2015

Farmland Values Report

This report covers the period from January 1 to December 31, 2015.
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, 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, 2015.

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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 across provinces and even regions within the provinces. Because of this, 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	**2015**	**2014**
B.C.	6.5%	4.2%
Alta.	11.6%	8.8%
Sask.	9.4%	18.7%
Man.	12.4%	12.2%
Ont.	6.6%	12.4%
Que.	9.6%	15.7%
N.B.	4.6%	8.0%
N.S.	6.3%	7.0%
P.E.I.	8.5%	9.3%
N.L.	7.7%	0.0%
Canada	10.1%	14.3%

National trend

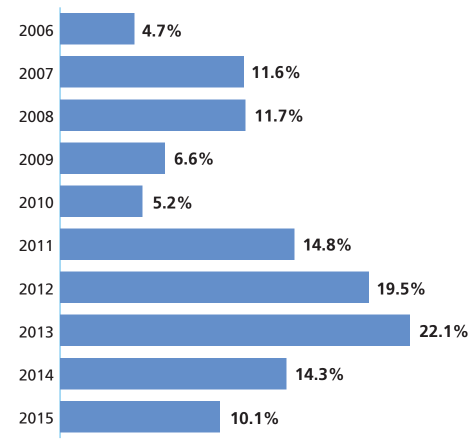
The average value of Canadian farmland increased 10.1% in 2015, following gains of 14.3% in 2014 and 22.1% in 2013. Overall, the average national values have continued to rise since 1993.

In all provinces, farmland values increased. Manitoba experienced the highest average increase at 12.4%, followed by Alberta at 11.6%, Quebec at 9.6% and Saskatchewan at 9.4%.

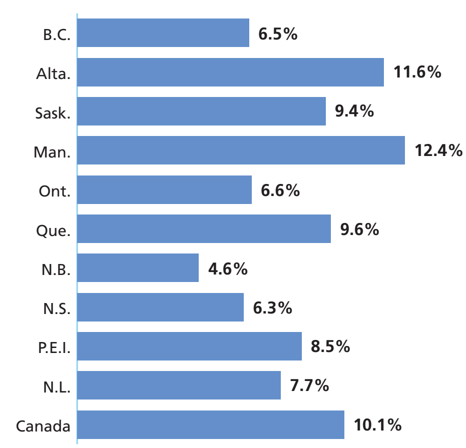
The average increase in Prince Edward Island was 8.5%, followed by Newfoundland and Labrador at 7.7%. Ontario saw an increase of 6.6% and British Columbia saw average land values rise by 6.5%. Nova Scotia saw values rise by 6.3%, followed by New Brunswick at 4.6%.

When looking at the national results, it is important to remember the reported number is an average. This year in particular, the differences between regions within each province varied a lot. Therefore, despite an increase in average results, farmland values have not appreciated everywhere.

Canada
Annual % change in farmland values



Provincial comparison of farmland values
Annual % change in farmland values
January 1 to December 31, 2015



British Columbia

The average value of British Columbia farmland increased 6.5% in 2015, following gains of 4.2% in 2014 and 3% in 2013. Values in the province have continued to climb since 2011.

Vancouver Island experienced increased demand in 2015, with fewer properties being on the market for extended periods of time. These conditions resulted in a slight increase in land value, though not as significant as may have been anticipated.

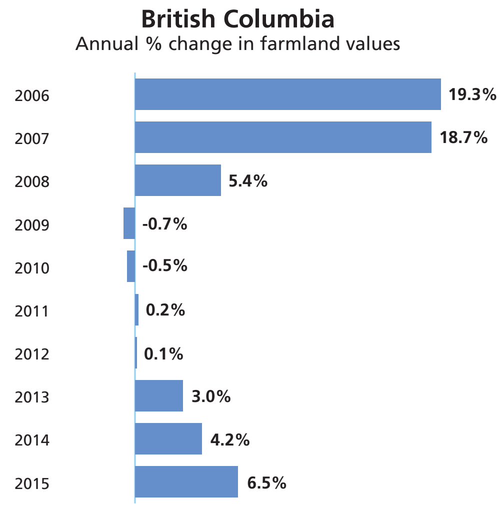
The lower mainland, including the Fraser Valley, experienced increased market activity, which caused farmland values to move up slightly. Large parcels of land continued to be in high demand as there are generally few of these available at any given time.

The south Okanagan saw a strong market driving a modest increase in values in some sectors, including an increase for properties growing high demand cherry varieties.

Similar to the previous year, the Kootenay area saw an increase in market activity, which translated to an increase in land values. One of the reasons for increased activity was the growing interest shown by producers from other higher priced marketplaces.

Conversely, the Cariboo region of central B.C. and the northwest region, including the Bulkley Valley, experienced limited market activity with minimal changes in land values.

