Nova Scotia and Newfoundland remain unchanged. British Columbia recorded a decrease in values of 2.9 per cent.

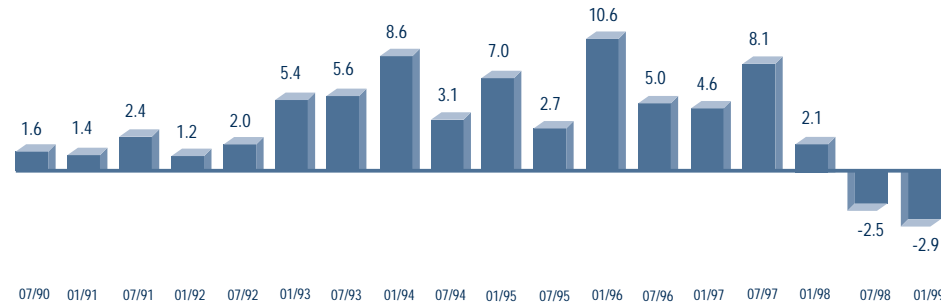
Provincial comparison of farmland values

*Semi-annual % change in farmland values
July 1, 1998 to January 1, 1999*



British Columbia

Semi-annual % change in farmland values



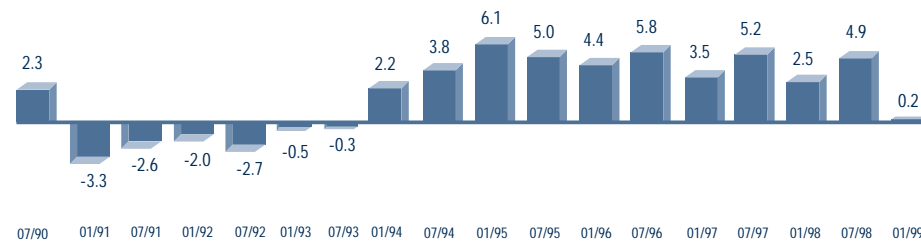
Land prices in British Columbia have decreased by 2.9 per cent for a second consecutive period due to continued weakening of prices for land suited to vegetables, berries and orchards. Areas affected by the forestry industry continue to feel the effects of that sector's economic slowdown. Northern areas are reacting to low grain prices. There is, however, a sustained demand for land suitable for vineyards.



There is a sustained demand for land suitable for vineyards.

Alberta

Semi-annual % change in farmland values

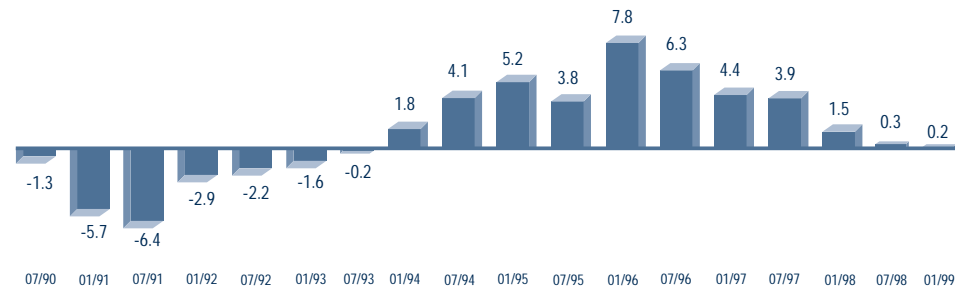


Land values remain strong in areas of intensive farm operations or in close proximity to urban centres including the corridor between Calgary, Edmonton and Lethbridge. In central and northern Alberta, those areas affected by drought in 1998 are experiencing a decrease in land prices while the market in other areas is stable. Farm commodity prices, oil prices and off-farm employment levels will continue to affect land values.



