

2013

Farmland Values Report

This report covers the period from January 1 to December 31, 2013.
For more information: 1-888-332-3301 or farmland-values@fcc-fac.ca

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Introduction

FCC is Canada's leading agriculture lender, with a healthy portfolio of more than \$26 billion and 20 consecutive years of portfolio growth. FCC is strong and stable – committed to serving the industry through all cycles, and to being socially and environmentally responsible. FCC provides financing, insurance, software, learning programs and other business services to producers, agribusinesses and agri-food operations. Employees understand agriculture and are committed to the success of customers and the industry. With FCC in the market, producers benefit, agriculture benefits, rural Canada benefits and so do all Canadians. For more information, visit fcc.ca.

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 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, which may affect the value ranges in this report.

This report describes changes from January 1 to December 31, 2013.

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Methodology

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

National trend

The average value of Canadian farmland increased 22.1% in 2013, with the majority of this increase occurring in the first half of the year. This is the highest national increase since FCC began reporting on farmland values in 1985. The second highest increase was 19.5% in 2012.

In all provinces, farmland values either increased or remained stable. Saskatchewan experienced the highest average increase at 28.5%, followed by Manitoba at 25.6% and Quebec at 24.7%.

Ontario and Alberta experienced average increases of 15.9% and 12.9%, respectively. They were followed by New Brunswick at 7.2%, Prince Edward Island at 4.4%, British Columbia at 3.0% and Nova Scotia at 1.9%.

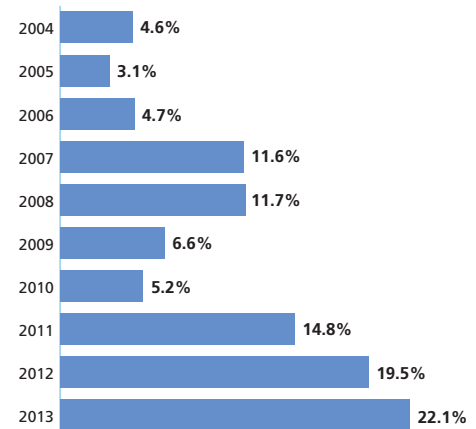
Average farmland values were unchanged in Newfoundland and Labrador.

The average value of Canadian farmland last decreased in 1992 when it dropped by 2.1%.

% Change in farmland values

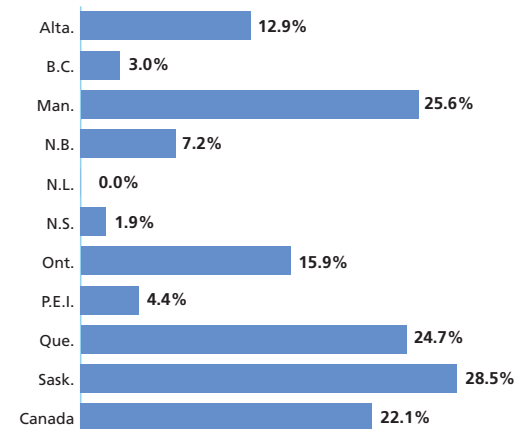
Provinces	2013	2012
Alta.	12.9%	13.3%
B.C.	3.0%	0.1%
Man.	25.6%	25.6%
N.B.	7.2%	0.0%
N.L.	0.0%	0.0%
N.S.	1.9%	9.8%
Ont.	15.9%	30.1%
P.E.I.	4.4%	9.0%
Que.	24.7%	27.4%
Sask.	28.5%	19.7%
Canada	22.1%	19.5%

Canada Annual % change in farmland values



Provincial comparison of farmland values

Annual % change in farmland values
January 1 to December 31, 2013



Alberta

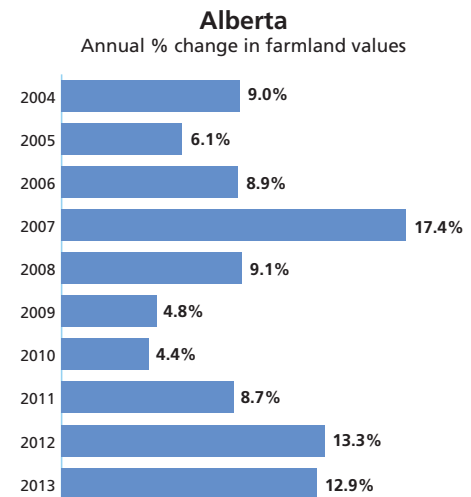
Alberta farmland values increased an average of 12.9% in 2013, following gains of 13.3% in 2012 and 8.7% in 2011. Much of this increase occurred in the first half of the year. Values have continued to rise in the province since 1993.