The Peace River region saw average sale prices for the year, despite a limited inventory of good quality farmland and properties being on the market for a shorter period. These parcels of land often sell privately to local producers.



Alberta

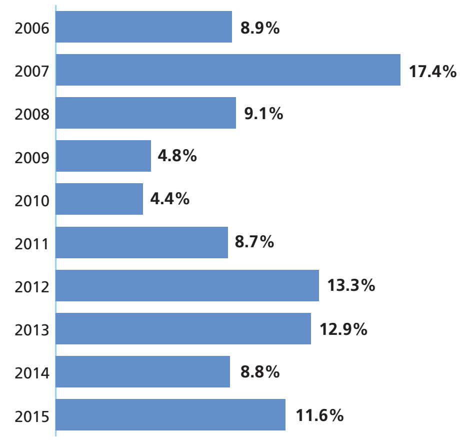
The average value of Alberta farmland increased 11.6% in 2015, following gains of 8.8% in 2014 and 12.9% in 2013. Values in the province have continued to climb since 1993.

The majority of the province experienced a steady increase in farmland values throughout the year. The continued positive outlook on agriculture resulted in many producers purchasing land for expansion or to support succession planning. Agricultural land price increases were observed in northern, eastern and southern portions of the province, largely due to strong pulse crop prices.

Continued strength in beef prices resulted in increased demand for land used for grazing in cattle producing areas as well.

There were localized areas that started to reflect the impact of the downturn in the resource sector or appeared to have reached the point where the demand for cultivated land lessened.

Alberta
Annual % change in farmland values



Saskatchewan

The average value of Saskatchewan farmland increased 9.4% in 2015, following gains of 18.7% in 2014 and 28.5% in 2013. Values in the province have continued to rise since 2002.

While many areas of the province saw price increases, land prices in almost half of the province remained stable or even decreased slightly. The greatest increase in values was seen in areas where pulses, specifically lentils, can be grown.

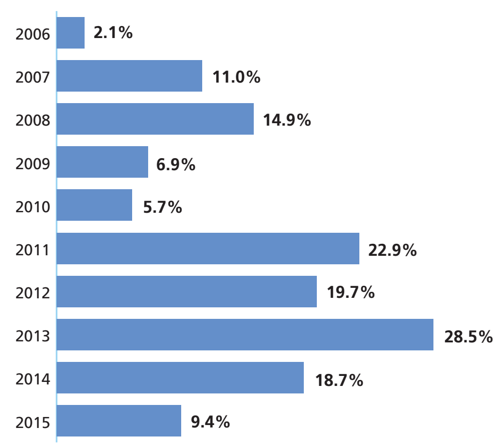
There was limited land available on the market, which resulted in a high demand in areas where existing farms were either expanding or enabling the next generation through succession planning.

While land located in the urban fringe also continued to see increased demand and values, the downturn in oil and gas has reduced off-farm income, which has impacted the demand for land in the southeast.

Lower commodity prices (excluding pulse crops), late spring frosts resulting in reseeding, delayed rainfall during the growing season, and subsequent rainfall during harvest negatively impacted demand in many areas of the province as well.

Saskatchewan continued to have strong demand in specific regions while other regions have stabilized.

Saskatchewan
Annual % change in farmland values



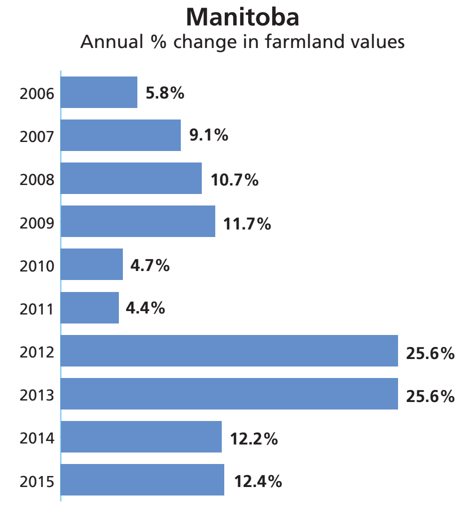
Manitoba

The average value of Manitoba farmland increased 12.4% in 2015, which was the highest provincial increase. The province saw values increase by 12.2% in 2014 and 25.6% in 2013, continuing a trend of climbing values since 1992.

Crop production land was purchased mainly by local producers expanding their farming operations as the next generation enters the industry. The majority of the province experienced normal to good yields along with average commodity prices, which supported the increase in farmland values.

Southeast Manitoba saw many livestock producers expanding and purchasing cultivated land and additional land to facilitate manure management.

While the slump in the oil industry has not yet affected land prices in the southwest of the province, market activity was quiet and limited to primarily estate sales.



