

## **Fall 2012 Farmland Values Report**

Welcome to the FCC Fall 2012 Farmland Values Report.

This report covers the period from January 1 to June 30, 2012.

### **Introduction**

As Canada's leading agriculture lender, FCC is advancing the business of agriculture. With a healthy portfolio of more than \$24 billion and 19 consecutive years of portfolio growth, FCC is strong and stable – committed to serving the industry through all cycles. FCC provides financing, insurance, software, learning programs and other business services to producers, agribusinesses and agri-food operations. FCC employees are passionate about agriculture and committed to the success of customers and the industry. For more information, visit [www.fcc.ca](http://www.fcc.ca).

FCC understands the value of having access to solid market value information when making management decisions. That's why, twice a year, FCC compiles and releases the Farmland Values Report, which highlights average changes in farmland 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.

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### **Methodology**

In 1985, FCC established a system with 245 benchmark farm properties to monitor variations in bareland values across Canada.

Since 1990, the benchmark properties have been appraised semi-annually in January and July. These selected parcels represent the most prevalent classes of agriculture soil in each part of the country. Changes in value are weighted based on cultivated 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.

Land prices vary significantly between regions and provinces. That's why FCC measures provincial land value trends on a percentage basis. Reporting on the percentage change in value versus the average price per acre provides a more consistent national approach.

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### **National trend**

The average value of Canadian farmland increased 8.6% during the first half of 2012, following average increases of 6.9% and 7.4% in the previous two reporting periods.

Farmland values remained stable or increased in all provinces except British Columbia, which saw a 0.3% decrease. Ontario, experienced the highest average increase at 16.3%, followed by Manitoba at 10.3% and Saskatchewan at 9.1%.

Quebec and Alberta experienced 6.7% and 5.7% average increases respectively, followed by Prince Edward Island at 3.1% and Nova Scotia at 2.8%.

Farmland values were unchanged in New Brunswick and Newfoundland and Labrador.

Canadian farmland values have risen steadily during the last decade. The current average national increase is the highest since FCC began reporting on farmland values; with the second highest increase being 7.7% in the second half of 2008. The last time the average value decreased was by 0.6% in 2000.

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

**Graph: provincial comparison of farmland values (Brand)**

**Chart: % Change in Farmland values**

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## **Alberta**

Farmland values in Alberta increased an average of 5.7% during the first half of 2012, following gains of 4.5% and 4.0% in the previous two reporting periods. The province has seen values continue to rise since 1993.

Overall, northern Alberta experienced strong increases in farmland values, corresponding to very strong commodity prices. Several areas saw larger farm operations consolidate their land base. Competition for land caused prices to increase, with location and availability as the major drivers. Some areas, primarily in the northern Peace Region, saw land prices stabilize, possibly in response to concerns about moisture conditions.

Once again, in central Alberta, strong cattle and grain prices corresponded with an increase in the price of land. The irrigation area of southern Alberta saw robust demand for irrigated land, resulting from high commodity prices and specialty crops grown under contract. The Lethbridge area also saw strong demand for good cropland.

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## **British Columbia**

British Columbia farmland values decreased by 0.3% during the first half of 2012, following a slight increase of 0.2% during the second half of 2011. There was no change in value during the first half of that year.

The land market in the Peace River area saw average sales volumes, with prices remaining stable or slightly decreasing. Demand from the established agriculture sector remained consistent and generated transactions in all land classes. Some areas close to urban centres that had previously experienced significant increases from lifestyle buyers showed signs of a softening market.

The Cariboo experienced low sales volumes with no change in values overall, although the values from the best quality land increased slightly while more marginal farmland decreased slightly. The Bulkley Valley region, including the Vanderhoof area, also had low sales volumes with values remaining stable.

The south Okanagan market continued to experience strong demand by fruit producers for good quality properties, but a reduced demand for lower quality properties. This period showed a higher proportion of sales involving agriculture producers than rural residential/lifestyle buyers.

