

Spring 2010 Farmland Values Report

Introduction

FCC is a leading provider of business and financial services to farms and agribusiness in Canada. Operating out of 100 offices located primarily in rural Canada, FCC employees are passionate about the business of agriculture. A healthy portfolio of more than \$18 billion and 16 consecutive years of portfolio growth are a reflection of our customers' success.

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 average changes in land values in each province and nationally.

Each year, a report is released in the spring, describing changes from July 1 to December 31. A second report, released in the fall, identifies changes from January 1 to June 30.

[back to top](#)

Methodology

In 1985, FCC established a system of 245 benchmark farm properties to monitor variations in bare land 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 agriculture soil in each census district. Changes in value are weighted based on improved farmland per area.

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 the benchmark properties.

[back to top](#)

National trend

The average value of Canadian farmland increased 3.6 per cent during the last six months of 2009, following increases of 2.9 and 5.6 per cent in the previous two reporting periods.

Farmland values remained the same or increased in each province. Manitoba experienced the highest average increase at 5.9 per cent.

Three provinces experienced similar average increases: Alberta (3.8), Saskatchewan (3.4) and Ontario (3.3). New Brunswick followed with an increase of 2.5 per cent, with Nova Scotia at 1.4 per cent and Quebec at 1.3 per cent.

In British Columbia, Prince Edward Island and Newfoundland and Labrador, farmland values remained steady.

[back to top](#)

Graph: Canada Semi-annual % change in farmland values (Brand)

Graph provincial comparison of farmland values (Brand)

Semi-annual % change in farmland values

July 1, 2009 to December 31, 2009

Graph % Change in farmland values (Brand)

Alberta

Alberta farmland values increased an average of 3.8 per cent during the second half of 2009, following gains of 1.0 and 2.2 per cent in the two previous reporting periods.

Values increased by an average 0.4 per cent per month during 2009. Between January 1, 2008 and December 31, 2009, values rose an average of 0.6 per cent per month. Farmland values in Alberta have been rising since 1993.

In central Alberta, the 2009 growing season was challenging. A cold spring with dry conditions had a significant effect on germination and crop yield, particularly for canola.

The east central areas (Ponoka, Lacombe, Red Deer, Stettler, Camrose, Provost) were extremely dry until mid July.

Lacombe County declared the situation a disaster, and residents were allowed to graze livestock in the ditches.

Southern Alberta had above normal September temperatures and record cold temperatures in October. Approximately 20 per cent of the sugar beet crop was frozen in the ground and not harvested.

Irrigated land showed a strong increase in value and dry land was relatively constant.

Demand for agricultural land has returned to traditional agriculture uses. While speculation and urban sprawl will always be factors, the high demand has slowed to a more sustainable pace.

British Columbia

British Columbia farmland values remained stable over the last six months of 2009. The two previous reporting periods showed an average decrease of 0.7 per cent and an increase of 2.3 per cent respectively.

The unchanged value of farmland in the last half of 2009 was due to limited market activity throughout the province. The reduced activity can be attributed in part to the impact of the economic crisis on the forestry and oil industries, which have historically been major sources of income for investment in B.C. agriculture.

The rising Canadian dollar relative to the American dollar has also negatively impacted the agri-tourism sector in the province.

Reduced cash flow from these industries has led purchasers to be more cautious. Vendors who have been accustomed to ever-increasing prices over the past few years are not willing to decrease asking prices and this has slowed market activity.

Manitoba

Manitoba farmland values increased an average of 5.9 per cent during the second half of 2009, following gains of 5.5 and 4.2 per cent in the two previous reporting periods. This is the highest average increase across Canada.

Values increased by an average of 1.0 per cent per month during 2009. Between January 1, 2008 and December 31, 2009, values rose an average of 0.9 per cent per month. Farmland values in Manitoba have been rising since 2001.

The main increase in farmland values was observed in the grain and special crop areas of the province. There were limited to no increases in the Interlake (northeast part of Manitoba) and in predominantly beef producing areas (north central, southeast and southwest).

2009 was a very difficult year for crop production in Manitoba with a late spring, wet conditions, drought in the southwest and a cold summer. However, excellent weather in the fall enabled producers to harvest their crops.

Last fall, commodity prices were strong and only started to soften in late December. Fertilizer prices also decreased. Low interest rates and the fact that land is being viewed as a safer investment appear to have influenced land prices in the province.

There were some purchases of larger land parcels by out-of-province buyers, although family farms were still the main buyers.

Several producers are leaving the beef industry. This trend can be seen in the community pastures, where excess land is available for the first time in many years. However, demand for land is not expected to increase.