Ontario

The average value of Ontario farmland increased 6.6% in 2015, following gains of 12.4% in 2014 and 15.9% in 2013. Values in the province have continued to rise since 1988.

The provincial average does not reflect all areas of Ontario. Some regions continued to see significant increases, some experienced greater price stability and in a few areas, values decreased.

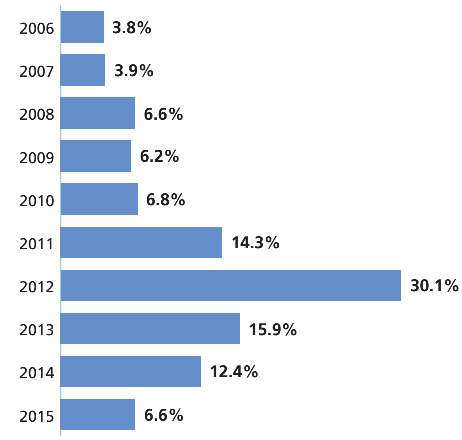
The most significant increases were observed in Haldimand, Kent, Oxford, Stormont and Prince Edward counties. However, producers who wanted to expand their operations were showing more patience. Properties remained listed longer than a year ago, when sales occurred prior to the properties even being listed. This change in behaviour contributed to some decreases but also greater stability in many areas.

In northern Ontario, demand was primarily for large acreages and existing dairy operations. Buyers included southern Ontario farmers looking to purchase cash crop land or local dairy farmers wanting to expand their operations.

Producers in eastern Ontario continued to expand, which contributed to an increase in land values in that region.

Land values were also pushed higher as a result of expanding transportation infrastructure around the greater Toronto area.

Ontario
Annual % change in farmland values



Quebec

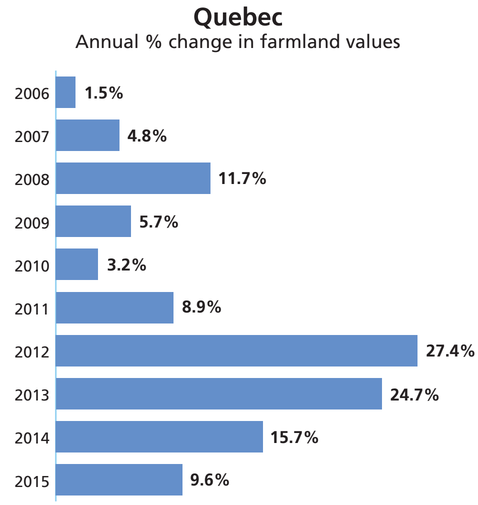
The average value of Quebec farmland increased 9.6% in 2015, following gains of 15.7% in 2014 and 24.7% in 2013. Values in the province have continued to rise since 1986.

In some regions of the province, the available supply of land was exceeded by demand, triggering higher prices and creating a favourable environment for sellers.

In other regions, there was less activity and farmland values remained stable or increased marginally.

The most sustained demand for land was observed in the regions of Montérégie, Lanaudière, Basses-Laurentides and Centre-du-Québec, which continued to garner high prices.

The presence of non-traditional buyers contributed to the demand for farmland in certain areas, mainly in regions where farmland was sold at a lower price. However, farmers remained the main buyers of farmland in 2015, particularly crop producers and those operating in a supply managed sector.

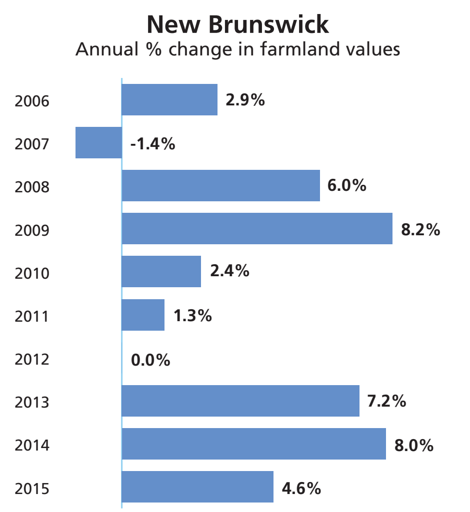


New Brunswick

The average value of New Brunswick farmland increased 4.6% in 2015, following gains of 8% in 2014 and 7.2% in 2013. Values in the province have continued to rise since 2008.

In the potato belt region of west-central New Brunswick, and also in the southeast dairy region, cultivated land increased in value while the northwestern potato belt decreased in value. Premium land parcels in the southeast region attracted high competition and premium prices. Another contributing factor for the increase was farming enterprises purchasing additional land in order to increase feed production and become more self-sufficient.

In the northwest region, the decreases were observed in sales of marginal farmland and parcels that are more difficult to work.



