

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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Methodology



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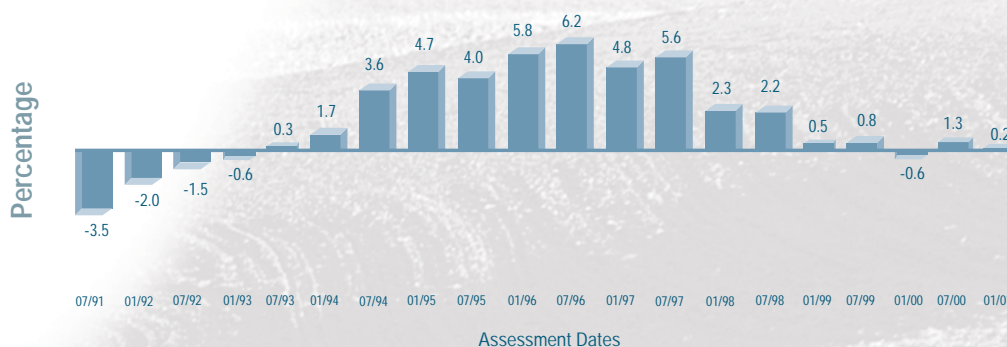
Provincial trends

National trends

For more than 40 years, Farm Credit Corporation (FCC) has been 100 per cent focused on helping Canadian agricultural producers succeed. Recognizing that market knowledge is key to success in the agricultural industry, FCC introduced the *Farmland Values* report. Unique to FCC, this report is the only source for comprehensive farmland values information across Canada. The *Farmland Values* report is produced semi-annually.

For the period of July 1, 2000, to January 1, 2001, farmland values across Canada remained stable or increased with the exception of Saskatchewan and Manitoba, where values decreased slightly. Nationally, values increased by only 0.2 per cent in this reporting period, compared to an increase of 1.3 per cent between January 1 and July 1, 2000.

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 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. 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 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

Many provinces continued to see modest growth in farmland values. Quebec saw the sharpest increase with a gain of 5.2 per cent at January 1, down slightly from the 6.1 per cent recorded in the previous six-month period. Land values continued their steady climb in New Brunswick, with growth measured at 4.4 per cent for the current reporting period, comparable to the 4.3 per cent increase reported in July 2000. British Columbia and Newfoundland also showed strong growth with increases of 3.7 and 3.6 per cent respectively, up from the previous period's results of 0.7 per cent in British Columbia and flat values in Newfoundland.

Prince Edward Island reported an increase in farmland values of 2.7 per cent, compared to the stable prices reported in July 2000. Values in Nova Scotia increased by 1.6 per cent compared to the previous period increase of 0.9 per cent. Alberta and Ontario showed slower growth with increases of 1.5 and 1.1 per cent respectively, down from 2.8 and 7.3 per cent increases recorded in the previous report.

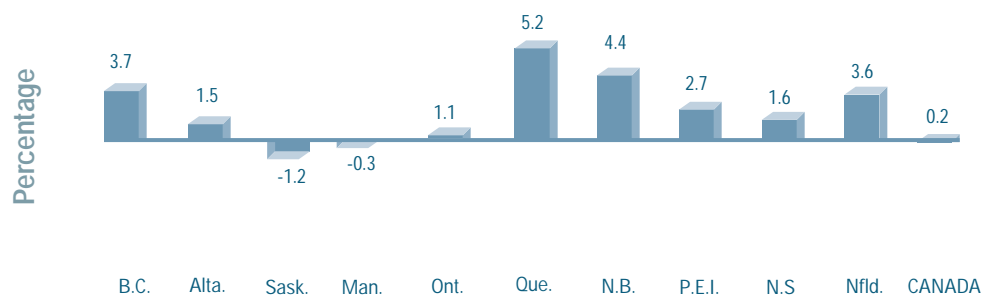
Land values in Saskatchewan continued to decrease, by 1.2 per cent compared to the decrease of 1.0 per cent recorded in July 2000. Manitoba also experienced a slight decrease of 0.3 per cent, offsetting the 0.9 per cent increase reported in the previous six months.



