



Agricultural Market Value Trends

60th Annual AAOM Conference – May 4, 2016

Debbie Pieterse – About Me

- Grew up on a cattle farm in Interlake
- Degree in Agriculture from University of Manitoba
- Worked as an Assessment Officer in Souris and Portage la Prairie
- District Supervisor in Dauphin
- Sales Manager for Province
- AAM designation
- Worked as an appraiser for Crown Lands & Property Agency
- Fee appraiser for Stevenson Advisors
- Fee Appraiser – Prairie Sky Appraisal & Consulting Services
- Accredited Appraiser, AACI, P. App.
- Prepared a 2013 agricultural land market value newsletter for Stevenson Advisors in 2014
- In the process of preparing 2015 agricultural land value newsletter to be published on website www.prairieskyappraisal.ca

Why are agricultural values important?

- Agriculture forms an important part of Manitoba's economy
- Good measure of the overall health of our economy
- Significant portion of real property holdings and wealth is agricultural in nature
- The data is sourced from:
 - Stats Canada, (census and other statistical data)
 - Farm Credit Canada (FCC), federal crown corporation which provides specialized and personalized financial services to agricultural/agri-business sector across Canada
 - Sales data from Manitoba Municipal Affairs – Assessment Services Branch sales reports.
 - Sales data was not verified, but agricultural bare land sales data (as determined by sales assessment data) was entered in Excel spreadsheet and analyzed to estimate trends for arable (cultivated) and non-arable agricultural land

Importance of Agriculture to Manitoba's Economy*

- Agriculture contributes to Manitoba's Gross Domestic Product (GDP) through net profits and incomes, including wages, depreciation, and investment income.
- Improvements in GDP attributed to improved crop prices and production – this varies year to year due to crop yields and commodity prices
- Agriculture contribution to GDP ranges between 4.4% to 4.8%
- Food and Beverage industry contributes 2 to 4% to provincial GDP.
- Agri-food processing is largest manufacturing sector - \$3.6 billion in sales in 2011.
- Agriculture industries (including food and beverage processing), supply inputs as well as wholesale, retail and other service sector components which supply services to farmers and agricultural workers, totalled together is estimated to have a total impact of 12% of GDP.

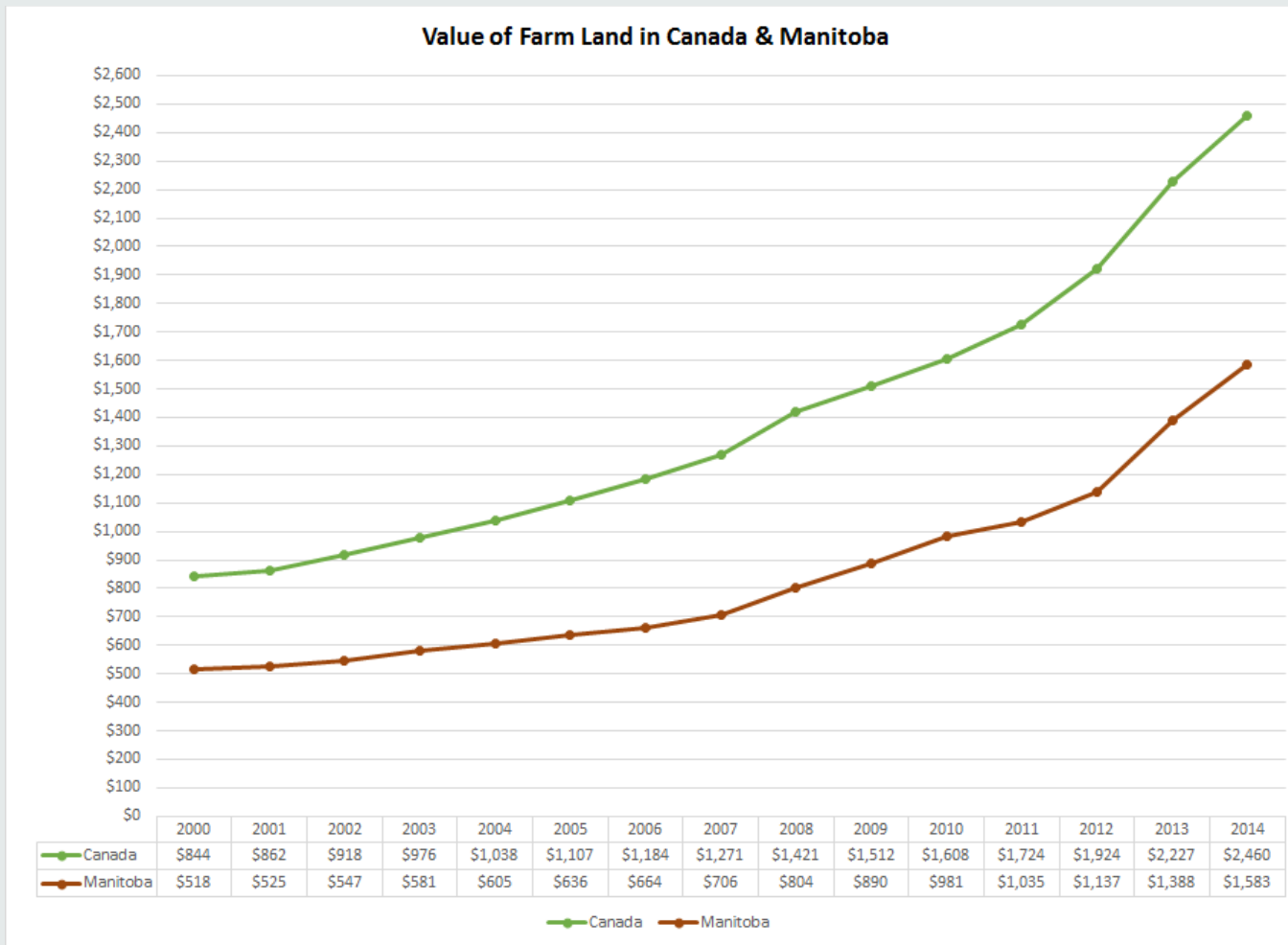
* Source: Government of Manitoba Agriculture Statistics

Importance of Agriculture to Manitoba's Economy*

- It is estimated that 1 in 10 jobs depends on direct and indirect spin-offs from agriculture
- Agriculture supports growth and employment in the rural economy by providing a market for services needed by the industry
- Agriculture contributes 62,000 jobs and directly employs approximately 30,000 workers.
- There are over 255 companies in Manitoba's value-added food processing industry, and this sector provides 23,600 jobs.

* Source: Government of Manitoba Agriculture Statistics

What have the agricultural land market value trends been over the last 15 years? (\$ per acre)*



* StatsCan & FCC data

What have the agricultural land market value trends been over the last 15 years?*

2000-2015 % total change			2000-2015 \$ total change		
		Avg % change /year			Avg \$ change /year
Canada	191.47%	12.76%	Canada	\$1,616	\$108
Manitoba	205.60%	13.71%	Manitoba	\$1,065	\$71

- This indicates an approximate 13% annual increase in farmland market values over the last 15 years
- Total increase of around 200% in that period of time

* StatsCan & FCC data

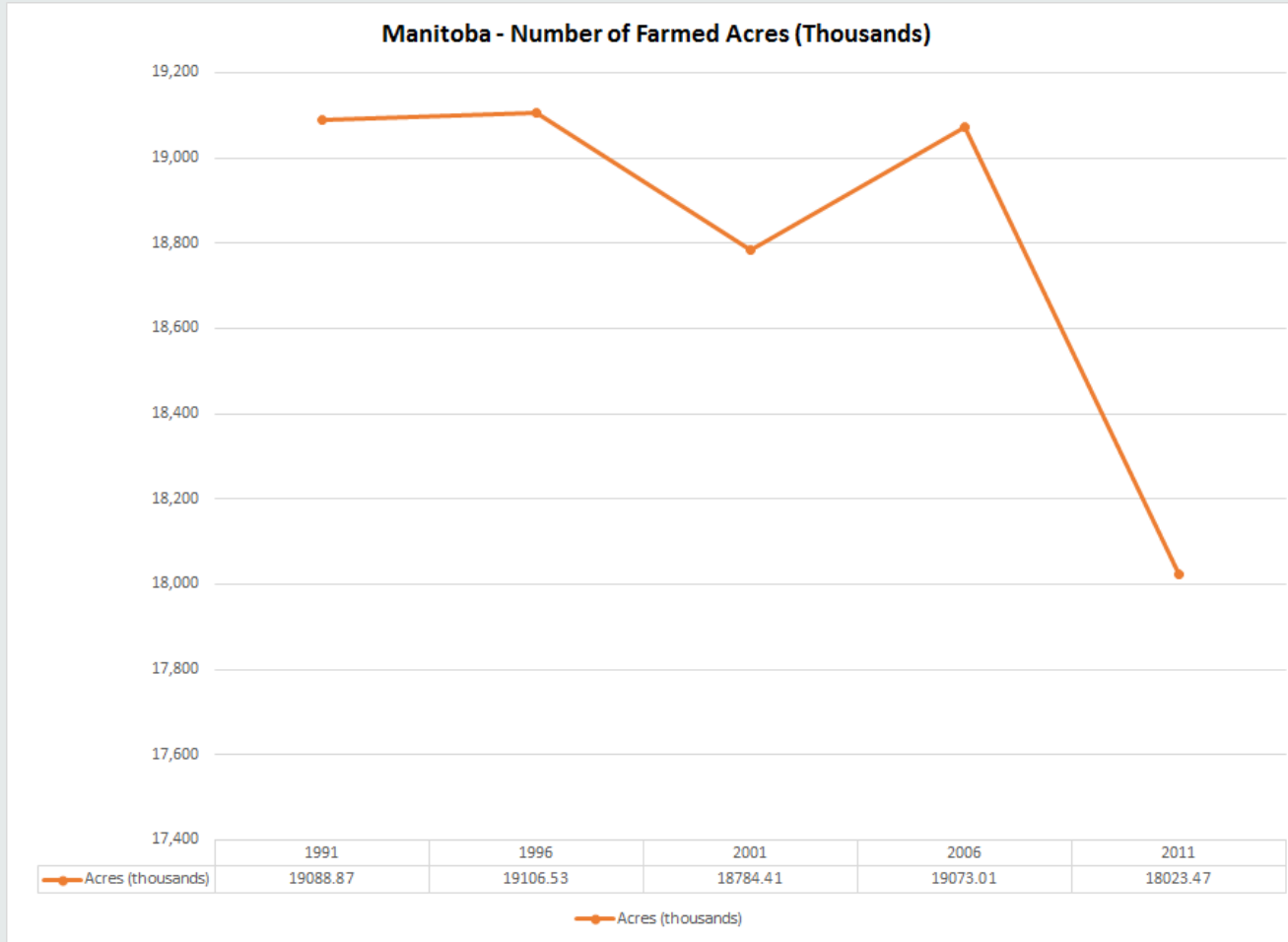
How does the TSX index compare?