Saskatchewan

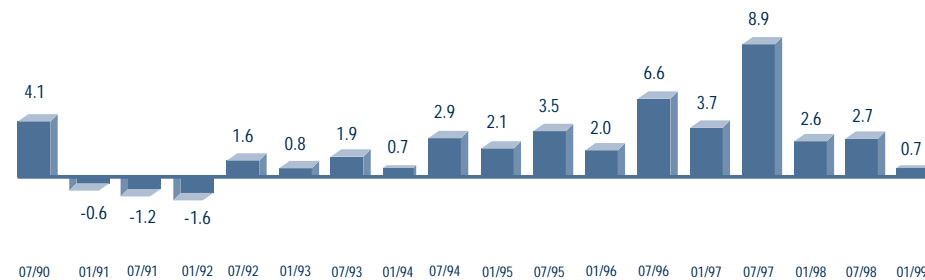
Semi-annual % change in farmland values



After a period of six years of continued land value increases, lower commodity prices have resulted in little change in land prices over the previous six-month period. Weaker commodity prices and increased costs have generated uncertainty among producers and limited their cashflow, leading them to exercise a cautious approach toward investment. As Saskatchewan producers harvest 46 per cent of Canada's cereal grains and oilseeds, the low grain prices recorded in fall 1998 have had an impact on farmland values in the province.

Manitoba

Semi-annual % change in farmland values



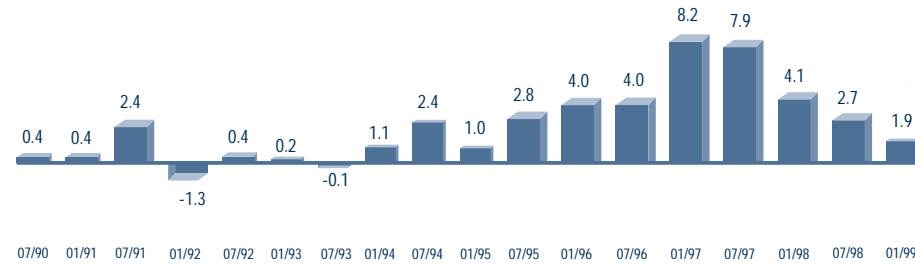
Land values in Manitoba experienced a 0.7 per cent average increase in the last half of 1998. Areas with better soils or special enterprises, such as dairy and irrigated potato operations, saw stronger prices. Land values remain unchanged in those areas focussed on grain and oilseed production, as well as livestock operations. The market is tightening, as demonstrated by the lack of sales in certain areas since July 1, 1998.

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Ontario

Semi-annual % change in farmland values

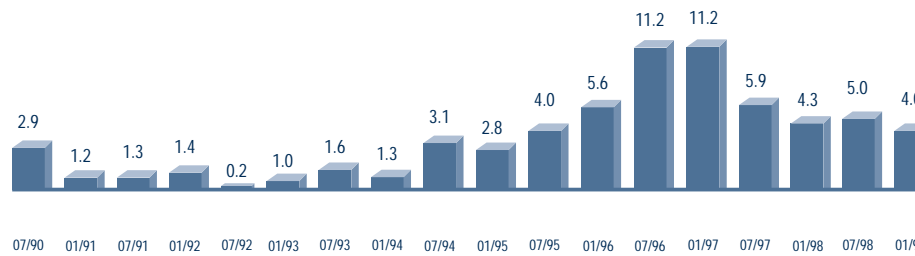


There seemed to be a demand in (west-central Ontario) for lesser quality land.