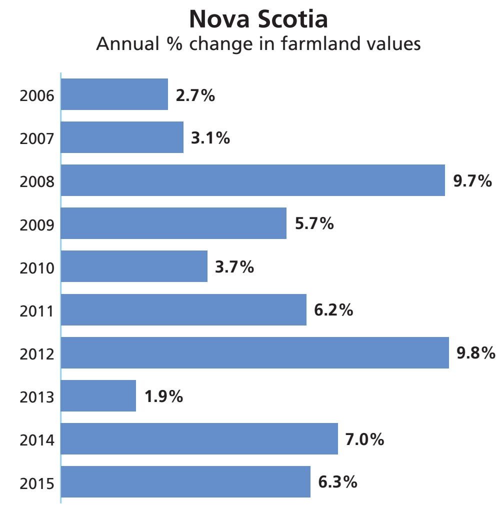
Nova Scotia

The average value of Nova Scotia farmland increased 6.3% in 2015, following gains of 7% in 2014 and 1.9% in 2013. Values in the province have continued to rise since 2005.

Increased land values were noted in all regions of Nova Scotia in 2015. However, significant upward pressure was seen in the western region of the province where a greater diversity of agriculture is practised.

Land value increases were seen for all types of agricultural land, including those related to production of poultry, dairy, vineyards and vegetable production, as well as lifestyle farms. Competition for this land remained high and parcels did not stay on the market for long, as interested parties were often bidding for the same property.

Purchasers ranged from existing farmers wishing to expand their operations, increase their feed production, or spread manure, to retirees wanting to move back to their home communities and establish lifestyle farms.



Prince Edward Island

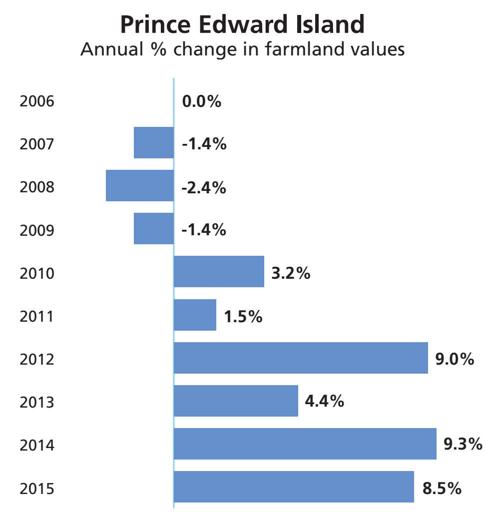
The average value of Prince Edward Island farmland increased 8.5% in 2015, following gains of 9.3% in 2014 and 4.4% in 2013. Values in the province have continued to rise since 2010.

Cultivated land increased in value in all areas of the province. The main reason for the increases was farming enterprises wanting to gain additional acres in order to supplement crop rotation cycles and for additional feed production.

The large amount of land sold, and the prices obtained for it, placed continued pressure on farmland values. Even land located in marginal or outlying areas and parcels which were difficult to work or had an inferior soil type increased in value.

Premium land attracted high competition and premium prices. Farming enterprises actively seeking to expand their land holdings in order to complement their rotation practices became willing and eager to pay higher prices in order to obtain parcels that are closer to the home farm.

In some instances, farm operators from other provinces sold their farm holdings in their home province, and acquired whole farming units in P.E.I. in order to take advantage of less expensive land prices.

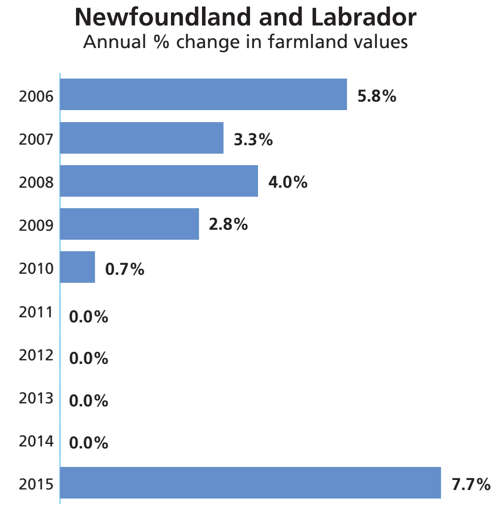


Newfoundland and Labrador

The average value of Newfoundland and Labrador farmland increased 7.7% in 2015, after four years without change. This is the first increase in farmland values since 2010.

One contributing factor for this change was farming enterprises seeking to purchase additional land in order to increase feed production and become more self-sufficient, as opposed to continuing to purchase feed from the Maritime provinces. Premium land in favourable locations attracted high competition and premium prices.

Even with the scarcity of sales not under the Agriculture Land Consolidation Program, an increase in land values was noted. The prices generated for the small number of land parcels sold throughout the island indicated an increase in farmland values.



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