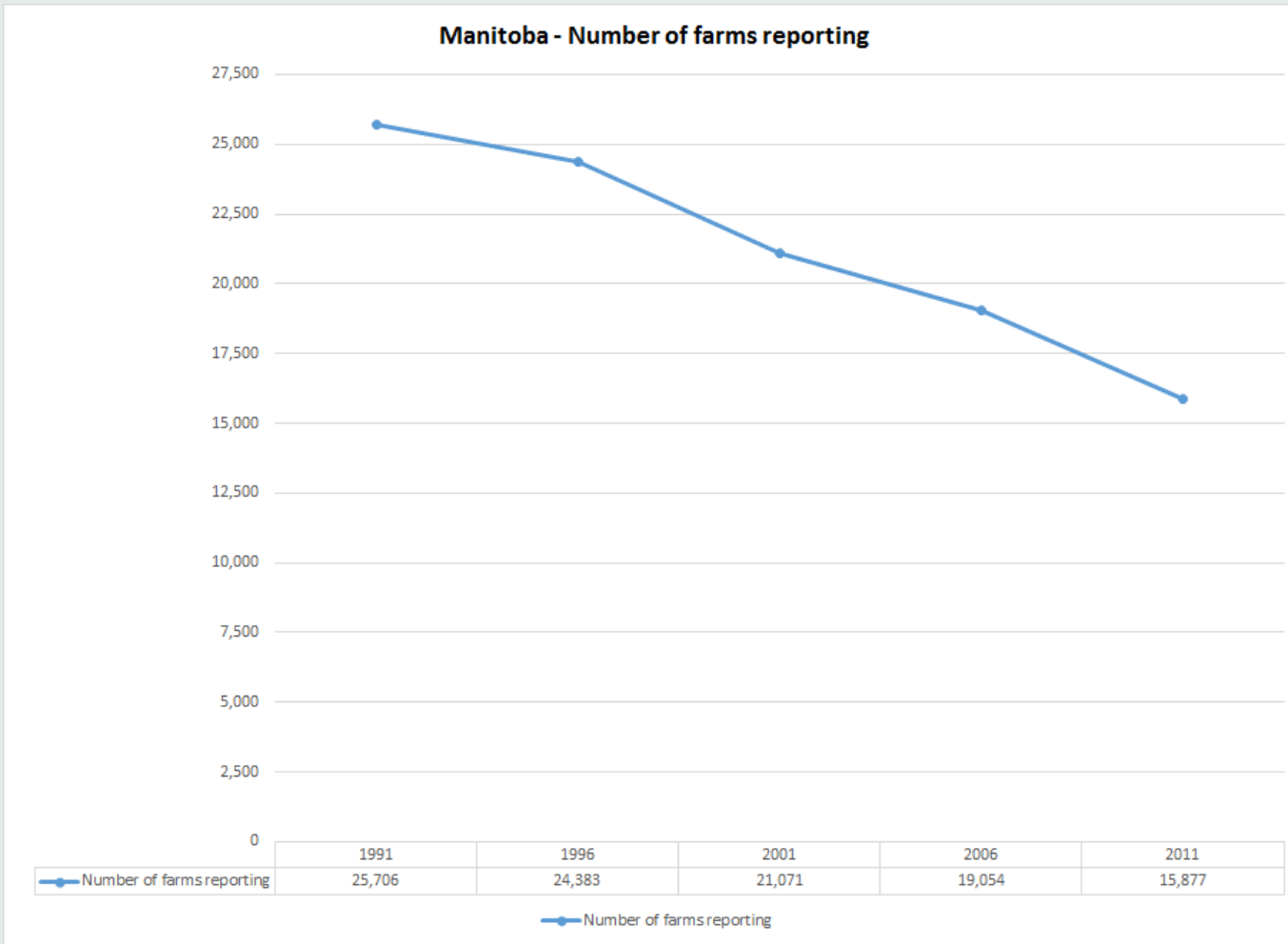
- Total increase of 54.34% from 2000 to 2015
- Average annual increase of 3.62%

Trends in Manitoba Agriculture – 2000 to 2015

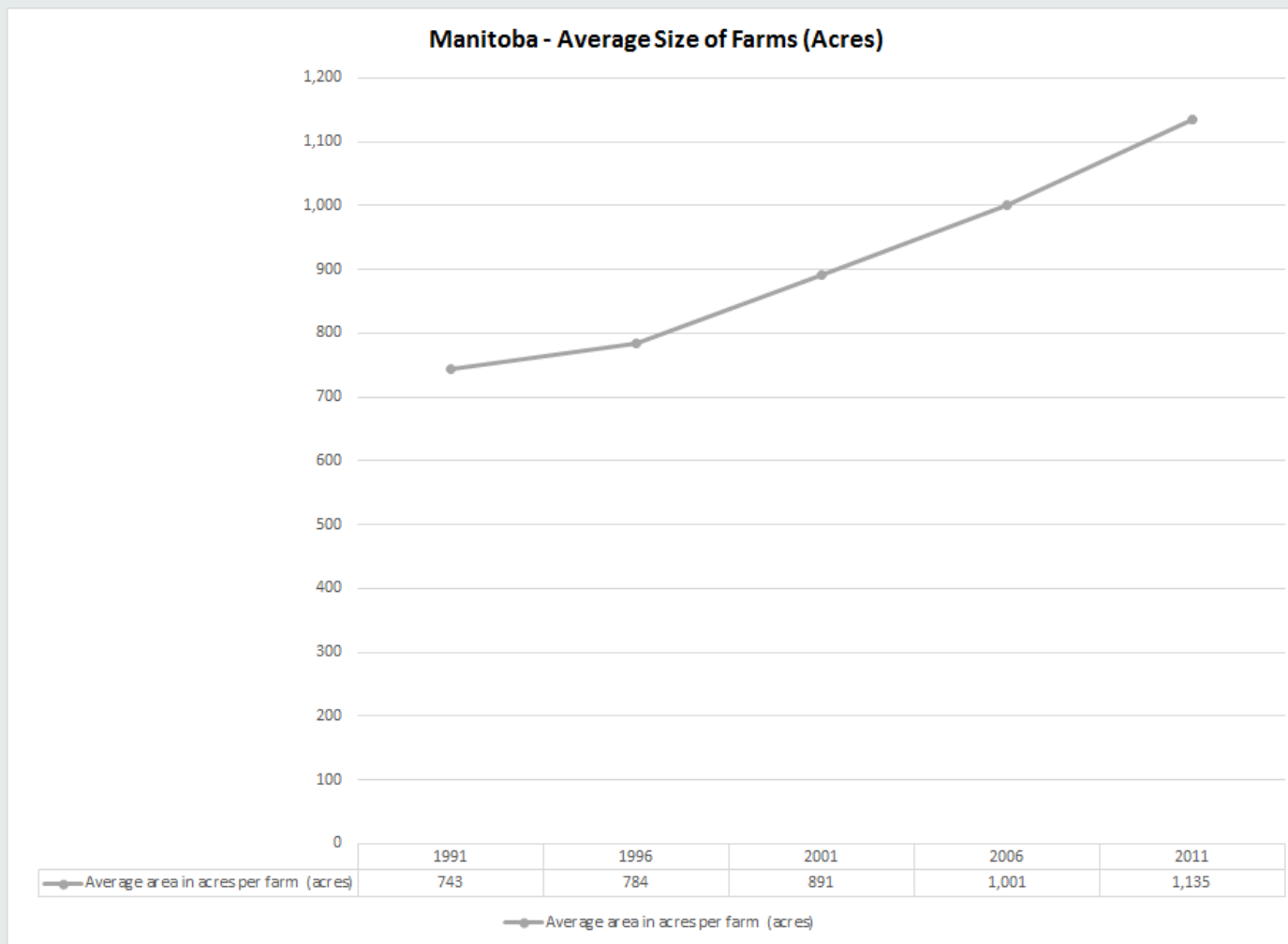
(All data from Statistics Canada)



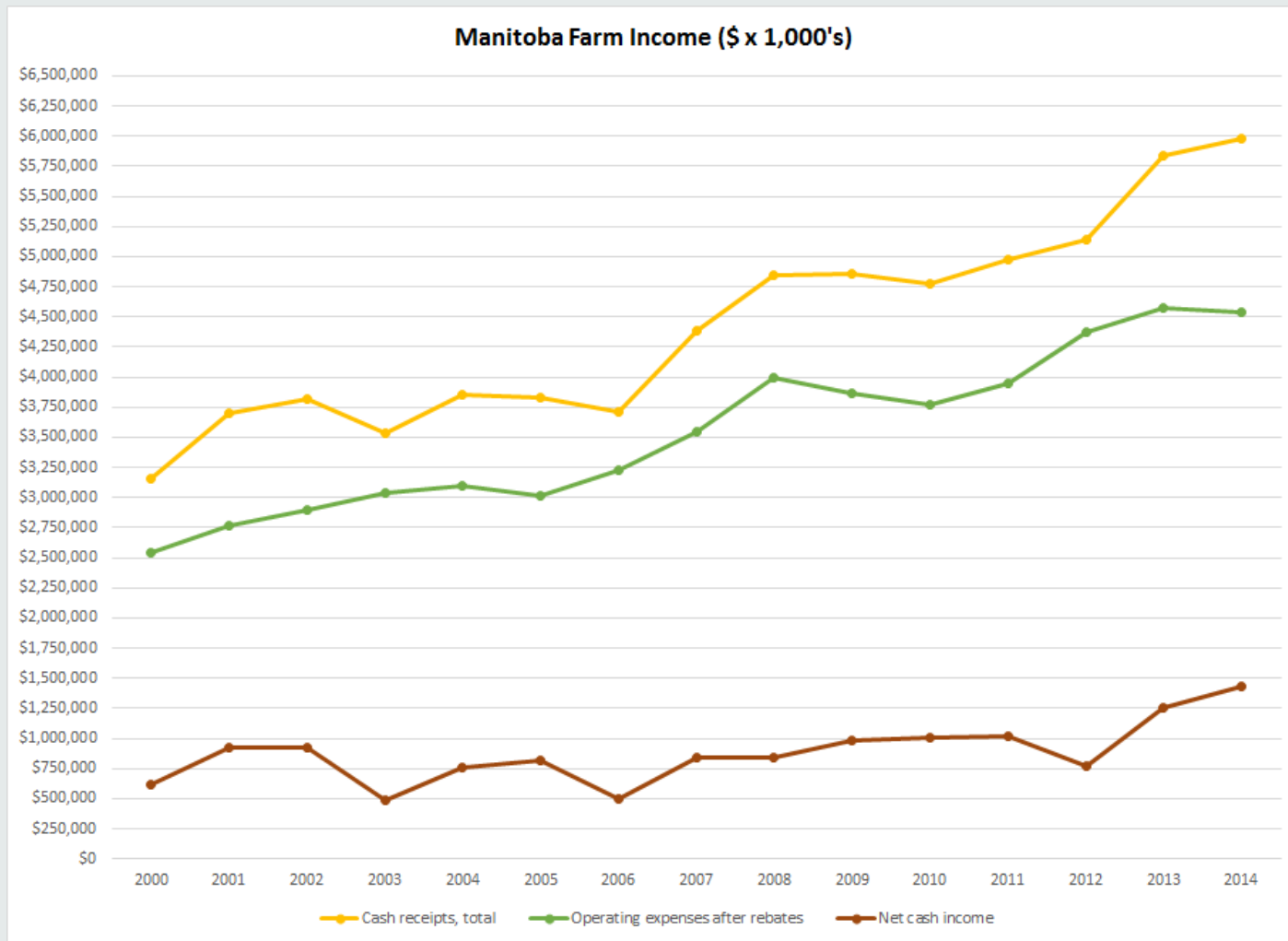
Trends in Manitoba Agriculture – 2000 to 2015