Provincial comparison of farmland values

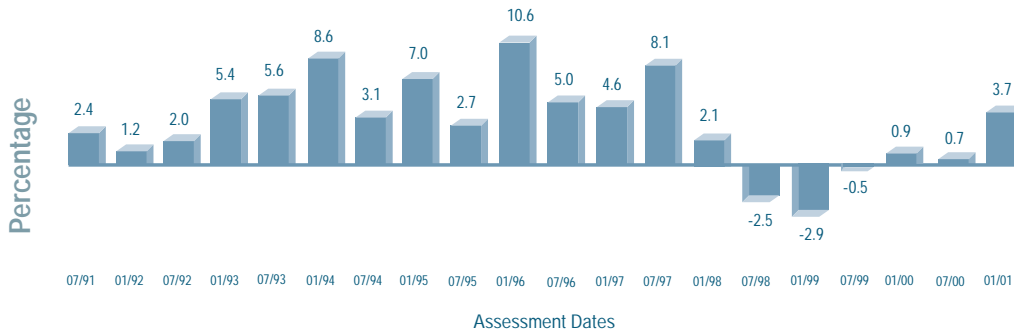
Semi-annual % change in farmland values

July 1, 2000 to January 1, 2001



British Columbia

Semi-annual % change in farmland values



In the Lower Mainland, demand for small acreage raspberry farms is stable and land suitable for blueberry production continues to increase in value. Cropland in the eastern Fraser Valley is seeing good trading volumes and stable prices.

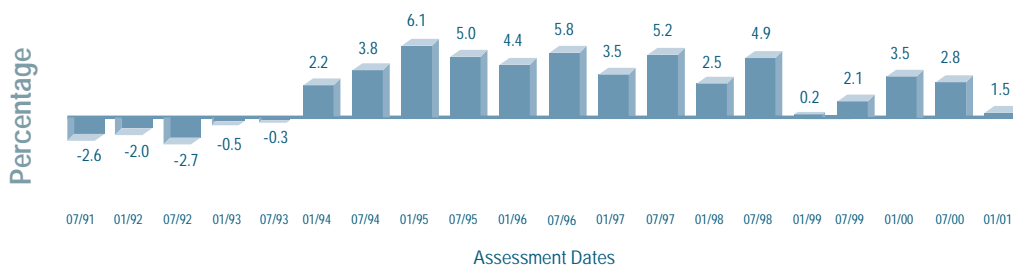
Land suitable for grape production continues to be in demand and is commanding significantly higher prices than land for orchards, whose market is slow and values relatively unchanged. The land market in the Northern Interior is also quite slow with no overall change in values reported.

In the British Columbia-Peace River area, land values are generally stable with some slight increases. Strong cattle and fescue seed prices combined with good off-farm income from the oil and gas sector seem to be influencing prices in this area.



Alberta

Semi-annual % change in farmland values

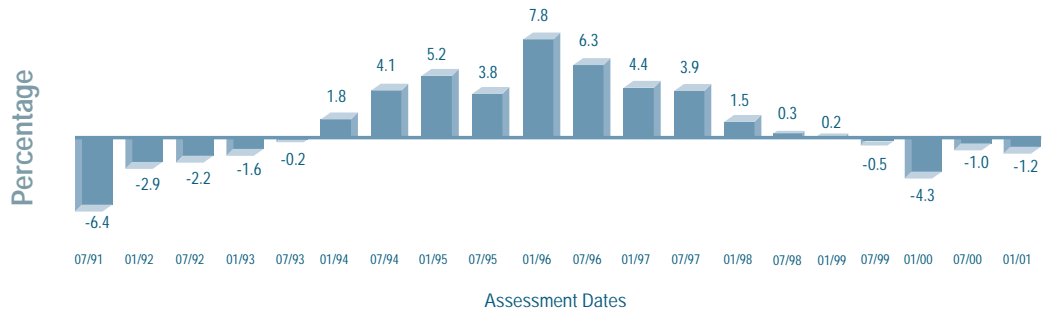


Markets appear to have stabilized in southern Alberta after strong gains in the past few years. Low grain prices, coupled with higher input costs (fuel, fertilizer, chemicals and utilities), have led to reduced optimism. This is reflected by a decrease in land sales volume and increases in both the number of listings and the time for which land is listed.

The market value of land in Northern Alberta is generally stable with a few areas showing small increases. As in the south, low commodity prices in the grain and oilseed sector combined with higher input costs are a concern. Strong beef prices are generating demand for land for forage and pasture, while areas with off-farm employment continue to experience strong demand.

Saskatchewan

Semi-annual % change in farmland values



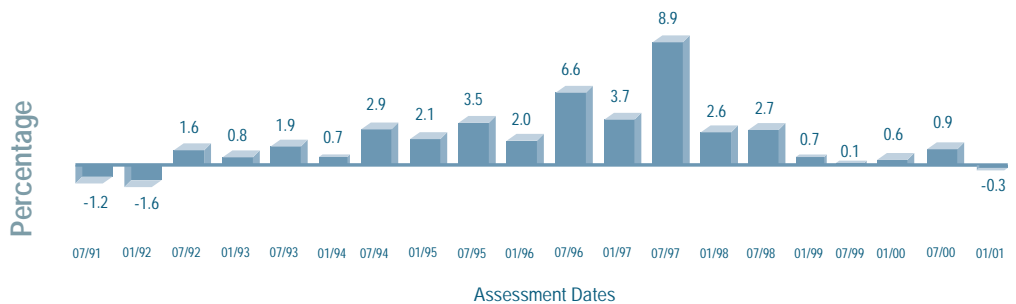
Values for land suitable for grain production are generally stable or slightly lower than those reported in the previous six-month period. A significant amount of land is available on the market. Vendors are generally unwilling to reduce prices in order to sell. Purchasers are reluctant to buy given the low commodity prices and significantly higher input costs. There appears to be a wait-and-see approach to the market at this time.