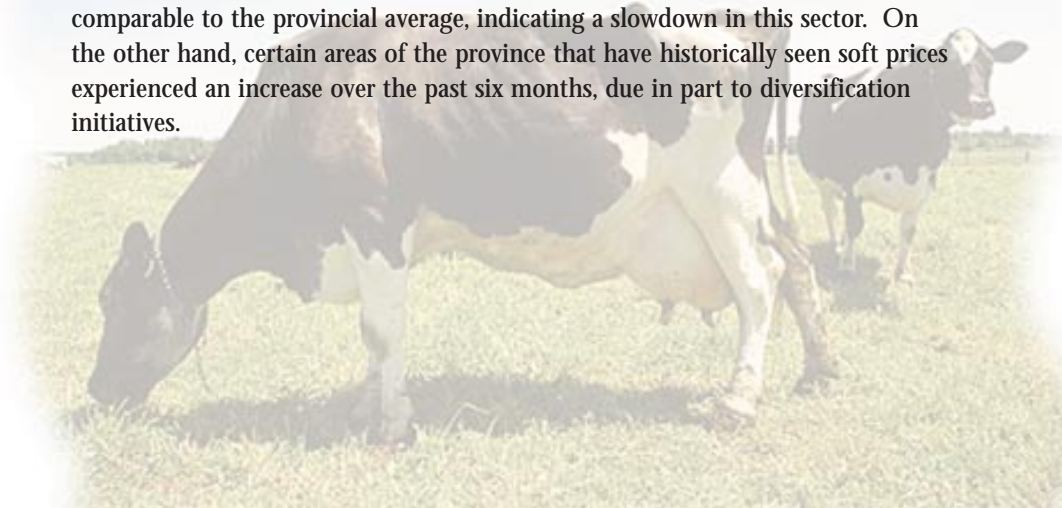
Overall land values in the province increased only slightly during the past six months. Increases were noted in northern and northeastern Ontario, as well as certain west-central locations. There seemed to be a demand in the latter area for lesser quality land. The rest of the province experienced little or no change in land prices. The total number of market transactions declined from the previous period, indicating a softening demand that could be the result of declining net incomes.

Québec

Semi-annual % change in farmland values

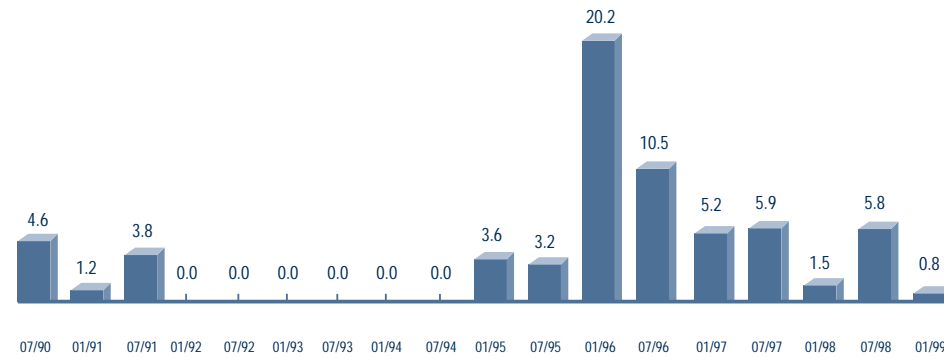


Land values in Québec rose by four per cent, a modest increase when compared to the average of 7.2 per cent experienced over the six previous periods. Pork producers' need for extra land continues to affect land prices. However, land that normally demands high prices experienced an increase comparable to the provincial average, indicating a slowdown in this sector. On the other hand, certain areas of the province that have historically seen soft prices experienced an increase over the past six months, due in part to diversification initiatives.



New Brunswick

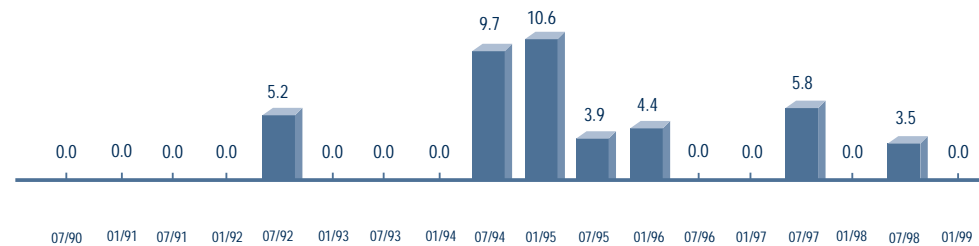
Semi-annual % change in farmland values



Land values have been stable over the review period as a result of little change in potato prices and no excessive demand for expansion. The central part of the province, where dairy operations are predominant and incomes are stable, experienced a limited increase in value. Some properties have sold at prices beyond the normal range of the market; expansion may be a price-influencing factor.