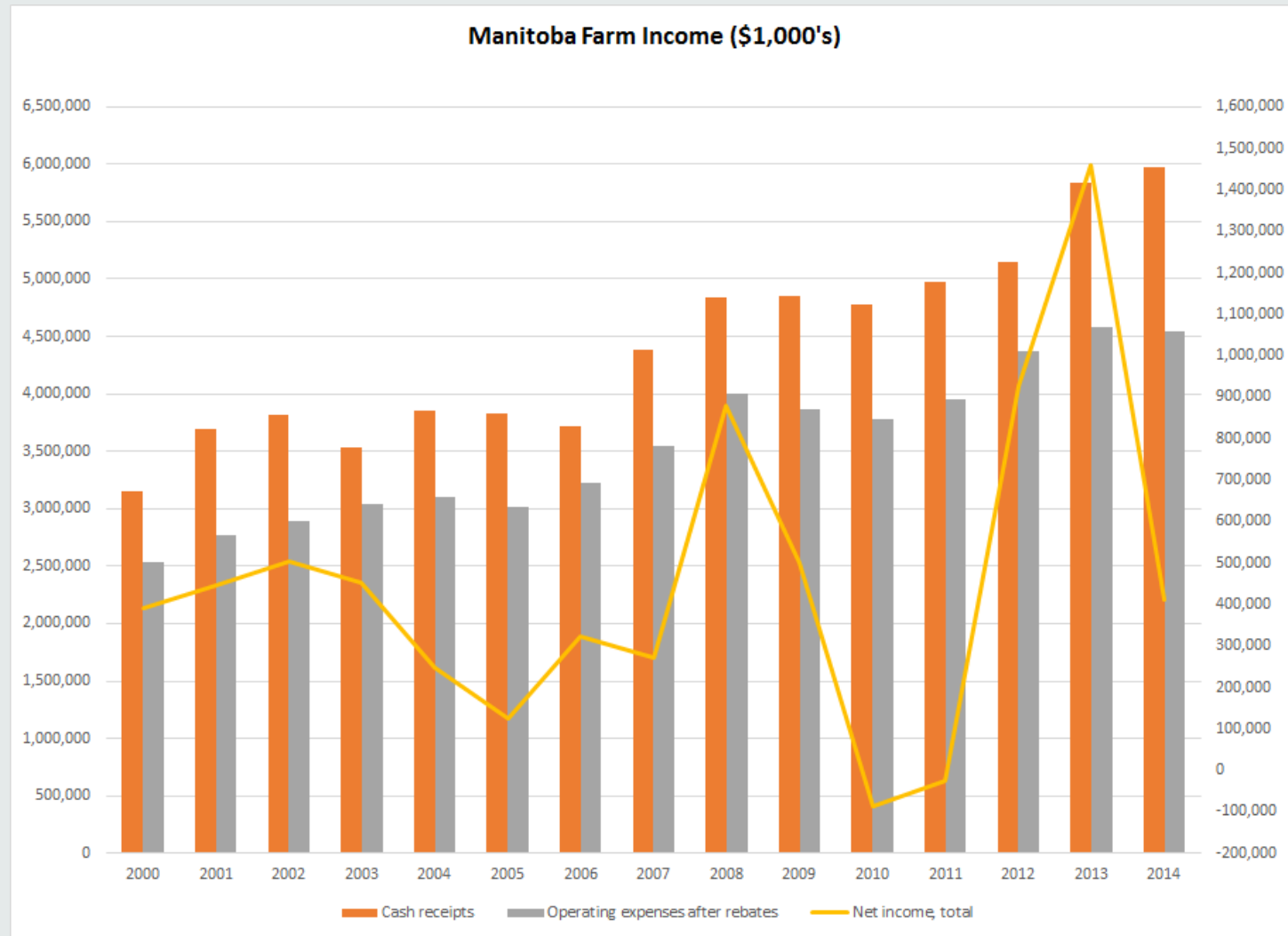
Trends in Manitoba Agriculture – 2000 to 2015



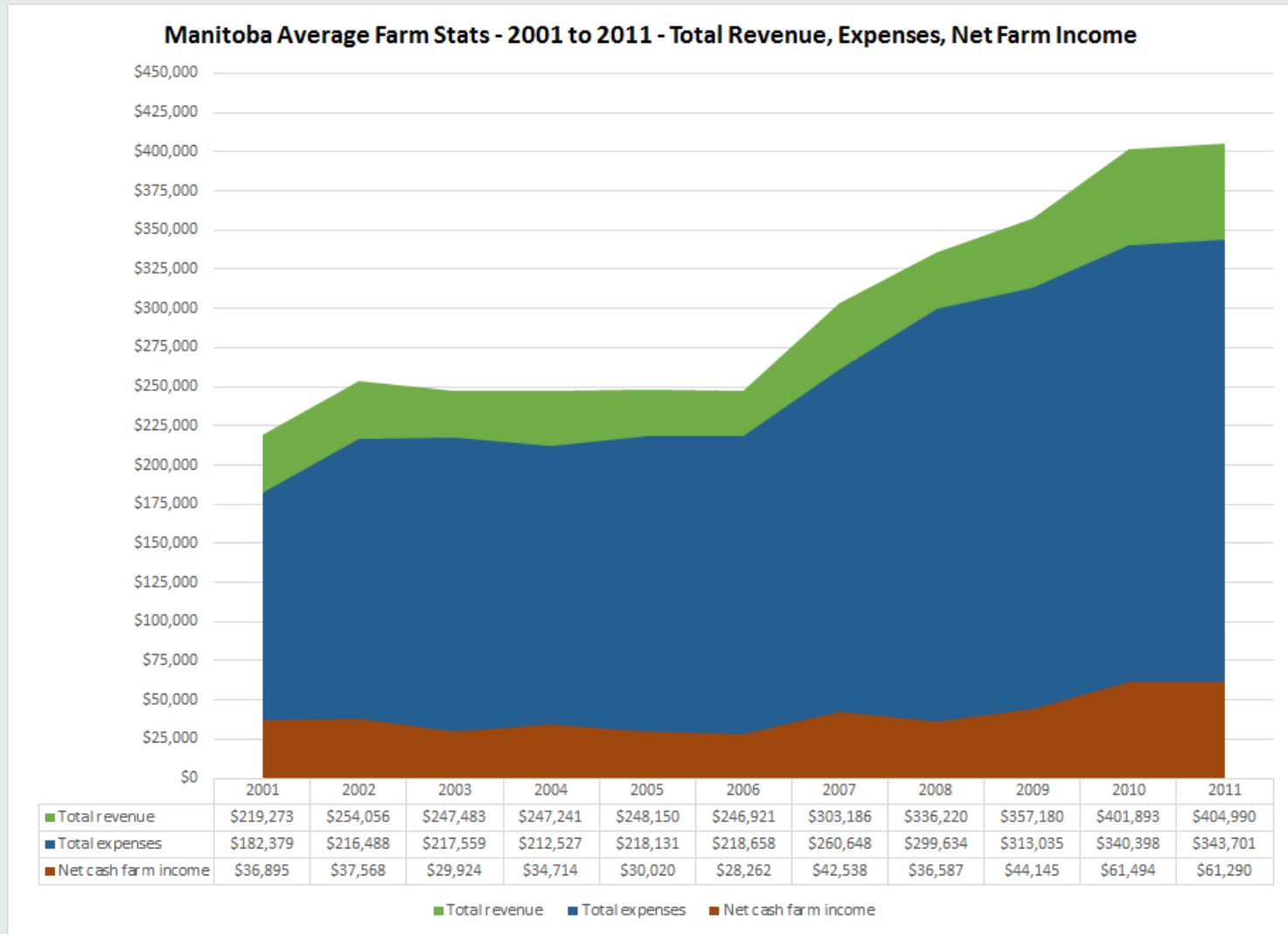
Trends in Manitoba Agriculture – 2000 to 2015



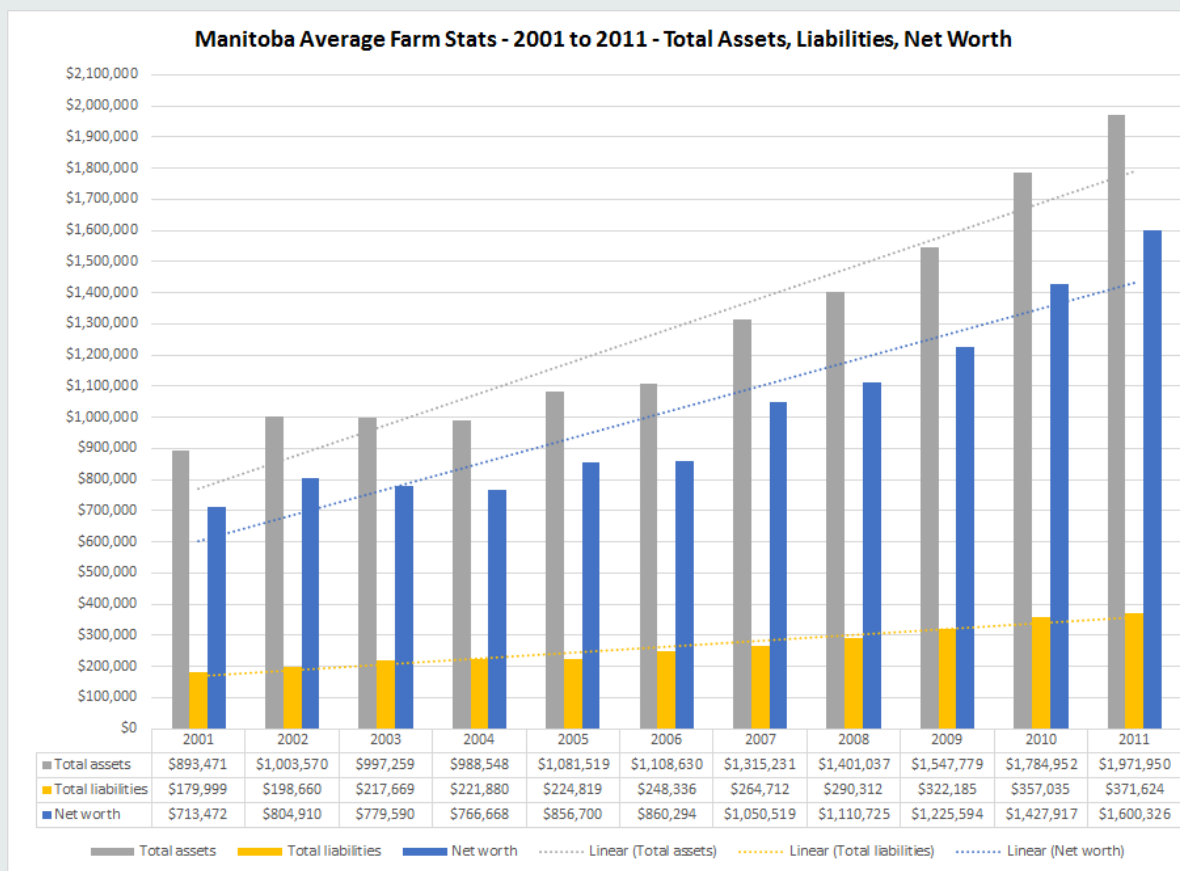
Trends in Manitoba Agriculture – 2000 to 2015