Some purchasers are relocating from outside the province to Saskatchewan because they can purchase a larger land base for the same dollar value. This has helped maintain overall land prices. There is also a strong demand for land suitable for forage and pasture.



Manitoba

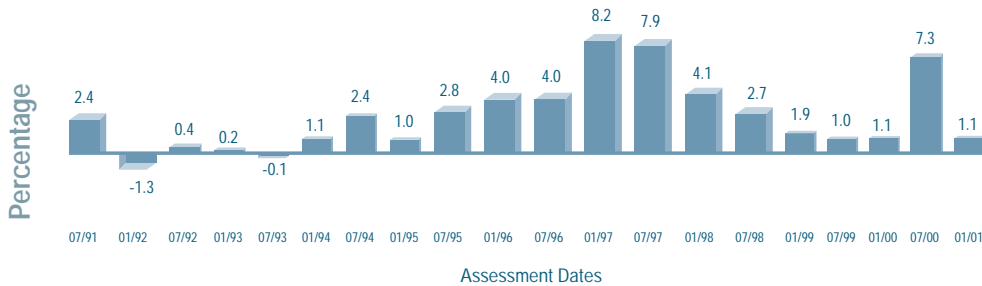
Semi-annual % change in farmland values



The province of Manitoba has seen very little change in overall land values over the last two years. Over the past six months, the majority of farmland values in the province have remained stable, although some areas have experienced minor increases or decreases. Where there is livestock expansion, there is a continued strong demand for cultivated and pasture land. Areas with special crop production and land close to an irrigation source and suitable for potato production are also experiencing strong demand. The price of farmland in grain producing areas is generally flat and sales of land in these areas have slowed.

Ontario

Semi-annual % change in farmland values



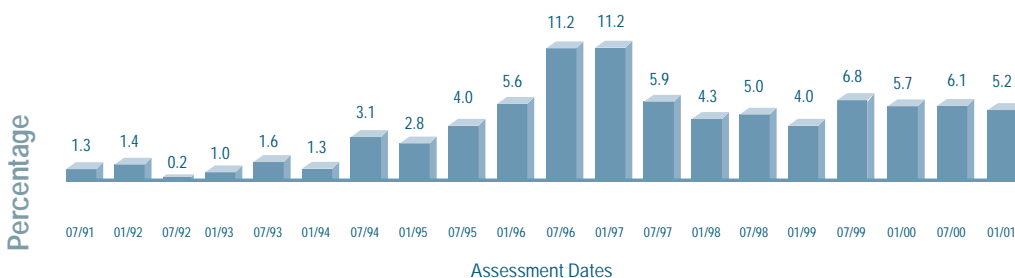
Changes in land values across this province were again varied. The eastern sector of the province showed little change except for some purchases by dairy producers in south Russell. Northern Ontario saw stronger demand, particularly from producers with significant off-farm income in the Manitoulin region and from dairy farmers needing to increase forage production in the Thunder Bay area.

Counties in mid-western Ontario saw some softening in the real estate market, driven in part by a late planting period, a cooler growing season and weak grain prices. With the exception of increased demand for lighter soils suitable for vegetable production in the extreme southwest, it seemed to be a wait-and-see market. No evidence of decreasing prices has yet been found.



