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# Fall 2005 Farmland Values

*(Comments refer to information gathered between January 1 and June 30, 2005.)*

Welcome to Farm Credit Canada's fall 2005 Farmland Values Report. Farm Credit Canada (FCC) is the leading business and financial services provider to agriculture in Canada.

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## Introduction

As Canada's leading business and financial services provider to agriculture, 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. It 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 contains 10 years of trend information within an attached graph.

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## 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.

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### National Trend

The value of farmland across Canada increased 1.6 per cent during the first six months of 2005. This is a slight decrease from the 2.2 per cent noted in the last six months of 2004.

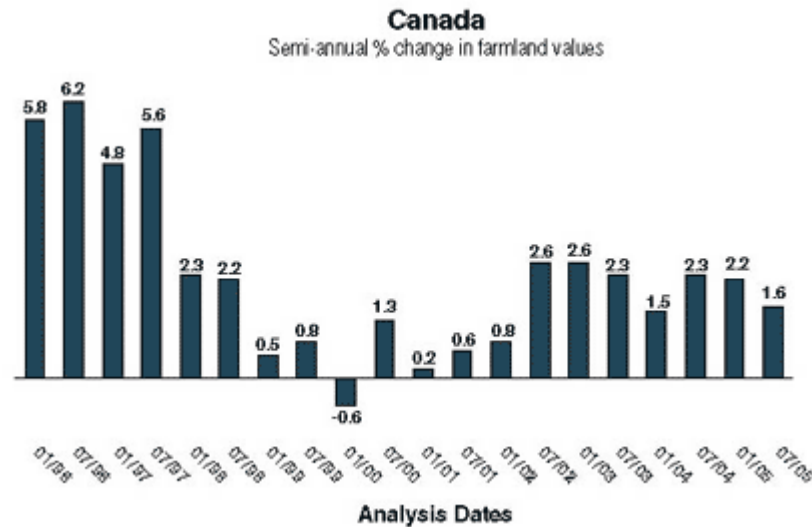
The increase is on par with the upward trend that has continued since January 2000. Rising land values generally indicate strength in the agriculture industry.

The largest increase in farmland values is in British Columbia where values grew 6.5 per cent. Alberta follows at 3.2 per cent.

Nova Scotia values show an increase of 0.4 per cent.

Values in Saskatchewan, Quebec and Nova Scotia show an increase although below the national average.

Ontario and Manitoba show an increase similar to the national average at 1.8 per cent and 1.6 per cent respectively. There is no increase or decrease in Prince Edward Island, Newfoundland and Labrador.

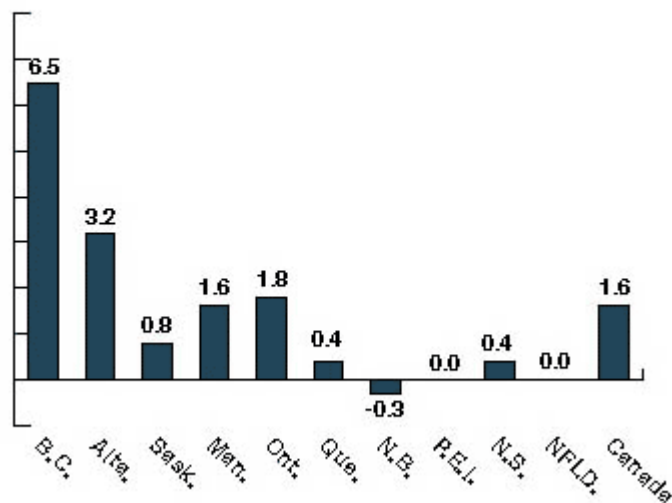


July 2002 – Jan. 2003	2.6%
Jan. 2003 – July 2003	2.3%
July 2003 – Jan. 2004	1.5%
Jan. 2004 – July 2004	2.3%
July 2004 – Jan. 2005	2.2%
Jan. 2005 – July 2005	1.6%

## Provincial comparison of farmland values

Semi-annual % change in farmland values

January 1, 2005 to July 1, 2005



% Change in Farmland Values		
Provinces	Second half of 2004	First half of 2005
B.C.	5.0%	6.5%
Alta.	4.4%	3.2%
Sask.	0.8%	0.8%
Man.	2.4%	1.6%
Ont.	3.0%	1.8%
Que.	1.8%	0.4%
N.B.	(0.3)%	(0.3)%
P.E.I.	No change	No change
N.S.	No change	0.4%
Nfld.	3.8%	No change
Canada	2.2%	1.6%

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### British Columbia

The B.C. farmland market shows the biggest increase in Canada at 6.5 per cent. Farmland values have shown a positive trend over the last seven periods, with the largest increase in the last six months. The B.C. market has a number of distinct markets with unique factors affecting each area.

Land values continue to increase in the lower mainland on a broad base due to optimism fueled by high demand for properties and anticipation of continued demand for real estate.

On Vancouver Island, the continued migration of retirees into this area has pressured the market for residential development driving up the cost of land suitable for any purpose. Although agricultural land remains protected, the rising cost of other land carries over to agriculture.

Areas of the Okanagan Valley suitable for orchard and vineyards are increasing in value as buyers from outside the area appear to be adding competition to the market.

Areas of the B.C. Interior involving woodlot, forestry and livestock production are showing less optimism with generally stable prices.

In the B.C. Peace River area farmland values have been mostly stable with continued increases closer to town due to urban influence and significant income from the resource sector.

[View graph](#) of provincial Farmland Values trends for the past 10 years.

