

## **Spring 2007 Farmland Values Report**

Welcome to Farm Credit Canada's spring 2007 Farmland Values Report.

This report covers the period from July 1 to December 31, 2006.

### **Introduction**

Farm Credit Canada (FCC) serves Canadian agriculture as the leading provider of financing to the industry. FCC understands the value of solid market knowledge when making management decisions. That's why twice a year FCC compiles and releases the Farmland Values Report, which highlights changes in land values in each province and nationally. Each year, a report is released in the spring. It describes changes from July 1 until December 31. A second report is released in the fall and identifies changes from January 1 until June 30. Each report also contains 10 years of trend information.

### **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 in January and July. 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. Weighting is assigned to each property and to each province, based on the improved farmland area recorded by the 1996 Census of Agriculture.

FCC appraisers estimate market value using recent 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.

### **National trend**

The average value of Canadian farmland increased 2.5 per cent during the last six months of 2006, Canada's highest increase since 2002. This is higher than the 2.1 per cent increase in the first six months of 2006.

Most provinces continue to see growth in farmland values. Increases are consistent with an upward trend since January 2000. None of the provinces showed a decrease.

The largest increase is in British Columbia, where values grew by 8.2 per cent. Alberta shows the second largest increase at 4.8 per cent.

Manitoba along with Newfoundland and Labrador follow, with increases at 2.9 and 2.8 per cent respectively.

New Brunswick, Ontario and Saskatchewan increased similarly by 1.8, 1.7 and 1.3 per cent respectively.

Quebec and Nova Scotia increased slightly by 0.9 and 0.7 per cent respectively.

Values remain the same in Prince Edward Island.

## **Canada**

### **Semi-annual increase in farmland values**

Jan. 2004 – July 2004 2.3%

July 2004 – Jan. 2005 2.2%

Jan. 2005 – July 2005 1.6%

July 2005 – Jan. 2006 1.5%

Jan. 2006 – July 2006 2.1%

July 2006 – Jan. 2007 2.5 %

## **British Columbia**

The agricultural land market in B.C. remains strong with an increase of 8.2 per cent in the last six months. This follows two semi-annual increases of 10 per cent.

In southern B.C., including the Fraser and Okanagan Valleys, a limited supply of arable land is available, resulting in strong competition and pressure on farmland values. As an example, farmland with mature blueberry plantings and land suitable for blueberry production is being purchased and developed at a very high rate. In addition, urban pressure for rural acreage has increased the demand for and prices of small parcels.

Prices in the Okanagan Valley continue to increase. Market demand for vineyards as well as orchards suitable for converting to vineyards is fuelling increases.

Agricultural land values on Vancouver Island also increased, but at a slower rate.

Less populated areas of the B.C. interior involving livestock production and forestry are showing smaller price increases.

The northern regions, such as the Peace River area, continue to have a strong resource sector, creating demand for rural acreage and investment in agriculture.

## **Alberta**

In the last three semi-annual reporting periods, farmland values in Alberta have increased by 2.8, 3.9 and now 4.8 per cent.

The strong provincial economy, driven by the oil and gas industry, continues to impact the demand for farmland. This spin-off, plus increasing optimism in the grain sector, is feeding strong farmland prices.

Land values are generally increasing throughout central and northern Alberta. The grain and oilseed markets have moved up and increased interest in alternative fuels such as ethanol and biodiesel have added strength to this market.

Land continues to be in strong demand in the urban fringe and in the corridor running from Lethbridge to Grande Prairie. Cultivated dryland outside the corridor is experiencing slower growth in farmland values.

### **Saskatchewan**

Saskatchewan's farmland values have increased by about 1.0 per cent semi-annually for the past five years. This trend continued between July and December 2006 with a slightly higher increase of 1.3 per cent.

Increasing optimism took hold during the last half of the period with potential grain price increases, partially as a result of biofuel demand. Producers are trying to determine the impact of this anticipated new market. As a result, farmland values appear to be well supported by interest from local and outside buyers. Readily available credit and reasonable interest rates have helped maintain farmland prices during a time of rising input costs.

Saskatchewan land values are still considered to be relatively low when compared to other provinces.

### **Manitoba**

Manitoba farmland values are showing the strongest increase in four years at 2.9 per cent during the last half of 2006. This increase confirms the significant strengthening trend that began in the first half of the year when values increased by 2.8 per cent.

The highest increases occurred in special crop areas and large grain growing areas in west central Manitoba.