The strong agricultural commodity prices in the first half of the year along with increased oilfield activity spurred confidence in the economy. Land prices either increased or remained steady throughout most of the province. Location and availability were the main price drivers.

Competition for land caused prices to increase along the Highway 2 corridor, particularly for agricultural holdings. This reflected continued optimism in agriculture.

Southern Alberta continued to see high demand for irrigated land from specialty crop producers looking to secure contracts and traditional crop producers seeking irrigated land for production. Demand from producers looking to expand their land bases to increase efficiencies also drove up farmland values.

Overall, farmland values increased in northern Alberta. Several larger farm operations consolidated their land bases.



British Columbia

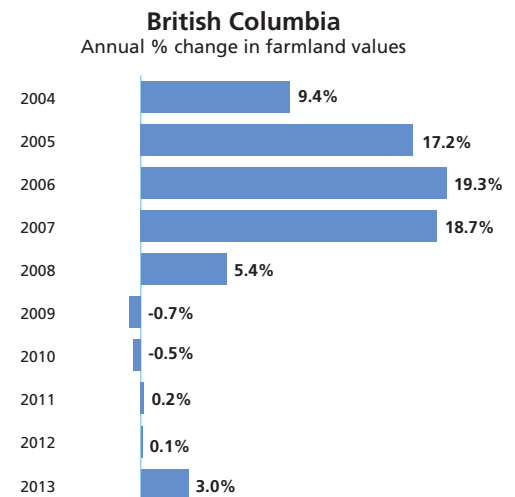
British Columbia farmland values increased an average of 3.0% in 2013, following increases of 0.1% in 2012 and 0.2% in 2011.

Vancouver Island saw limited demand for farmland. Properties stayed on the market for an extended period with buyers showing little interest.

In the lower mainland, the volume of farmland sold remained average, but the values of the land increased slightly. Demand came from all agricultural sectors, as well as new entrants seeking rural properties.

The Peace River region saw a stable to slight increase in farmland values, as did the Bulkley Valley. The active resource sector continued to provide off-farm income, supporting demand for rural properties located close to urban centres. Established farmers wanting to expand quickly purchased the limited amount of higher quality farmland that came on the market in the Peace River region.

Markets in other areas of the province, including the Kootenay, Okanagan and Cariboo regions, showed no significant changes in values. Demand in these areas was generally low.



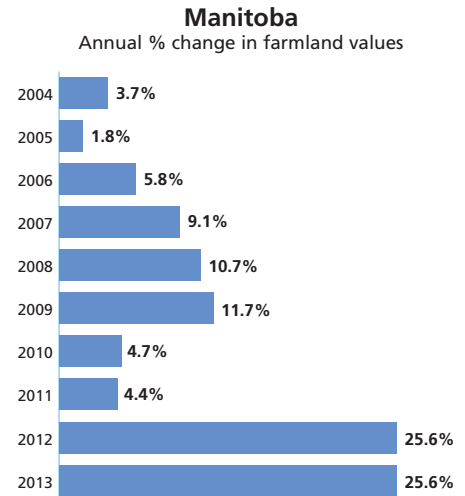
Manitoba

Manitoba farmland values increased an average of 25.6% in 2013, the second-highest provincial increase behind Saskatchewan. This followed increases of 25.6% in 2012 and 4.4% in 2011. Farmland values in Manitoba have continued to climb since 1992.

With strong grain and oilseed prices in the early part of the year and cattle prices that surged in the latter part, demand for land remained strong. Above-average crop yields increased optimism in the industry. Many local producers expanded their operations by purchasing land they had previously rented. Others chose to sell their land to take advantage of record prices.

In southwest Manitoba, oil development put upward pressure on the demand for farmland because of the land's revenue-generating potential. Pressure also came from out-of-province investors who found the land prices attractive. In the southeast, supply-managed farms continued to expand their land bases to accommodate their production.

Strong cattle prices in the Interlake region increased optimism in the industry, and the region saw a corresponding rise in farmland values.

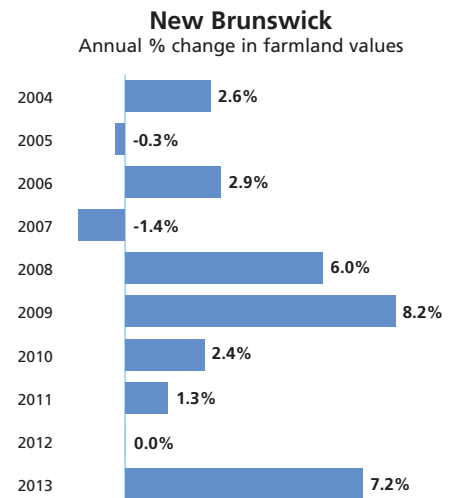


New Brunswick

New Brunswick farmland values rose an average of 7.2% in 2013. There was no increase in 2012 and an increase of 1.3% in 2011.