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## Alberta

Land values generally continue to rise throughout most of Alberta at a rate of 3.2 per cent however the rate of increase is less than the previous period of 4.4 per cent. Land auctions have been strong over the past few months showing good demand for land.

The spin-off from a strong employment picture in the oil and gas industry, and in the general economy, continues to affect farmland surrounding these areas. Generally the surface lease revenue from exploration activity is considered positive from a cash flow point and some potential purchasers put significant importance on this item in their overall decision to purchase land.

Irrigated land in southern Alberta shows a modest increase overall. Relatively good moisture conditions throughout the province have lead to predictions of an above-average crop.

During the period, BSE remained a concern in the livestock and related industries. This report does not measure trends in non-cultivated pastureland which may be most affected.

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## Saskatchewan

The increase in Saskatchewan continues to be modest at 0.8 per cent, the same increase as in the last period. An early frost damaged many crops in Saskatchewan last year. This resulted in cash flow challenges compounded by low commodity prices and increasing input costs.

There are pockets of strong demand as farmers expand and take advantage of economies of scale. Other areas are seeing limited trading as owners feel the long-term trend is upward and are reluctant to accept less than previous prices.

A cautious attitude prevails with the hope of an above average crop ahead.

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## Manitoba

Manitoba shows an increase of 1.6 per cent for the period. This increase is in line with the national average but less than the last increase of 2.4 per cent. Many areas have no significant change in land prices with a few areas of strong competition showing increases. No areas have decreased in land values.

Grain-growing areas remain concerned with weak commodity prices and increasing costs for inputs such as seed and fertilizer. Extremely wet conditions at the time of spring seeding have affected many areas except the northwest corner of the province. The main impact of this situation remains undetermined and will form part of the factors affecting land values in the next report.

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## Ontario

Changes in land values across Ontario vary over the first six months of 2005. Overall, the province showed an increase of 1.75 per cent, less than the 3.0 per cent recorded for the last half of 2004. Northern Ontario land values were unchanged.

Eastern Ontario shows stronger prices driven by pressures from the urban housing market, particularly within commuting range of Ottawa. This phenomenon is partially responsible for price increases in the shadow of the Golden Horseshoe area both in Niagara Region and Simcoe County. It is premature to assess any impact of the greenbelt legislation that came into effect in February 2005.

Markets were unchanged elsewhere in Ontario with a few exceptions. Vegetable land in the southwest is in demand. The acquisition of land for manure disposal seems to have lost its ability to pressure land prices upwards, however there are still rare sales which seem unreasonably strong.

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## Québec

Land values in Québec were relatively steady during the first quarter of 2005, experiencing an increase of 0.4 per cent, compared to a 1.8 per cent increase during the previous quarter.

In general, there are no major differences in land price trends for outlying and central areas.

Pressure from residential land prices is significant along the urban fringe. We are currently witnessing land sales to non-farmers, a situation that impacts property values in these areas.

In all areas with a strong agricultural base, values remained steady. There is still demand from farmers who want to comply with environmental standards. However, current profitability difficulties have slowed land value increases.

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## **New Brunswick**

Land values remain unchanged in the majority of the province, with the exception of the potato growing sectors in the northern regions of the St. John River Valley.

There is a continued weakening demand for land in Madawaska County-similar to the previous six-month period where crop quality problems and lower than normal potato prices contributed to a drop in demand for cultivated land and the resulting reduction in land values.

The Sussex and Woodstock areas have stable land prices over the past six months, with no change in values to report. The farms that have invested in increased land holdings were able to do so without bidding up land prices.

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## **Prince Edward Island**

Land values remain unchanged over the past six months due to factors such as low potato prices, high input costs, and difficulties in the cattle industry related to BSE. Lower net incomes have resulted in fewer land sales. This trend is a continuation from past periods where the high cost of land and less residual income has resulted in lower than usual market activity.

Despite this fact, values have not dropped. There is more urban growth pressure on land within commuting distance of major centers, which offsets the lower demand from farm producers.

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## **Nova Scotia**

Nova Scotia farmland values rose slightly - a 0.4 per cent increase in the first six months of 2005. The Antigonish area, where most farms are dairy operations, continues to show a steady level of activity and lead the increase. Many local producers purchase good quality land as it becomes available.

In the Truro to Shubenacadie corridor the value of land did not change. Values remain strong and many farms look to purchase nearby tracts of land to improve their crop programs.

The Annapolis Valley area has steady demand for land but no changes in land values. Province-wide, the land sales activity remains strong, however there was no significant increase in prices during this period.

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## Newfoundland and Labrador

Newfoundland and Labrador farmland values remain unchanged for the past six months, reflecting a stable market. Values increased by 3.8 per cent in the previous period. The farm real estate market was relatively quiet, with fewer than normal sales.

Agricultural land in the eastern section-the Avalon Peninsula-continues to be under pressure for urban development, in particular where it is within commuting distance to the provincial capital.

Dairy producers are the major purchasers of land in the West Island or Deer Lake area, mainly for forage production. The demand appears to be adequately met by the available supply and this equilibrium indicates no change in price.

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If you have questions about trends in your area, we would be pleased to talk with you.

In Atlantic Canada, call Patrick Doohan (bilingual) at (902) 432-6523.  
In Quebec, call Michel Rousseau (bilingual) at (418) 648-7613.  
In Ontario, call Tom Nolan (bilingual) at (519) 826-2033.  
In Western Canada, call Roy Hjelte (English) at (306) 780-3489 or Mireille Bilodeau VongPhit (bilingual) at (306) 780-8630.

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