Continued low demand from Alberta buyers led to limited sales in the southeast part of the province, including the Creston area. Vancouver Island also experienced low sale volumes and no change in land values.

In the lower mainland of southwestern British Columbia, urban pressures eased slightly, though demand for rural acreage properties came from non-producers as well as farm producers. Strong blueberry prices continued to create demand for farmland, although transactions reflected a cross section of agriculture enterprises. Overall demand, sales volumes and values, remained stable during this period.

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## **Manitoba**

Farmland values in Manitoba increased an average of 10.3% during the first half of 2012, following increases of 1.9% and 2.4% in the two previous reporting periods. Farmland values in Manitoba have been consistently rising since 2001 and this is the highest increase seen since FCC began reporting them in 1984.

The increase was observed mainly in the grain and specialty crop areas of the province that benefited from good

harvest conditions in the fall of 2011, and an early start to spring seeding. High commodity prices along with low borrowing rates and a general interest in expansion from Manitoba producers, contributed to strong land prices.

During this period, the western, southern and south central areas saw continued demand for land from the grain and oil seed sectors. Southeast Manitoba saw the most significant increase in value as a result of the demand for land between the supply-managed industry, the grain sector and rural residential buyers. The Interlake region experienced the lowest increase of values in the province.

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### **New Brunswick**

New Brunswick farmland values were unchanged during the first half of 2012, following a 1.3% increase in the second half of 2011, and no change in the first half of that year.

Farmland values have increased or remained static in New Brunswick since reaching a peak increase of 6.3% in the last half of 2008.

In the Carleton area, the trend of consolidating smaller farming units continued, diminishing the number of potential buyers of land. Shrinking margins, as a result of rising operating costs, limited the ability to purchase more land.

In the first half of the year, the Madawaska-Victoria region had a limited amount of land for sale, which translated into no increase in value. Most of the farmland purchased was by the potato production industry, with some interest from other industries, including dairy producers.

In an ongoing trend, the Sussex area saw large acreages and former farmland purchased for rural residential use and hobby farming. Agriculture transactions were limited by this type of activity, along with the expansion of potash mining in the area. Moreover, dairy farm expansions in this area were limited as a result of the lack of available production quota.

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### **Newfoundland and Labrador**

Newfoundland and Labrador farmland values remained unchanged during the first half of 2012. Values showed no change in the previous three reporting periods. Farmland values have remained stable or increased since 1993.

While there was no evidence of arm's length sales in both the eastern and western area of Newfoundland, the Department of Natural Resources continued to purchase land with agriculture potential through the Land Consolidation Program, which aims at leasing these parcels back to active farming operations. Reportedly, the prices paid for this land by the government of Newfoundland and Labrador are above usual market prices for typical farmland.

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### **Nova Scotia**

Nova Scotia farmland values increased an average of 2.8% in the first half of 2012. In the previous two reporting periods, values increased by 3.2% and 2.9%, respectively. Since 2001, farmland values in Nova Scotia have remained stable or have increased.

In the Antigonish area, the dairy farming community continued to see a transition to the next generation, a trend that began around five years ago, and has seen young farmers acquiring small parcels of forage land to complement existing operations. Along with the dairy farmers, land purchasers included hobby farmers and investors looking for sound returns.

The Kentville area saw farmland prices continue to increase, especially around Port Williams and the Town of

Kentville. Strong interest was shown for properties offered for sale, with primary purchasers coming from the broiler and dairy industries. Continued low interest rates, strong commodity prices and a stable supply-managed sector contributed to increased demand for farmland.

Land on the market sold quickly in the Colchester/East Hants area, with ongoing demand from hobby farmers and Halifax commuters. With the new shipbuilding program announced, there has been growing optimism that could impact real estate in general.

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## **Ontario**

Farmland values in Ontario increased 16.3% in the first half of 2012, the largest increase in Canada. In the two previous reporting periods, values had increased by 7.2% and 6.6%.