A shrinking hog population in the southeast region has contributed to decreased demand for land. The lack of land sales in this area has prevented a meaningful analysis of land values.

In the dairy area around Steinbach, land continued to rise in value due to the demand created by nutrient management program requirements and forage production.

New Brunswick

New Brunswick farmland values increased an average of 2.5 per cent during the second half of 2009, following gains of 5.6 and 6.3 per cent in the two previous reporting periods.

Values increased by an average of 0.7 per cent per month during 2009. Between January 1, 2008 and December 31, 2009, values rose an average of 0.6 per cent per month.

Most of the land sales that occurred in Carleton County during the second half of 2009 featured potato land in areas far removed from the established contract growers. Demand for potato-producing acreages remained stable and properties that were put up for sale during this period quickly found buyers.

Within the counties of Madawaska and Victoria, most of the farming operations have enough land for adequate potato crop rotation. Few land sales may be an indication of the slowing market, although there was still some demand for average to good potato-production land.

The 2009 potato crop for these regions was characterized by yields of average to fair quality. Decreases in demand and prices for table-stock potatoes affected some non-contract growers. The potato seed-stock market seems to have stabilized over the past months and prices were on a slight upward trend.

There were minimal land sales in the Sussex area during the last six months of 2009. Greater demand for vacant farmland was felt in the Sussex region due to the existence and expansion of the potash industry in Penobscus.

Quota cuts in December 2009 added to the challenges faced by the dairy sector. High quota purchase prices have challenged the expansion of existing farms.

Newfoundland and Labrador

Newfoundland and Labrador farmland values remained stable over the last six months of 2009, following gains of 2.8 and 4.0 per cent in the two previous reporting periods.

Values increased by an average of 0.2 per cent per month during 2009. Between January 1, 2008 and December 31, 2009, values rose an average of 0.3 per cent per month.

Sales activity was limited throughout the province and the data available was insufficient to report changes in farmland values.

Reports showed that the value of land located in or near St. John's was on the rise, mainly due to increasing urban sprawl and competition for agriculture land from existing farm operations.

Nova Scotia

Nova Scotia farmland values increased an average of 1.4 per cent during the second half of 2009, following gains of 4.2 and 4.3 per cent in the two previous reporting periods.

Values increased by an average of 0.5 per cent per month during 2009. Between January 1, 2008 and December 31, 2009, values rose an average of 0.6 per cent per month. Since 2001, farmland values in Nova Scotia have remained stable or have risen.

Values in the Kentville area did not change during the second half of 2009. Producers experienced good weather conditions and stable land sales activity. A major trend was the willingness of producers to purchase neighboring parcels whenever they become available.

Some industry changes in the Kentville area could affect future land values such as apple growers who are converting to Honeycrisp and other high density varieties, increased demand for vegetable land and urban sprawl influencing the continued demand of small hobby farmers.

In the Antigonish area, most purchasers were dairy farmers. Weather conditions were excellent for forage production in 2009 and farmland values in the area rose as farmers paid higher prices for good parcels of land. There is a limited supply of land in this area, so when a parcel is placed on the market, the competition is quite strong.

Minimal farmland transactions were recorded in the Colchester area. However, land in the southern portion of Hants County was in demand from dairy farmers, hobby farmers and horse operators. Despite the low number of sales, some high prices were paid for quality land compared to past years.

In the dairy industry, the cost of quota has challenged the expansion of existing farms. Most of the quality cultivated land available on the market was due to farm operators retiring or leaving the business. Generally, these lands sell at a relatively quick pace as competition for land in the area is strong.

Ontario

Ontario farmland values increased an average of 3.3 per cent during the second half of 2009, following gains of 2.8 and 1.9 per cent in the two previous reporting periods.

Values increased by an average of 0.5 per cent per month from January 2008 to December 31, 2009. Farmland values in Ontario have been rising since 1993.

Positive value gains were consistent across the province with small increases noted in eastern and northern Ontario.

The demand for land was fuelled by cash crop operations. Worldwide supply, demand for grains and strong growth in the biofuels sector also contributed to the increase in crop prices.

Large and intensive livestock enterprises continued to have strong demand for land to expand their operations and satisfy nutrient management program requirements.

Land continued to be in demand by local livestock farmers and international buyers.

Wind turbine contracts continued to have an upward effect on land values in the Lake Huron area. This resulted in premium prices being paid for farmland parcels in that area, due to additional income generated by the contracts.