Trends in Manitoba Agriculture – 2000 to 2015



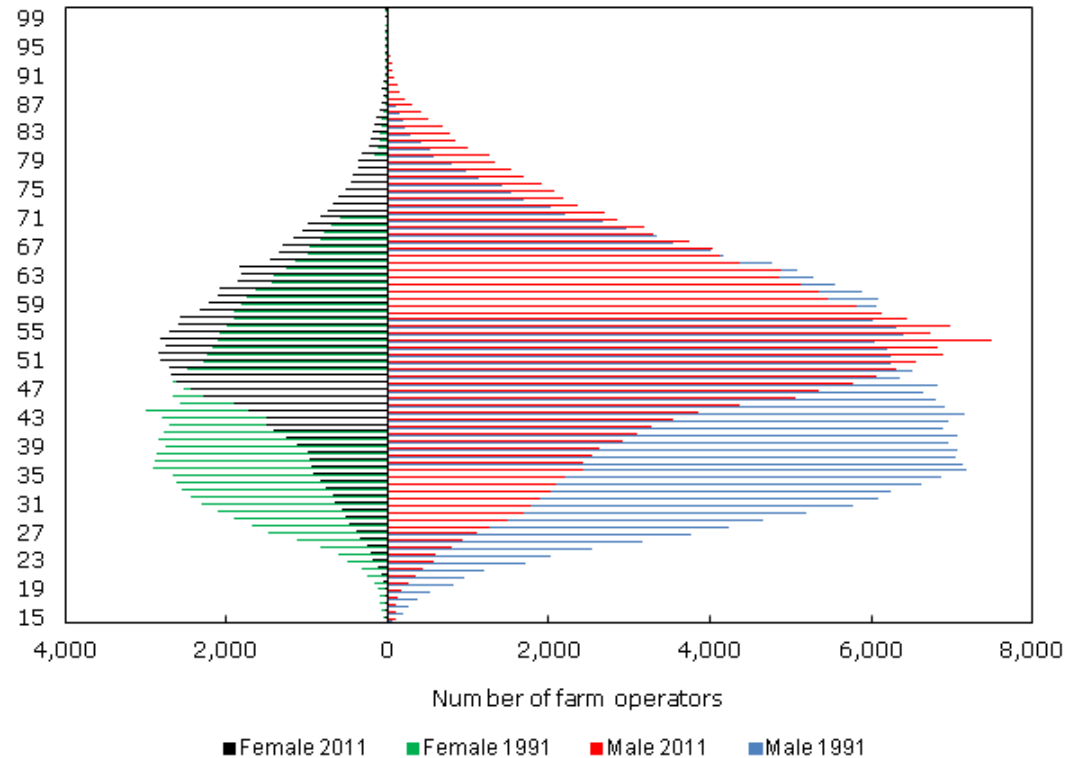
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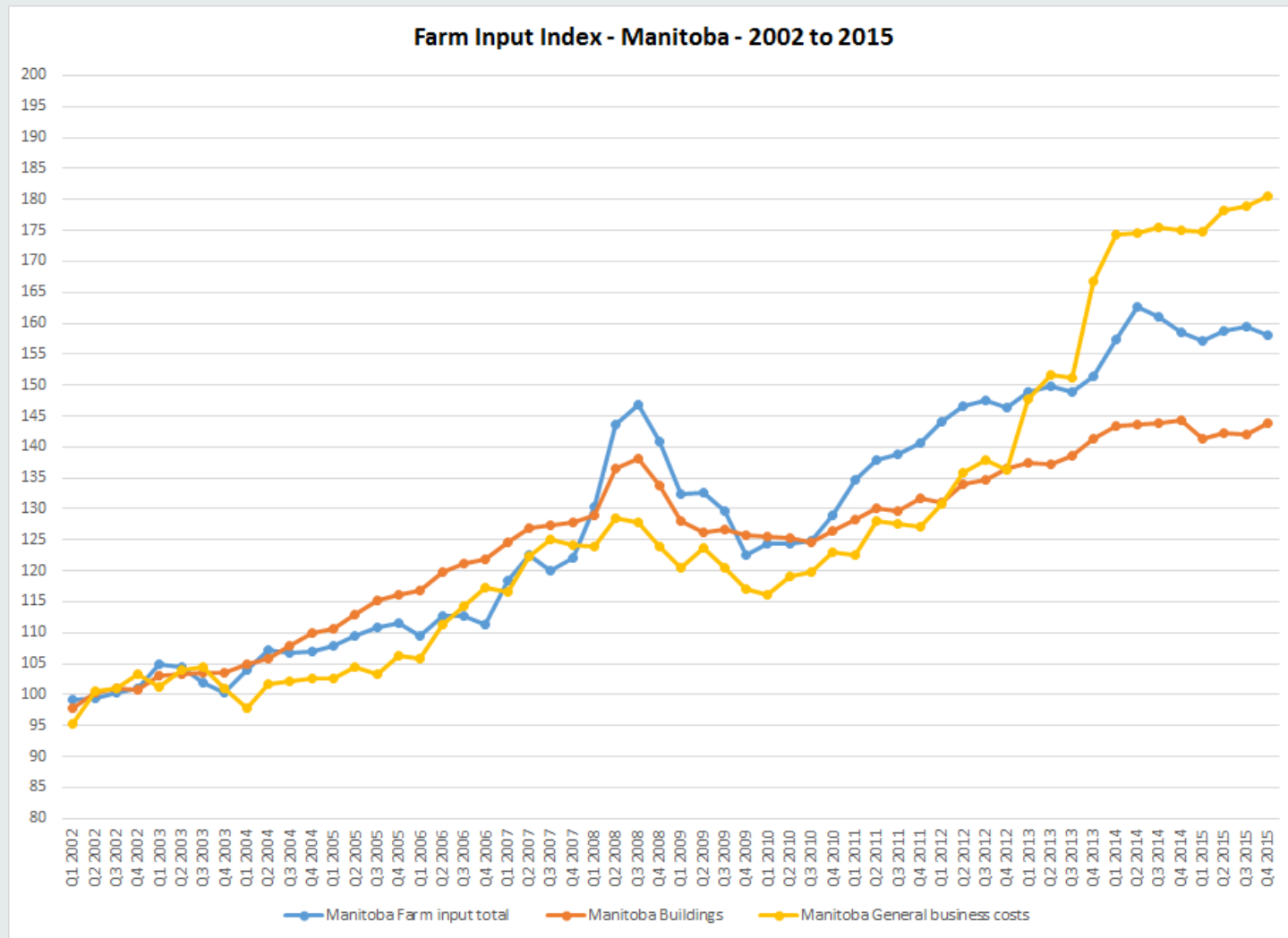
Chart 1
Distribution of farm operators by age and gender,
Canada, 1991 and 2011