The greatest demand for farmland was in the Grand Falls and Carleton areas where existing producers bought land to expand their operations. The demand was higher for land located closer to potato processing plants.

Market activity was more limited in other parts of the province.



Newfoundland and Labrador

Average farmland values in Newfoundland and Labrador remained unchanged in 2013.

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.

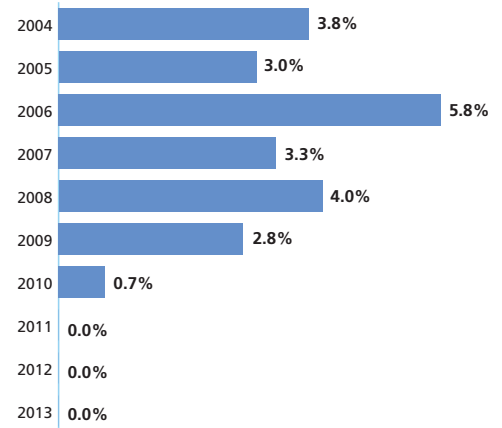
Nova Scotia

Nova Scotia farmland values increased an average of 1.9% in 2013, following increases of 9.8% in 2012 and 6.2% in 2011. Values have continued to rise in the province since 2005.

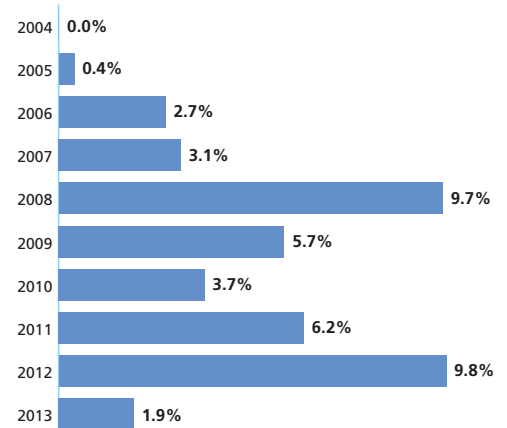
Demand for land was high in the Kentville area, with poultry producers seeking parcels of land to grow grain. Vineyards also continued to take hold in the region by buying south-facing land suitable for growing grapes. Vegetable and dairy producers were quick to acquire suitable land that became available. Although demand was high, there was limited change in land values.

There was a minimal number of land sales in the Antigonish area.

Newfoundland and Labrador
Annual % change in farmland values



Nova Scotia
Annual % change in farmland values



Ontario

Ontario farmland values increased an average of 15.9% in 2013, following gains of 30.1% in 2012 and 14.3% in 2011. Much of this increase occurred in the first half of the year. Average farmland values in the province have continued to rise for 25 years.

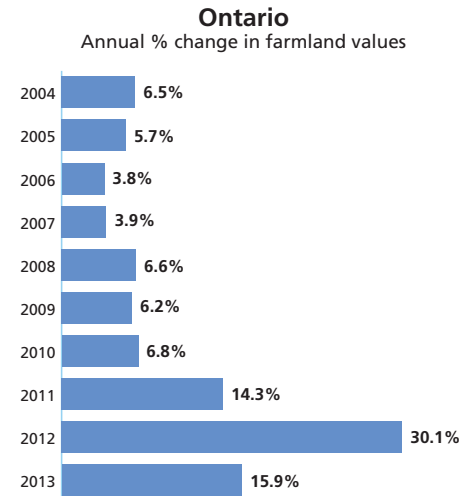
The province saw a mix of transaction types, including land sales through real estate brokers, property auctions and the tender process. Ongoing low interest rates contributed to the market activity.

In some areas of southern Ontario, land with the most favourable soil types commanded high market demand.

The counties of Huron, Simcoe, Middlesex and Elgin led the province with the most significant increases. In other regions, land values levelled off, although demand remained relatively high. In several areas, the demand for farmland outweighed the available supply, driving up prices.

The need for a larger land base for manure management and cropland expansion fuelled demand from intensive livestock enterprises. Favourable crop yields and receipts also stimulated demand from cash crop producers for workable farmland.

With prices for farmland typically higher in southern Ontario, some buyers acquired land in the northern regions at a lower price.