The average monthly increase was 2.0% in the last twelve months. Farmland values in Ontario have been rising since 1993 and this is the highest increase seen since 1996.

In several areas of the province, demand for farmland outweighed the available supply, creating a highly competitive market. With multiple bids often being placed on the same property, it set the stage for a seller's market.

Some areas of the province saw an unprecedented number of sales, with southwestern, central and eastern Ontario experiencing the highest increases in land values.

Demand for land remained high from dairy producers and large intensive livestock operations. In the southern half of the province, the continued interest in prime vegetable land spurred some farmers to sell their land instead of seeking rental income. Landlords province-wide, are considering selling land due to the increased demand and escalating prices. This increased supply of land for sale could eventually help stabilize the market.

Northern Ontario saw the least activity in the first half of 2012. The migration of dairy producers and cash crop operations to the north leveled, lessening demand and holding prices relatively stable.

The impact of the drought in Eastern Canada this past summer will be monitored in future reports, and could certainly play a role in the farmland market.

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## **Prince Edward Island**

Prince Edward Island farmland values increased an average of 3.1% in the first half of 2012. In the second half of 2011, values had increased by 1.5%, while the first half of 2011 saw no change.

Farmland values have remained stable or increased in Prince Edward Island during every reporting period since the last half of 2009.

Land values continued to climb in the Summerside area, with the largest demand for land occurring in the potato industry. Good quality land within a 20 km radius of processing plants generally saw a very high demand. Other crops, including high moisture corn, soybeans and canola put additional pressure on the demand for land, leading to an overall increase in farmland values.

In the Charlottetown area, obtaining good quality farmland remained a challenge for many farmers. Commodity prices remained high, triggering optimism and prompting some producers to search for additional land. New purchasers also entered the market, buying larger farm holdings. The major investors remained those from the dairy industry, potato growers, hobby farmers and some land investors.

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## **Quebec**

Quebec farmland values increased an average of 6.7% in the first half of 2012, following gains of 4.3% and 4.4% in the previous two reporting periods.

Farmland values in Quebec have remained stable or increased since FCC began reporting them in 1984. Quebec is the only province that has not experienced a decrease in its average farmland values in that time.

During this reporting period, demand for farmland remained strong and increases were observed across the province. In previous reports, the increases were more concentrated in the southwest part of the province and between Quebec City and the Ontario border.

The most important increases were observed in the cash crop sector, as confirmed by transactions for land parcels of all sizes. Major increases were also seen in regions where the sales activity was lower in previous reports, such as in Chaudière-Appalaches including Lévis, Beauce and Bellechasse areas, despite challenges facing the pork industry which is prominent in this area.

Higher grain prices, mainly for soybeans and corn, strong demand, and low interest rates factored into the increases.

All areas located within a 100 km radius of Montreal present the best conditions to grow crops such as soybeans and corn, which just reached historical crops in terms of volume and quality in the province. The influence of this factor on the marketplace will be monitored in the next report.

The impact of the drought in Eastern Canada this past summer will also be monitored in future reports, which could certainly play a role in the farmland market in the northwestern area of Quebec.

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## **Saskatchewan**

In the first half of 2012, farmland values in Saskatchewan increased an average of 9.1%. This followed gains of 10.1% and 11.6% in the two previous reporting periods, continuing a trend of price increases that began in 2002.

Strong commodity prices, coupled with a positive harvest outlook, led to an increased demand for land and higher land prices throughout the majority of the province.

The overall optimism in the marketplace, along with low interest rates, had some farmers looking to expand and renters approaching landlords to purchase land before it sold to someone else. Other farmers considered selling their land to take advantage of the highest prices in recent history.

While there was strong demand in most of the province, areas in the southeast that were affected by flooding in 2010 and 2011 did not see significant activity in sales, and therefore saw little change in land value.

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