2014

Farmland Values Report

This report covers the period from January 1 to December 31, 2014.
For more information: 1-888-332-3301 or farmland-values@fcc-fac.ca

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Introduction

Farm Credit Canada (FCC) understands the value of having access to solid market-value information when making management decisions. That's why FCC compiles and releases the Farmland Values Report. It tracks and highlights average changes in farmland values provincially and nationally and provides one source of information to help producers manage risk and make wise business decisions.

Price is only one factor that must be considered when purchasing land. Other factors include the location, the timing of an expansion, and the individual's financial situation and personal goals. Producers should do additional homework such as ensuring that budgets have room to flex if land prices or trends shift. Market conditions and trends can change rapidly and this can impact values.

This report describes changes from January 1 to December 31, 2014.

Methodology

In 1985, FCC established a system with 245 benchmark farm properties to monitor variations in bare land values across Canada. These parcels represent the most prevalent classes of agriculture soil in each part of the country.

FCC appraisers estimate market value using recent comparable sales. These sales must be arm's-length transactions. Once sales are selected, they're 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 comparative national approach.

% Change in farmland values		
Provinces	**2014**	**2013**
Alta.	8.8%	12.9%
B.C.	4.2%	3.0%
Man.	12.2%	25.6%
N.B.	8.0%	7.2%
N.L.	0.0%	0.0%
N.S.	7.0%	1.9%
Ont.	12.4%	15.9%
P.E.I.	9.3%	4.4%
Que.	15.7%	24.7%
Sask.	18.7%	28.5%
Canada	14.3%	22.1%

National trend

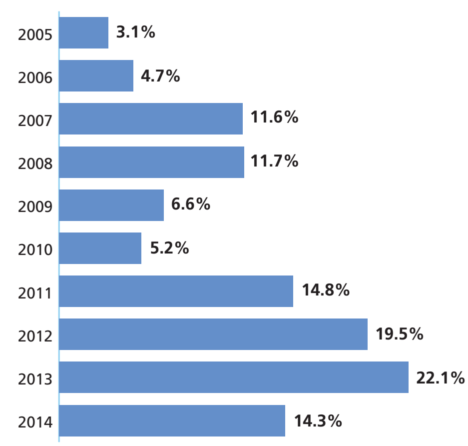
The average value of Canadian farmland increased 14.3% in 2014, following increases of 22.1% in 2013 and 19.5% in 2012. The overall average values have continued to increase in the country since 1993.

In all provinces, farmland values either increased or remained stable. Saskatchewan experienced the highest average increase at 18.7%, followed by Quebec at 15.7%, Ontario at 12.4% and Manitoba at 12.2%.

The average increase in Prince Edward Island was 9.3%, followed by Alberta at 8.8%. New Brunswick saw an increase of 8% and Nova Scotia saw average land values rise by 7%. British Columbia also saw values rise by 4.2% while Newfoundland and Labrador remained unchanged for the fourth year in a row.

Canada

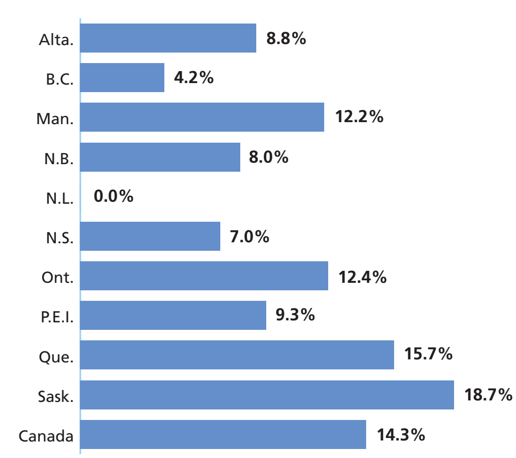
Annual % change in farmland values



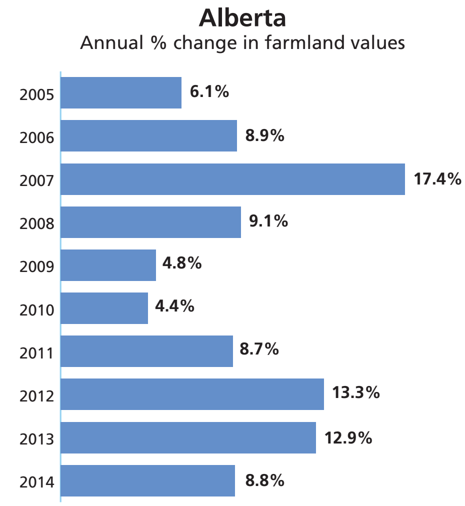
Provincial comparison of farmland values