Urban dwellers relocating to the country to purchase or develop hobby farms continued to have a marked effect on land values in southern Ontario. This trend is expected to continue in the foreseeable future.

Land rental rates also increased as land owners seek a share of the cash crop revenue increases.

Prince Edward Island

Prince Edward Island farmland values remained stable over the last six months of 2009. The last report showed an average decrease of 1.4 per cent while the previous report showed no change in values.

Farmland prices in the Summerside area did not change during the reporting period. Strong prices continued to be paid for prime parcels. On the other hand, prices have fallen off in areas with fewer potato producers.

In the Charlottetown area, farmland values were down. In some areas there was potato land for sale with very few interested local buyers. There are some pockets of activity where strong prices have been seen, but in general, prices in the fall of 2009 were lower than in the previous six months.

A number of farms in the Queens County area have ceased growing potatoes over the past few years, and more land was fallow in 2009. This factor increased supply and lowered farmland values.

The weather played a significant role in potato production in 2009, which is the main agriculture industry in P.E.I. Some blight concerns in July and a late harvest due to wet fall conditions impacted the industry over the last year.

Potato prices in 2009-10 were significantly lower than in 2008-09, as potato processors reduced their purchases due to lower consumer demand for french fries.

Small fields (20 acres or less) are more difficult to sell due to the large equipment used by the potato industry.

Quebec

Quebec farmland values increased an average of 1.3 per cent during the second half of 2009, following gains of 4.3 and 5.9 per cent in the two previous reporting periods.

Values increased by an average of 0.5 per cent per month during 2009. Between January 1, 2008 and December 31, 2009, values rose an average of 0.7 per cent per month. Farmland values in Quebec have remained stable or have risen since 1985. In 25 years, Quebec is the only province that has not experienced a decrease in its average farmland values.

Significant gains were reported in central and western Quebec, around Montreal and the Montérégie areas, where grain production is more prevalent because of the soil quality and weather conditions. Quality land put up for sale in these areas quickly found buyers.

Values around the rest of the province remained relatively stable.

The summer of 2009 was rainy in Quebec and well-drained land produced better crops.

Similar to many other provinces, urban dwellers are relocating to the country to purchase or develop hobby farms. The type of farmland that attracts investors must include a right to build, as their typical plan is to build a house and other farm buildings.

Quebec did not experience a deceleration in the farmland sales market due to the economic downturn. The high demand for farmland was steady.

Saskatchewan

Saskatchewan farmland values increased an average of 3.4 per cent during the second half of 2009, following gains of 3.4 and 8.8 per cent in the two previous reporting periods.

Values increased by an average of 0.6 per cent per month during 2009. Between January 1, 2008 and December 31, 2009, values rose an average of 0.9 per cent per month. Farmland values in Saskatchewan have been rising since 2002.

Several factors played a role in the increase of land values in Saskatchewan. Low interest rates, investor demand, strong pulse crop prices and good yields in most areas appeared to be the main factors impacting land values.

Heavy clay soils in lentil-growing areas of the province commanded a superior price. In areas of the province where there is good quality land to grow pulse crops, producers have been paying a premium, mainly due to strong commodity prices.

Due to low interest rates, purchasing farmland has at times been the lower-cost alternative to renting. This has contributed to continuing strong demand.

Saskatchewan farmland remained attractive to investor groups and out-of-province buyers who view prices as reasonable when compared to other provinces. As well, local producers continued to expand their land base, which is keeping the market price competitive and strong.

Speculators have been purchasing farmland around the urban fringes with anticipation that the land will eventually be developed for commercial, industrial or rural residential uses.

The late harvest, challenges in the cattle industry, lower commodity prices and higher input costs in the spring are some of the factors that moderated the overall increase in land values.

Most geographic areas of the province experienced similar increases in farmland values.

Contact information

For more information about farmland values trends in your area, please contact:

Alberta

Kenneth Gurney (English)
403-382-2907

Éva Larouche (bilingual)
1-888-780-6647

Atlantic Canada

Charles Dubé (bilingual)
506-851-7141

British Columbia

Doug Janzen (English)
604-870-2516

Éva Larouche (bilingual)
1-888-780-6647

Manitoba

Rick Sprott (English)
204-822-7356

Éva Larouche (bilingual)
1-888-780-6647

Ontario

Dale Litt (English)
519-291-2192

Jean Lacroix (bilingual)
613-271-7193

Quebec

Hugues Laverdure (bilingual)
450-771-6771

Saskatchewan

Cathy Gale (English)
306-780-8336

Éva Larouche (bilingual)
1-888-780-6647

[back to top](#)