Quebec

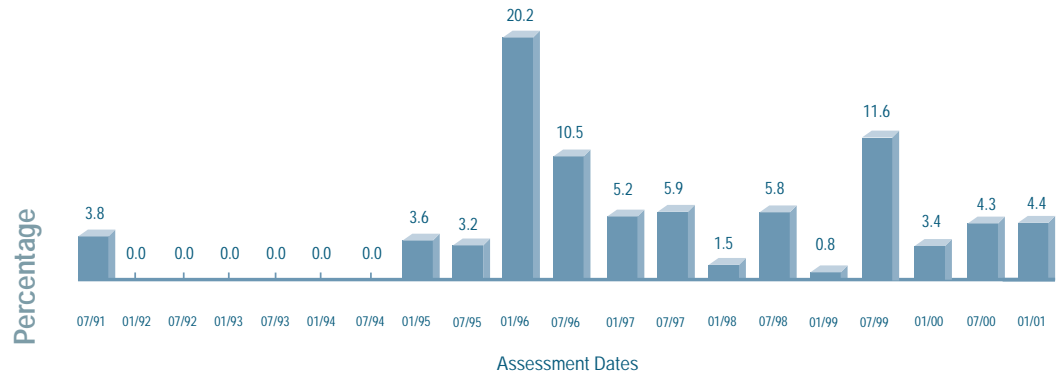
Semi-annual % change in farmland values



The increase of 5.2 per cent recorded at January 1, 2001, is slightly lower than the average increase of 5.4 per cent experienced in the seven previous reporting periods. These steady increases are due in part to the nature of agricultural production in Quebec. Demand for land for nutrient management has also contributed to the positive trend in land values.

New Brunswick

Semi-annual % change in farmland values

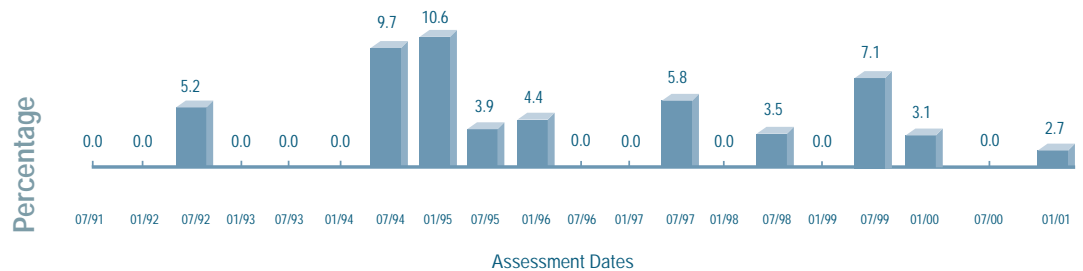


Land values continued to increase in the central and northern regions of the St. John River valley. Here, increased production of potatoes is affecting the demand for land, both for expansion and for rotation within an existing operation. In the southcentral portion of the province, where production consists primarily of dairy enterprises, land values also increased during the monitoring period, driven by the desire of producers to expand for diversification and feed production.



Prince Edward Island

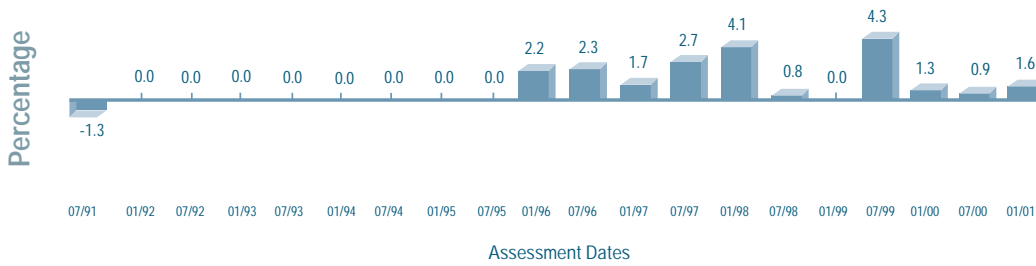
Semi-annual % change in farmland values



After a period of stability, land values in Prince Edward Island once again inched upwards, driven by expansion and rotation requirements in the potato industry. Values in the western section of the province increased while values elsewhere remained stable. It is not yet known what impact current export limitations will have on revenues in the potato sector and, subsequently, on demand for land.

Nova Scotia

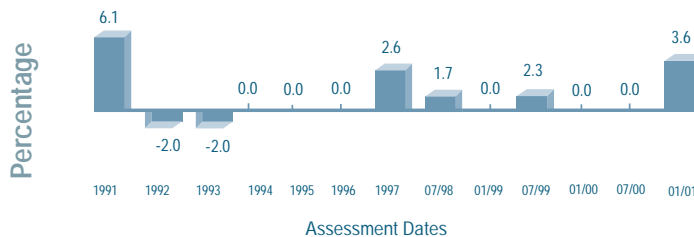
Semi-annual % change in farmland values



During the assessment period, overall land values in the province increased moderately. The Annapolis Valley saw the only increase due in part to consolidation by larger operators and the desire to acquire larger land bases in order to maximize equipment investments over more acres. Values in the Antigonish area and in the central section of the province remained stable. It appears that the supply of land in these areas meets the demand, resulting in little upward pressure on prices.

Newfoundland

Semi-annual % change in farmland values



Land values have increased over the current six-month period. This is likely due to stronger demand by dairy producers for land suitable for forage. This phenomenon was most evident in the western portion of the province. However, the limited activity in the agricultural real estate market makes it difficult to analyze this trend.



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