Annual % change in farmland values

January 1 to December 31, 2014



Alberta



Alberta farmland values increased an average of 8.8% in 2014, following gains of 12.9% in 2013 and 13.3% in 2012. Values in the province have continued to climb since 1993.

The rapid growth of values in the Peace region has stabilized. Large grain producers in the Central Peace region continued to expand, but appeared to wait for smaller parcels closer to their main operation rather than aggressively purchasing in new markets. Dry conditions reduced the 2014 harvest for the majority of the Peace region, resulting in more cautious purchases.

The Edmonton area saw moderate growth with most demand coming from competition for available grain land. This was also experienced in areas with poorer soil quality due to increased demand from the beef sector.

In southern Alberta, demand for irrigated land remained strong, especially from specialty crop producers looking to expand contracts. Traditional crop producers sought to purchase irrigated land due to the higher commodity prices seen in the first half of 2014. Dry land producers also contributed to a steady demand for farmland due to higher commodity prices and general optimism in the area.

Strong beef prices have increased the demand for pasture in the more traditional beef areas throughout the province. This was especially prevalent in the central to northern east portions of the province.

British Columbia

British Columbia farmland values increased an average of 4.2% in 2014, following increases of 3% in 2013 and 0.1% in 2012.

In general, the market for land on Vancouver Island remained soft, with the exception of a slight increase in value for good quality farmland.

In the lower mainland, including the Fraser Valley, farmland values remained relatively stable despite the moderation in demand.

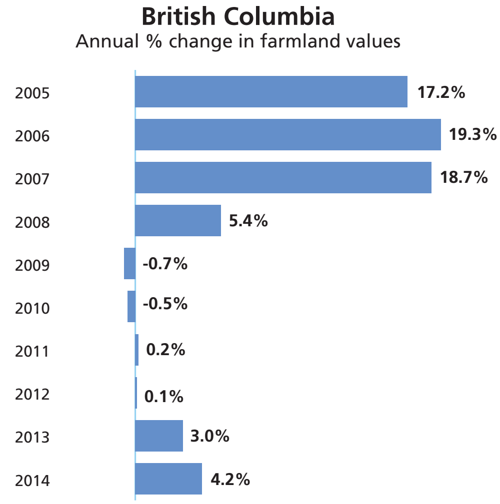
The South Okanagan market continued to see a significant number of listings, but few sales in some localized areas which is indicative of slower demand. Other areas saw limited numbers of properties being marketed for sale, but demand was high, which helped maintain land prices. Marketability and price appeared to be driven primarily by location and agriculture's potential for producing high demand crops.

The Kootenay area saw a more active market in 2014, which was primarily focused on smaller holdings. Demand for orchards continued to be low, with sale listings remaining on the market for extended periods.

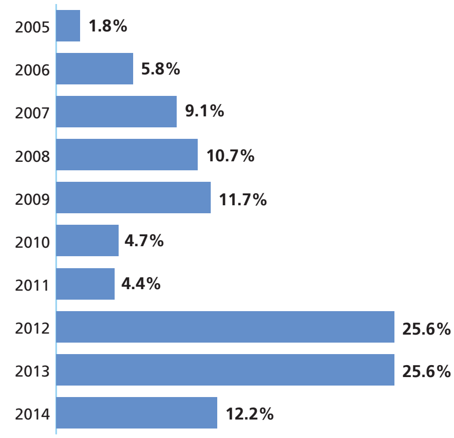
Prices in the Cariboo region of central B.C. stayed relatively stable in a slow farmland market. In a few localized areas there was increased demand for good quality land for intensive field crop production. This appeared to be influenced by an influx of buyers from other areas of B.C. where land prices were substantially higher.

The Northwest region of the province, including the Bulkley Valley, saw average demand in a reasonably active land market. Demand from beef operators and part-time farmers continued to be the main driver in this market.