age of farm
operator

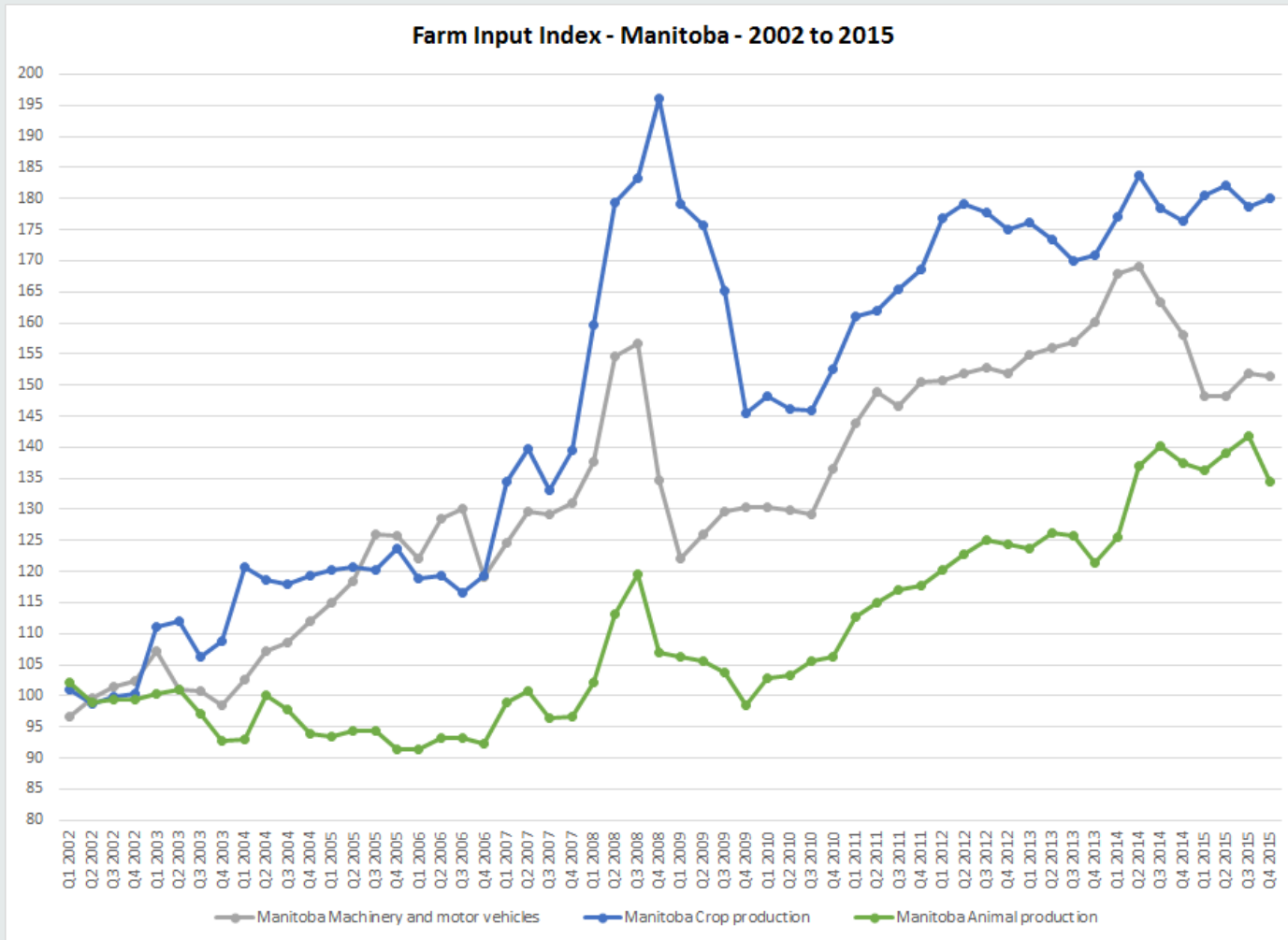


Source: Statistics Canada, Census of Agriculture, 1991 and 2011

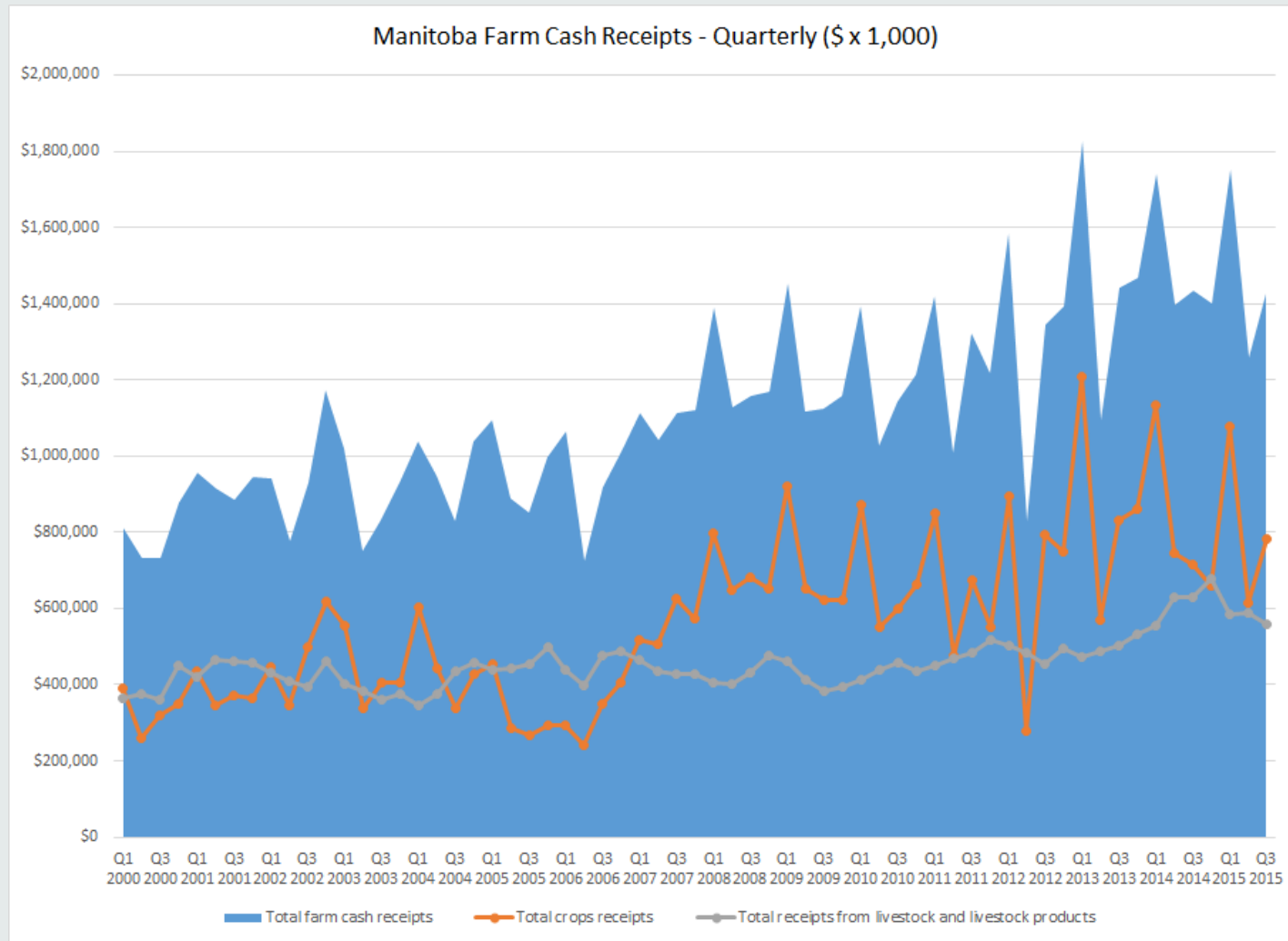
Trends in Manitoba Agriculture – 2000 to 2015



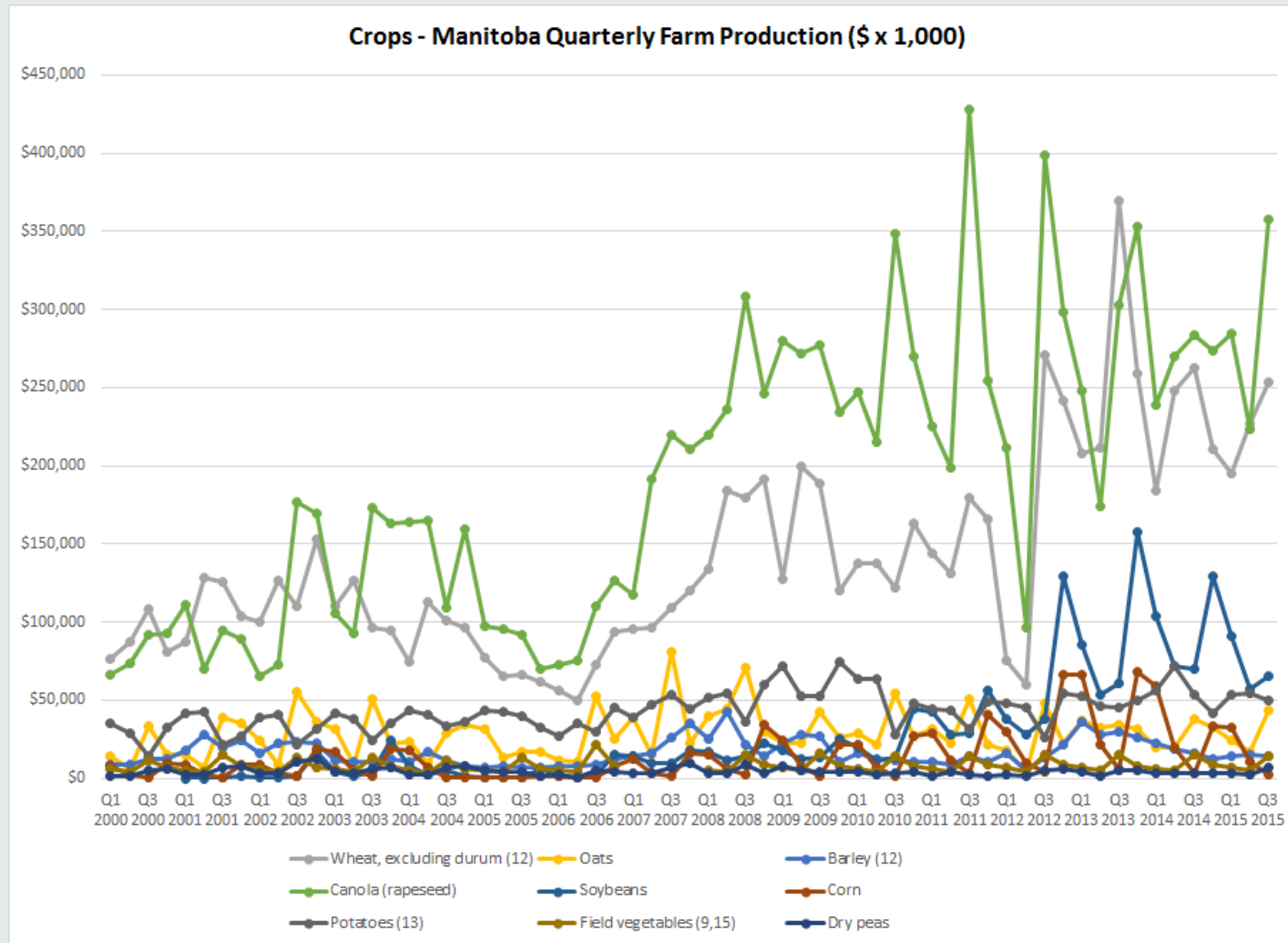
Trends in Manitoba Agriculture – 2000 to 2015