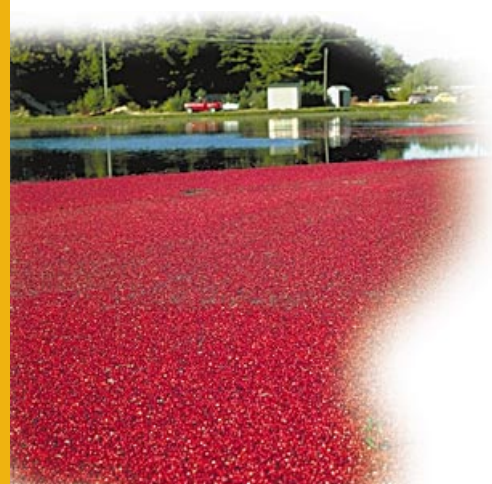
Prince Edward Island

Semi-annual % change in farmland values



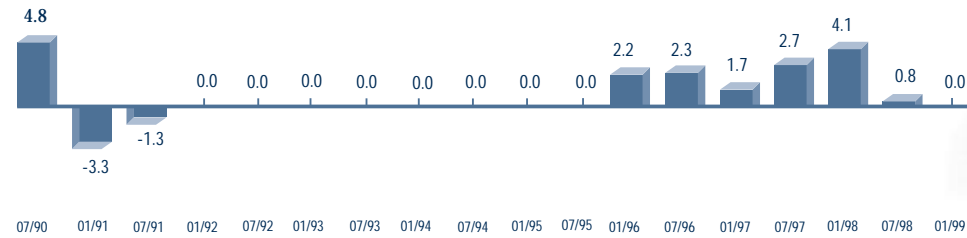
Since July 1, 1998, land values on Prince Edward Island have experienced no change. Producers are cautious given the economic conditions despite the demand for land rotation in the potato industry. Poor harvest conditions in fall 1998 and emerging crop quality concerns are making some producers reluctant to invest. Producers are waiting for crop revenues to be realized in late winter 1999 before making expansion decisions. Consequently, the number of sales has decreased, resulting in a flat market.

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Nova Scotia

Semi-annual % change in farmland values

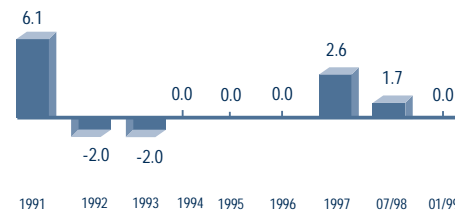


Supply and demand seem to be in relative balance in the major agricultural areas of the province, including the Annapolis Valley and the Truro region, leaving land values unchanged. Two consecutive years of drought conditions in Annapolis Valley have tempered the demand for land, although parcels showing the availability of water for irrigation are expected to lead the market. The central sector of the province, which is primarily dairy, shows no increase in land values, suggesting that dairy producers are investing in quota rather than land.

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Newfoundland

Semi-annual % change in farmland values



During this analysis period, the marketplace for land in the two most significant agricultural areas of Newfoundland – the Avalon Peninsula and the Deer Lake/Corner Brook region – was relatively quiet. Economic conditions have not changed significantly for key commodity groups and consequently no major changes were noted. There seems to be a balance between the amount of land sought by farmers and availability.

Questions regarding farmland values
can be directed to:

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We welcome your feedback!

Please send your comments/suggestions to:

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Canada

Ce rapport est également offert en français.