The Peace River region continued to see values increase. Established local farmers looking to expand, and relocated and remote farmers looking for large farmland tracts, continued to compete for available farmland.



Manitoba



Manitoba farmland values increased an average of 12.2% in 2014 continuing a trend of yearly increases since 1992. In 2013, values increased 25.6% following an identical increase in 2012.

This rise in value occurred despite excess moisture, average to below average crop yields and quality across the province, and a decline in commodity prices. The increase was due to continued consolidation of farms and the majority of sales occurring in the early part of the year.

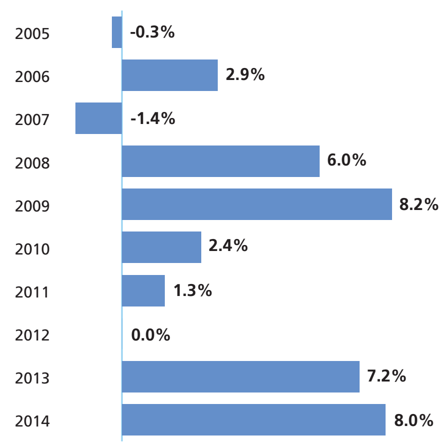
Western Manitoba saw varied crop yields and quality. Beef prices were strong, creating demand for pastureland. The oil producing areas also saw continued demand, despite excess moisture.

In the south central region, producers saw average to good yields in cereals, oilseeds and specialty crops, with the exception of winter wheat. Consolidation continued in this area, leading to some sales.

Demand for farmland remained strong in the eastern region despite the excess moisture in many areas. Yields were average to below average in the south and southeast and the quality of crops was generally below average. Consolidation also continued in this area.

The southern Interlake region saw average yields in the south and below average yields in the north, which was also affected by the excess moisture.

New Brunswick



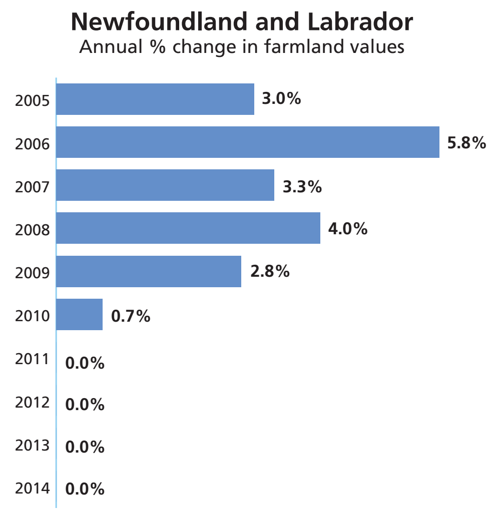
New Brunswick farmland values increased an average of 8% in 2014, following an increase of 7.2% in 2013 and no increase in 2012. This was the highest year-over-year increase in the province since 2009.

2014 was an active year, with numerous sales occurring and a general increase in the value of farmland. Potato farming continued to be the dominant regional farming activity, along with some dairy, beef and mixed farming operations.

Farmland was particularly attractive to potato production for processing operations looking to obtain more land to improve their crop rotation schedule, allowing potatoes to be planted in the same ground every three years.

Farmers in other sectors, including dairy, also showed some interest in purchasing land, but appeared to have more difficulty matching the price level that could be justified by potato producers. Potato land was in demand because of its tendency to create better soil for growing forage corn.

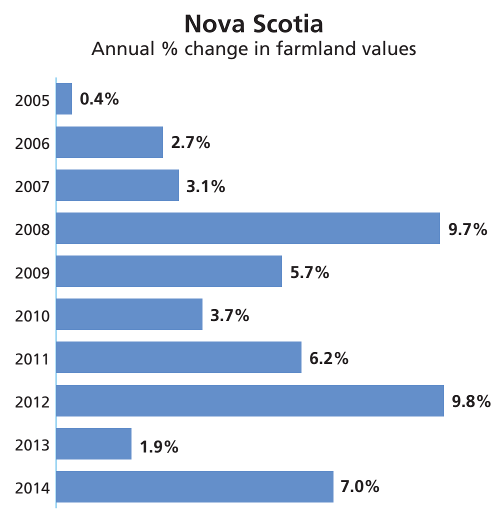
Newfoundland and Labrador



Average farmland values in Newfoundland and Labrador remained unchanged in 2014. This is the fourth straight year there has been no change in values.