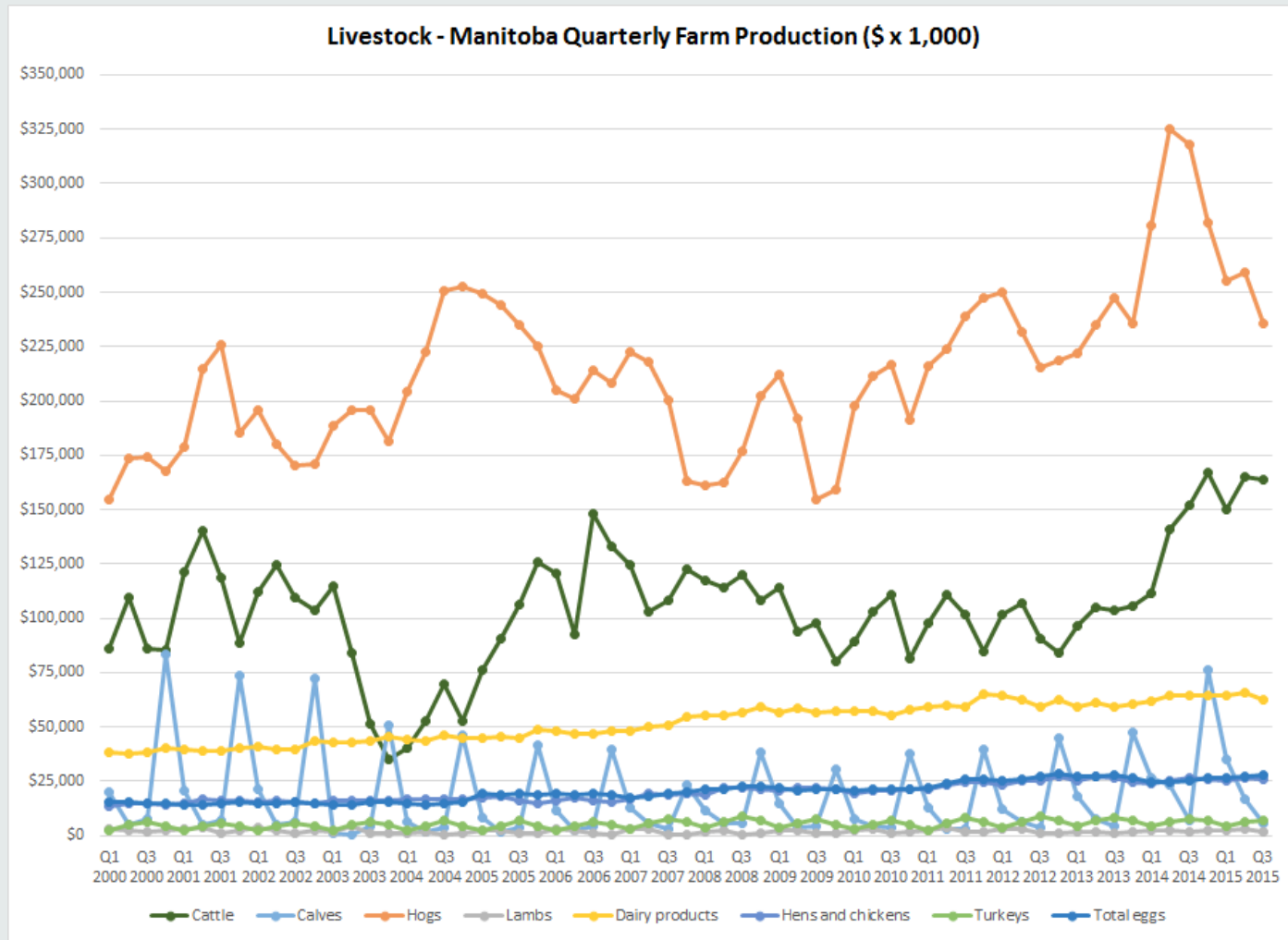
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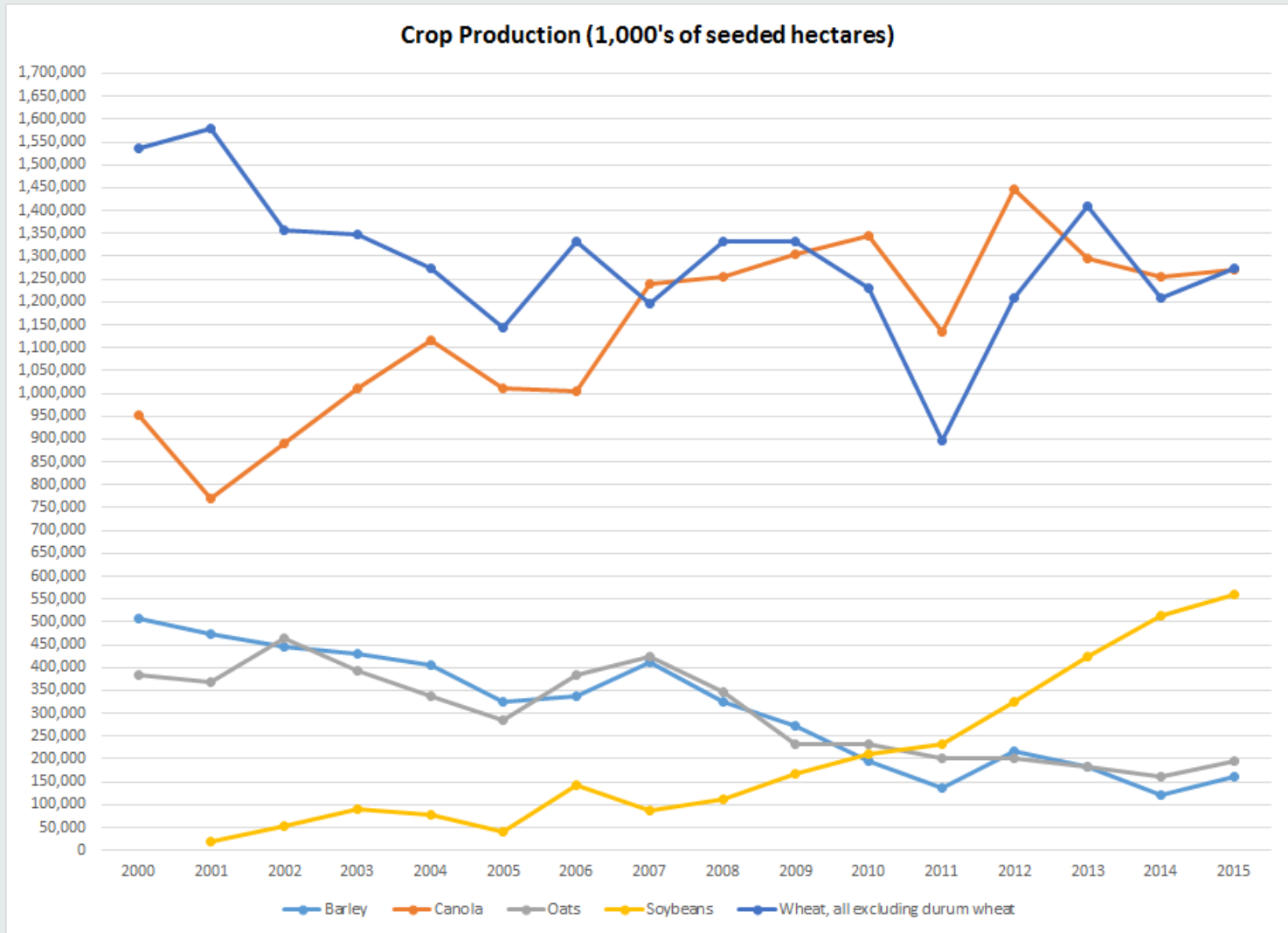


Trends in Manitoba Agriculture – 2000 to 2015

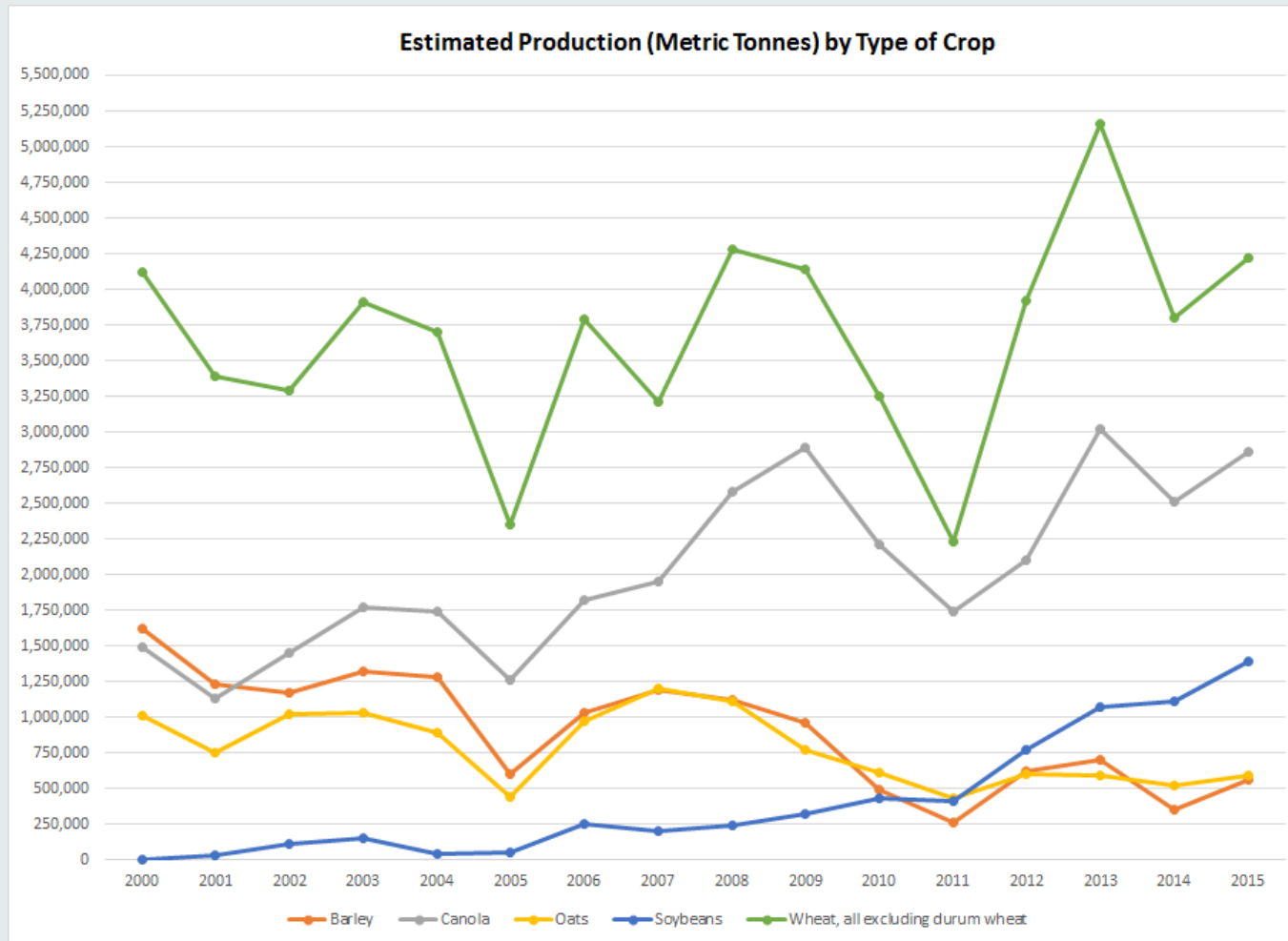
**Total farm area, land tenure and land in crops, by province (Census of Agriculture, 1986 to 2006)
(Manitoba)**

	1986	1991	1996	2001	2006
	number				
Man.					
Total number of farms	27,336	25,706	24,383	21,071	19,054
Total farm area					
Area in hectares ¹	7,740,226	7,724,990	7,732,138	7,601,779	7,718,570
Farms reporting	27,336	25,706	24,383	21,071	19,054
Average area in hectares per farm reporting	283	301	317	361	405
Total area owned					
Area in hectares ¹	4,871,429	4,858,316	4,928,736	4,747,047	4,726,559
Farms reporting	25,091	24,098	23,036	20,031	18,314
Average area in hectares per farm reporting	194	202	214	237	258
Total area rented or leased from others²					
Area in hectares ¹	2,868,797	2,866,674	2,803,402	2,854,732	2,992,011
Farms reporting	13,552	12,795	12,125	10,708	10,028
Average area in hectares per farm reporting	212	224	231	267	298
Land in crops (excluding Christmas tree area)					
Area in hectares ¹	4,519,335	4,761,050	4,699,146	4,714,830	4,701,010
Farms reporting	24,683	23,563	21,527	18,836	16,660
Average area in hectares per farm reporting	183	202	218	250	282