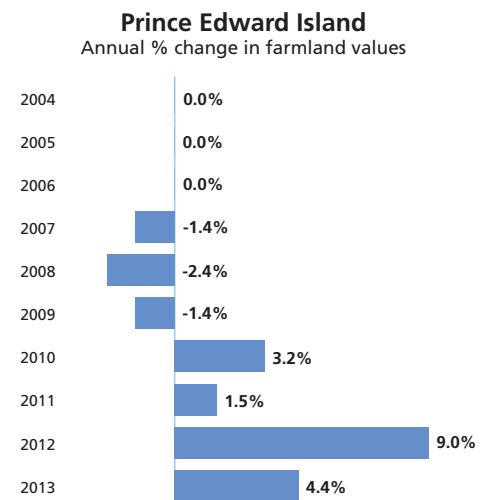
Prince Edward Island

Prince Edward Island farmland values increased an average of 4.4% in 2013, following increases of 9.0% in 2012 and 1.5% in 2011.

Prince County saw significant activity, especially in the western part of the region and the Summerside area. Nearly all sales were between potato processing growers since good production and consistent returns over the past few years gave some potato producers a greater capacity to purchase land. Some potato growers chose to buy land instead of renting it to ensure that they would be able to operate within a three-year land rotation schedule.

Charlottetown and eastern Prince Edward Island saw a lower number of farmland transactions than the western half of the province. As well, mixed crop results caused by weather problems in recent years led to a less robust farmland market.

Some sales activity occurred in other crop and supply-managed sectors. This led land prices to slightly increase in some areas, while holding steady in others.



Quebec

Quebec farmland values increased an average of 24.7% in 2013, which was the third-highest increase of all the provinces. This followed increases of 27.4% in 2012 and 8.9% in 2011. Much of this increase occurred in the first half of the year. Quebec is the only province that has never experienced a decrease in its average farmland values since 1985.

Farmland values rose province-wide. However, the increases were most pronounced in areas that had only experienced modest increases in recent years.

In past years, farmland value increases were mostly observed in cash crop areas in the western part of the province. In 2013, increases also occurred in regions with more diversified production, including the Bas-St-Laurent and Beauce areas in the eastern part of the province.

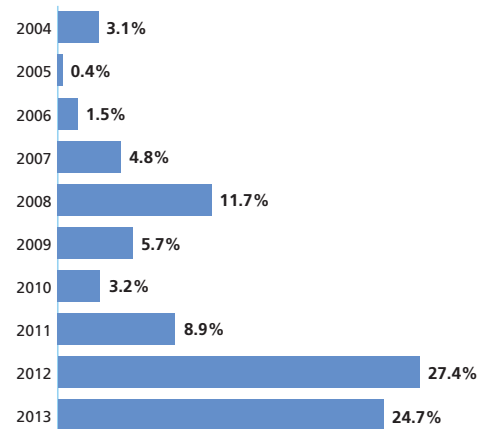
Demand was still strong in cash crop areas. Farmland values continued to increase in the Montérégie, Centre-du-Québec and Lanaudière regions, but at a slower pace than in previous years.

Values for land used to grow corn and soybeans have steadily increased over the past several years in certain areas. This upward trend spread throughout the province in 2013.

Some southwestern producers began purchasing land in eastern Quebec where land prices were more affordable. This also contributed to the overall increase.

Most land transactions occurred in sectors with high concentrations of producers.

Quebec
Annual % change in farmland values



Saskatchewan

Saskatchewan farmland values increased an average of 28.5% in 2013, which was the highest provincial increase. Much of this increase occurred in the first half of the year. The province saw values increase by 19.7% in 2012 and 22.9% in 2011, continuing a decade-long trend of increasing values.

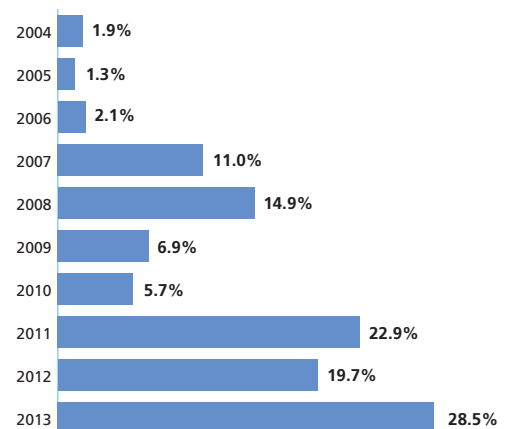
Strong grain and oilseed prices in the early part of the year, coupled with higher cattle prices in the latter half of the year, generated optimism in much of the agriculture industry. Historic production yields and attractive interest rates also prompted a surge in farmland purchases.

Demand for farmland was also spurred by local producers looking to expand their operations by purchasing land they had previously rented, as well as by young producers moving back to Saskatchewan. Out-of-province purchasers also acquired farmland in Saskatchewan.

Some producers made succession plans to exit the industry in response to record prices.

Farmland values increased throughout most of the province with the exception of a few rural municipalities where values remained stable.

Saskatchewan
Annual % change in farmland values



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