The province's Department of Natural Resources continued its Land Consolidation Program. The program is designed to acquire land from non-farm landowners and retiring farmers and lease it to active farming operations to help maintain productive agricultural land. Transactions were limited and none supported a change in values.

Nova Scotia



Nova Scotia farmland values increased an average of 7% in 2014, following increases of 1.9% in 2013 and 9.8% in 2012. This increase continues a trend of rising prices that began in 2005.

Land prices continued to rise steadily throughout 2014 as dairy, poultry and livestock producers appeared to compete for farmland. Therefore, while the number of sales was low, the prices paid for land were noticeably higher even in locations less favourable for intensive agriculture.

In the Colchester region, dairy farmers sought nearby parcels for growing grain or forage. The region also saw interest in small acreages and part-time operations. Vegetable and dairy producers were quick to acquire good quality parcels if they became available.

Farmland sold quickly in the Kentville area. Most demand was from the poultry industry, vegetable producers, fruit orchard owners, and other cash crop growers. Price increases over the past several years continued, although 2014 saw less activity than in the past two years.

Demand for land remained high in the Antigonish region. This is predominately a dairy production area, with beef, blueberries, horses and mixed farming operations. High feed costs, along with the need for quality forage land, kept demand high. Rebounding beef prices also improved returns, providing additional incentive for that industry.

Ontario

Ontario farmland values increased an average of 12.4% in 2014, following gains of 15.9% in 2013 and 30.1% in 2012. Average farmland values in the province have continued to rise since 1988.

In several areas of the province, demand for farmland significantly outweighed the supply, creating competition for available land. This, coupled with low interest rates, appeared to have played a role in rising values.

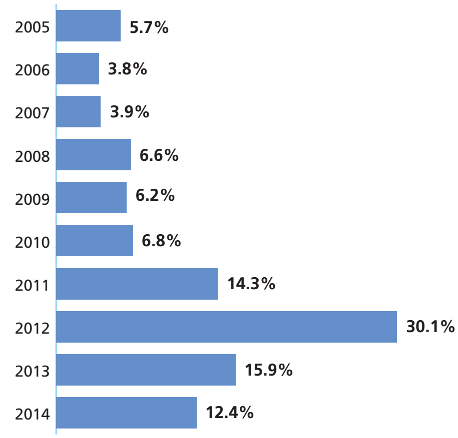
Demand came from many sectors, including large intensive livestock enterprises needing land for manure management and cropping requirements.

Non-agricultural buyers in southwestern Ontario continued to purchase farmland in select areas, creating greater overall competition for available land. Farmland in southern and central Ontario continued to be in high demand due to the availability of soil types that support high value crops.

Producers in eastern Ontario continued to expand, purchasing land in the immediate area and in neighbouring locations. Northern and eastern regions also saw prices rise as buyers from high-priced areas in southern and southwestern areas moved north in search of lower-priced land. Markets in the north appeared to be dominated by a small number of buyers who acquired land, contributing to the increase in price.

However, while most areas saw moderate to significant increases, there were some that saw slight declines or no change in value. Sales in the province were accomplished through a mix of transactions including real estate brokered, property auction and land sold through the tendering process.

Ontario
Annual % change in farmland values



Prince Edward Island

Farmland values in Prince Edward Island increased an average of 9.3% in 2014, the highest increase the province has seen since 1999. In 2013, values increased by 4.4% and in 2012, they increased by 9%.

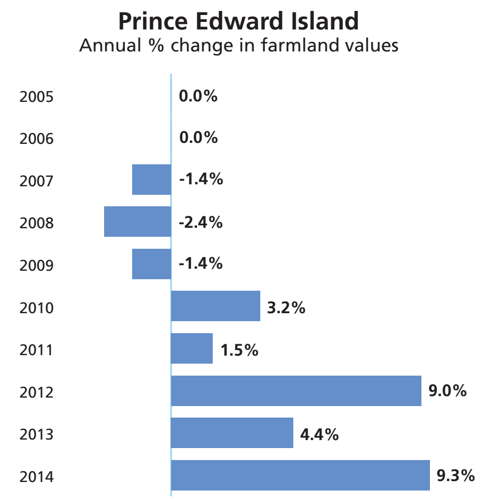
Despite the closure of an important potato processing plant, demand for land remained strong in 2014.