Manitoba is the least affected prairie province by revenue from oil and gas, but is well diversified in the livestock industry.

### **Ontario**

Changes in land values across Ontario suggest some softening over the last six months. Values increased by 1.7 per cent in the second half of 2006, down from 2.1 per cent in the first half of the year.

The overall number of sales transactions continue to decrease overall, making market forces even more difficult to assess.

Land prices strengthened again in areas beyond the provincial greenbelt as speculative bidding continues to push up prices. This trend is occurring particularly in Haldimand County, Simcoe County and immediately east of the Greater Toronto Area in Durham Region, Northumberland County, Victoria County, Peterborough and Prince Edward County.

Values for good quality, well-drained land still appear to be holding in the counties of Oxford, Middlesex, Perth, Lambton and Kent. Good vegetable land is still in demand.

Land values for heavier and marginal cash crop soils continue to soften. Price drops reported in July 2006 are still affected by continuing low grain and oilseed prices.

Northern and most of eastern Ontario experienced no significant changes.

Urban buyers relocating to rural areas around urban centres continue to influence land values.

### **Quebec**

Quebec land values increased by 0.9 per cent in the second half of 2006, similar to the 0.6 per cent increase recorded in the first half of 2006.

The 2006 growing season started poorly in southern Quebec with heavy spring rains. Seeding was delayed for several weeks. Producers predicted mediocre yields and prices remained low until September. This significantly limited increases in land values.

Hog producers are experiencing difficulty and are less active in the land market as a result.

On the positive side, steadier income from supply-managed production helped stabilize land prices.

### **New Brunswick**

Land values in New Brunswick rose 1.8 per cent in the last half of 2006. This is slightly higher than the 1.1 per cent increase in the first half of the year.

While potato crop results in the Upper St. John River Valley were mixed, an overall positive impact on land values occurred at the provincial level.

The high potato crop yield in the Grand Falls area outweighed storage problems and lower crop quality caused by hollow heart disorder. Potato prices, comparable to last year, played a role in an increased demand for land. More land transfers occurred from July to January.

Potato producers in the Woodstock area faced similar crop quality and storage problems. Growers remain motivated to purchase good land if it is available close to their home units.

In the intensive dairy region of Sussex, high quota and other input prices limited dairy producers' ability to invest in land. The reopening of the U.S. border to cattle caused some improvements to the cattle market. As a result, a marginal increase in land values occurred in this area.

### **Prince Edward Island**

P.E.I. farmland values remained the same in the last half of 2006. Values in the province have remained stable since 2003.

Potato growers were cautious about increasing their land holdings. The introduction of the potato acreage limit two years ago may be a factor. The uncertain outcome of the 2006 potato crop also played a role.

The number of land transactions remained low in Prince County, a heavy potato production area. However, prices for good-quality land remained the same. Processing contract potato growers saw no change in their base contract prices and input costs continue to rise.

Queens and Kings counties, with a mix of livestock and crop operations, still have affordable farmland in more remote areas. Farmland close to Charlottetown is in demand for residential housing.

### **Nova Scotia**

The value of farmland in Nova Scotia increased by 0.7 per cent in the last six months of 2006. This increase is lower than the 2.0 per cent increase in the first half of the year.

The marginal increase is weighted heavily by higher prices reported in eastern Nova Scotia. The remainder of the province did not see a similar increase.

The Antigonish area, which takes into consideration Cape Breton, continues to see increased demand for farmland. Quality forage land in this livestock region goes for strong prices as compared to past years.

The dairy farmers in the Truro and Shubenacadie area are prepared to pay for land as it becomes available, however, a notable change in prices has not occurred.

The farmland market in the Kentville area is active, however, no difference in prices was noted during the past six months.

### **Newfoundland and Labrador**

Farmland values rose 2.8 per cent in Newfoundland and Labrador in the last half of 2006, similar to the 2.9 per cent increase in the preceding period.

Most of the province's increase is a result of increasing prices in western Newfoundland. Buyers paid higher prices than previous years, resulting in higher land values.

The overall number of land transactions remained low. Newfoundland and Labrador is now self-sufficient in dairy production. The dairy market is relatively stable and small parcels of land used for dairy farms are the primary properties involved in land transactions. Since there is no incentive to increase production output, the demand for land is limited. This is likely one of the principal reasons for the low number of land transactions.

Farmland values are unchanged on the province's east coast.

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### **Contact Information**

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