Many purchases included large sections of excellent quality potato land. Other purchases occurred when farmland owners chose to sell land they had previously been renting out; in these situations, competition tended to be very high.

Prince County saw a high number of farmland sales. While most of the higher-priced activity was within the Summerside and West Prince areas, locations with less intensive production also saw strong sales.

Farmland purchases in the Charlottetown area continued on a steady trend throughout 2014 with land close to the city limits demanding high prices. Crop producers acquired bare land parcels, while some non-farmers bought smaller farm acreages.

As well, a few farmers bought land while relocating to P.E.I., possibly due to lower land prices relative to some other locations in Canada.



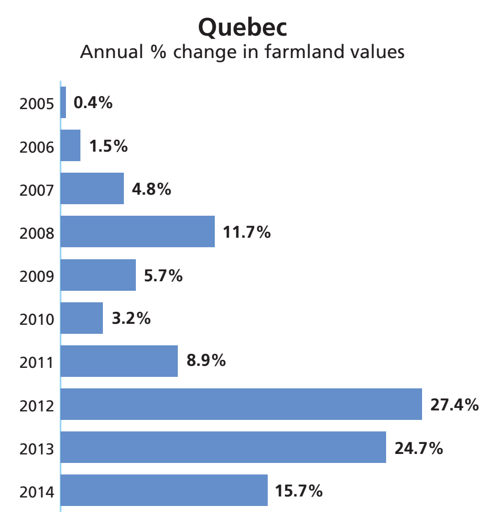
Quebec

Quebec farmland values increased an average of 15.7% in 2014, the second highest increase of all provinces. This followed increases of 24.7% in 2013 and 27.4% in 2012. Quebec has seen land prices rise every year since 1986.

In many regions of the province, the available supply of land was exceeded by demand, triggering higher prices for available farmland and creating a favourable environment for sellers. Historically low interest rates and the steady increase in land values may have contributed to continuing demand for agricultural land throughout Quebec.

As in recent years, land in Montérégie, Lanaudière and Centre-du-Québec continued to command high prices. However, in 2014, values rose throughout the entire province. Lower prices for corn and soybeans did not appear to deter producers from purchasing land in many regions.

While the presence of non-traditional buyers did contribute to the demand for farmland in certain areas, farmers purchased the great majority of farmland in 2014.



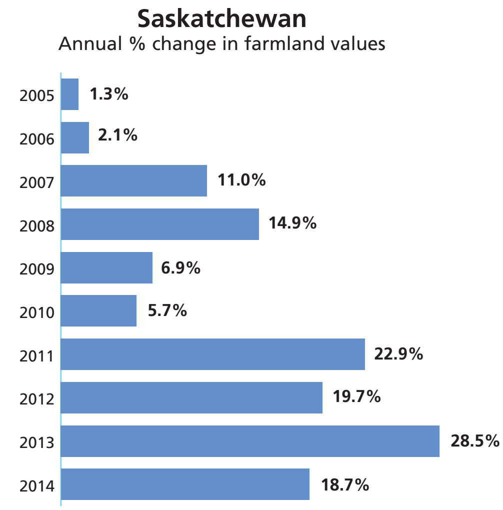
Saskatchewan

Saskatchewan farmland values increased an average of 18.7% in 2014, the second year in a row the province showed the highest increase in the country. In 2013, average values increased by 28.5% following a rise of 19.7% in 2012. Values have continued to rise in Saskatchewan since 2002.

While it appears the majority of the sales volume occurred during the early part of the year, there was continued activity that contributed to the overall annual increase in the latter part of the year.

Demand continued to be strong in areas where large producers were looking to expand and younger farmers continued to grow. There was continued interest from out-of-province buyers looking for productive land and land that also offered resource revenue. It appears low interest rates and all-time high rental rates increased the appetite to buy rather than rent.

Although average land values increased provincially, this did not occur in all areas. There were scattered pockets of the province where land prices appear to have stabilized, with minimal increases in value.



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