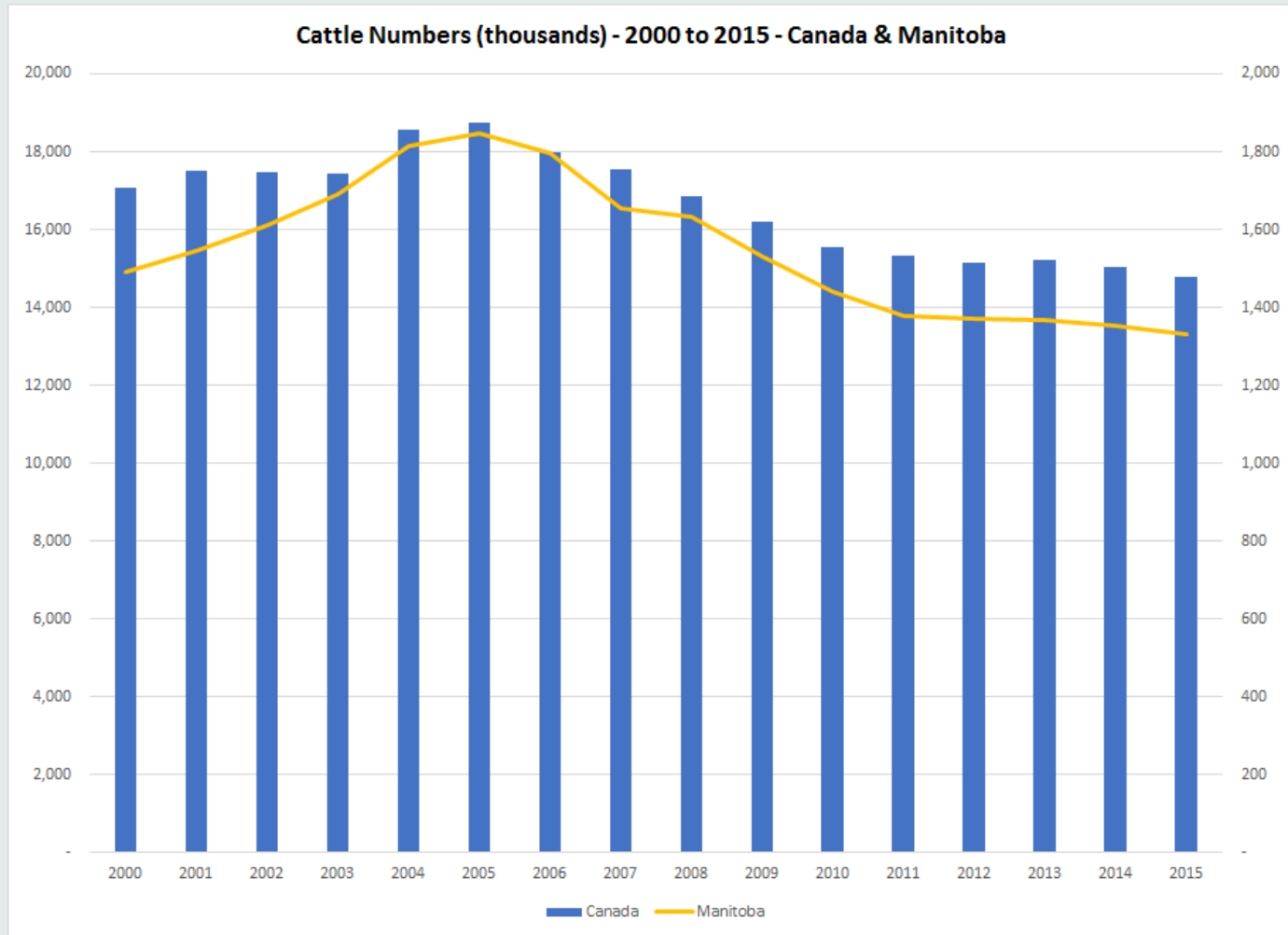
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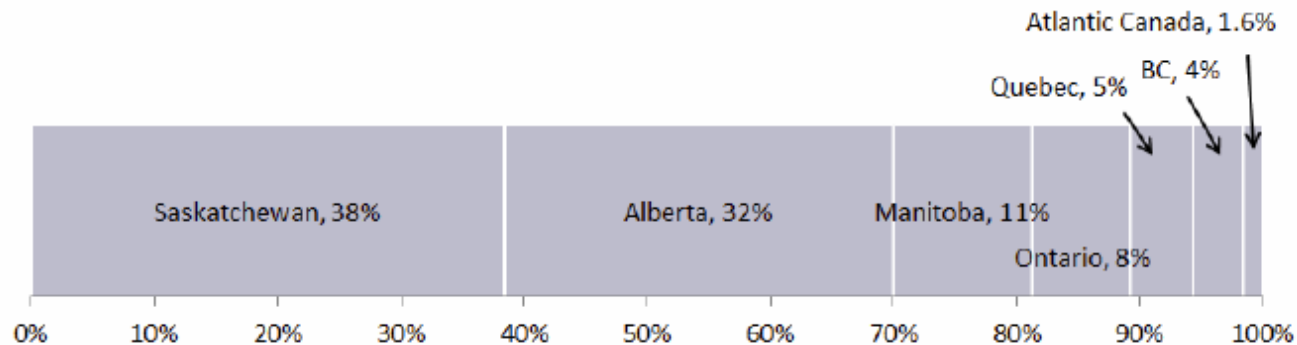


FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

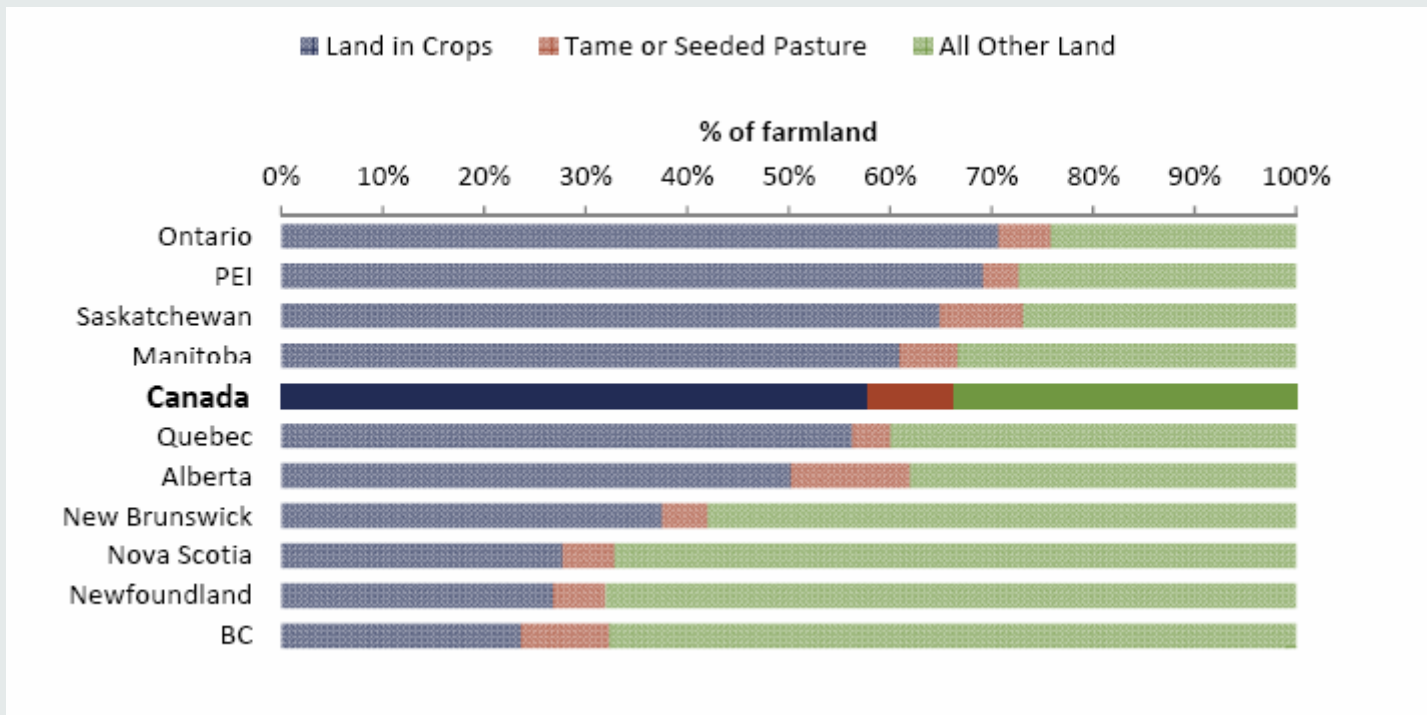
- Farm land values have increased substantially throughout Canada and the rest of the provinces over the last 10 years
- Annual national increases have ranged from 4.7 to 22.1%
- In 2015, the provincial % increases from 4.6 to 12.4%
- Manitoba had the largest % increase at 12.4%
- Methodology – FCC staff annually appraises 245 benchmark properties throughout Canada, using recent comparable sales
- Benchmark properties are chosen because they represent typical farms in the area
- Some influencing factors are:
 - High farm incomes
 - Low interest rates
 - Crop receipts

FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

Figure 1: Prairie Provinces dominate the farming landscape

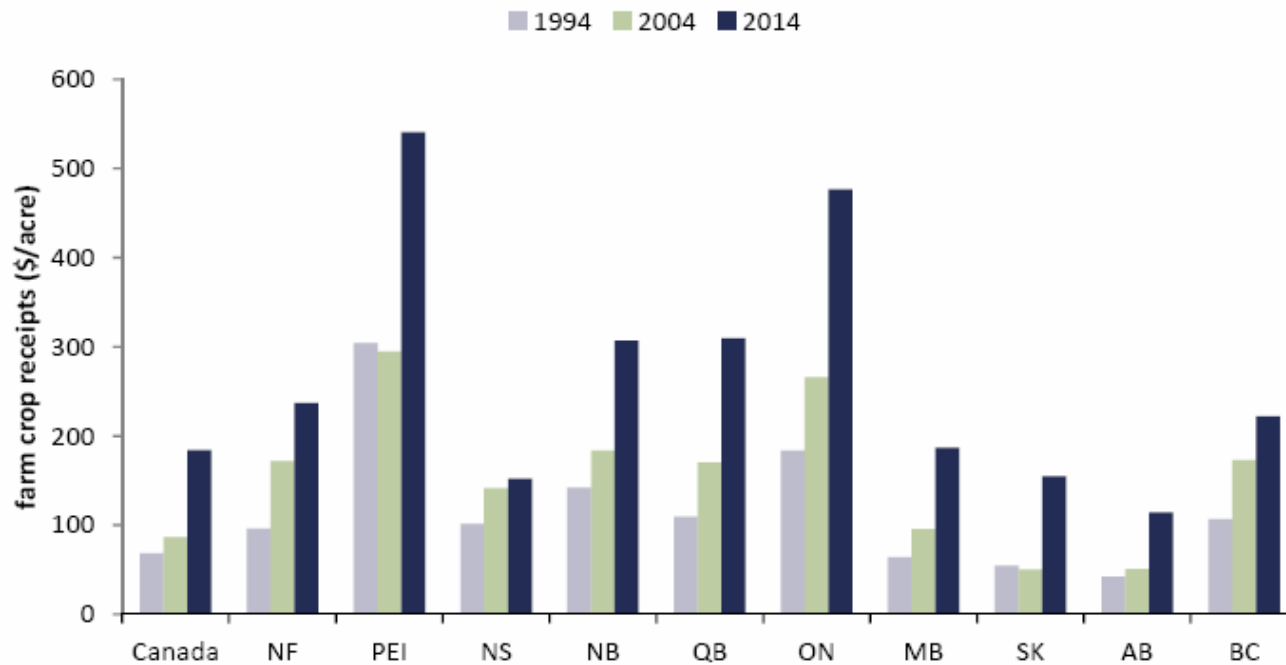


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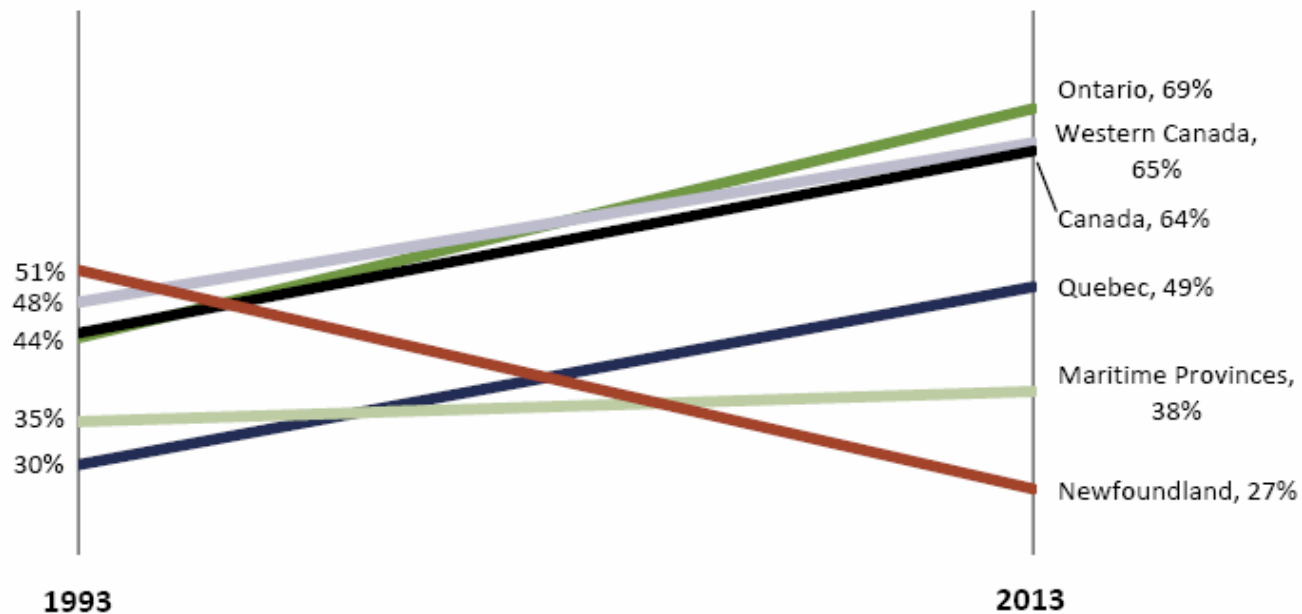
FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

Figure 6: Farm crop receipts strong in 2014



FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

Figure 3: All provinces increased their percentage of assets held in land except Newfoundland



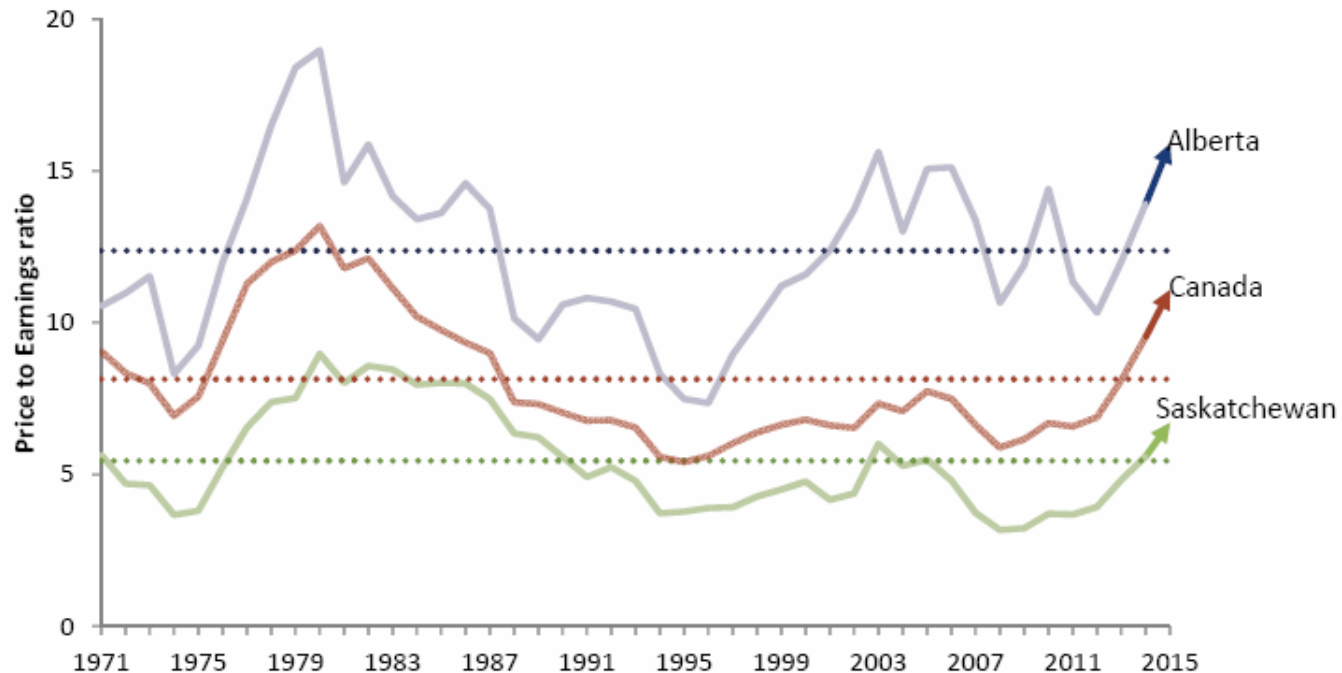
FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

Figure 5: Low interest rates mean inexpensive credit for farmland buyers

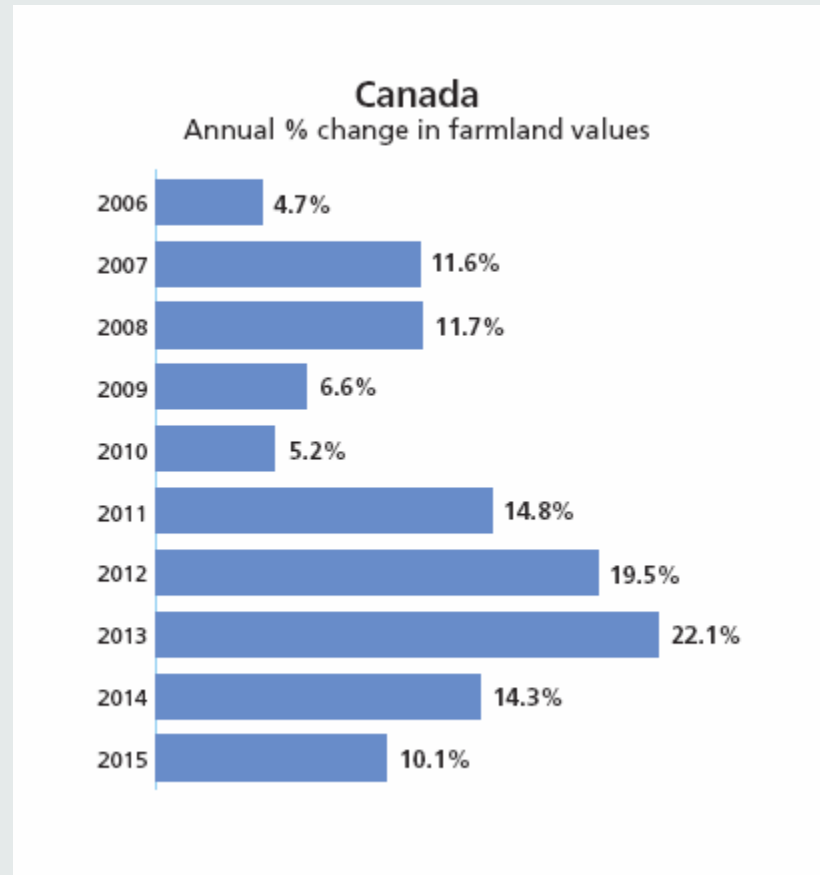


FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

Figure 8: Price to earnings ratio increase across Canada



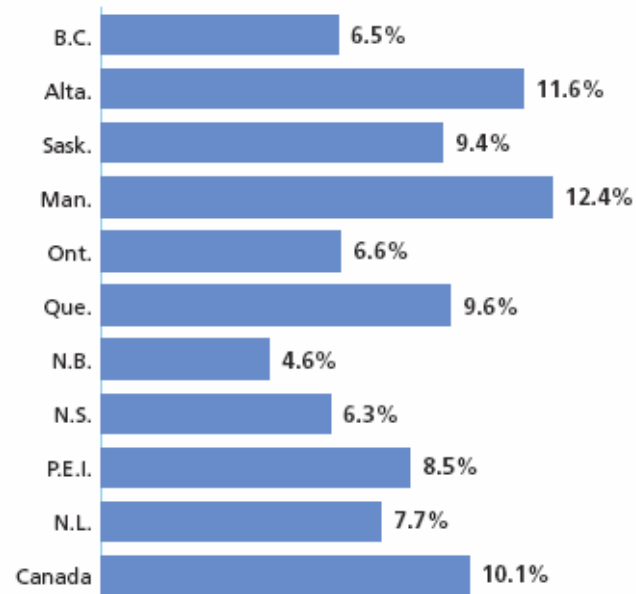
FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)



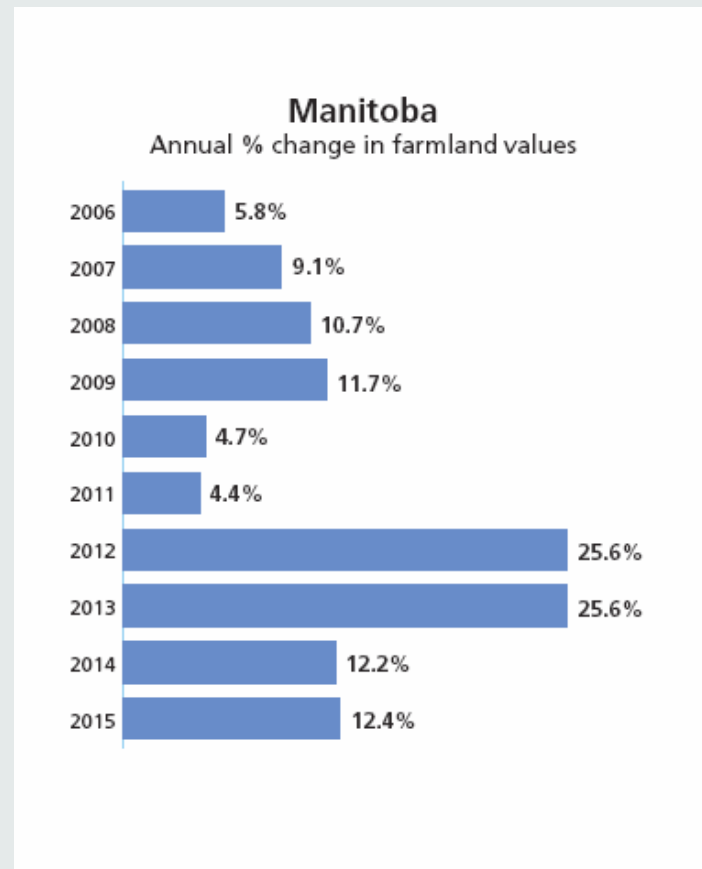
FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

Provincial comparison of farmland values

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



FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)



FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

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.

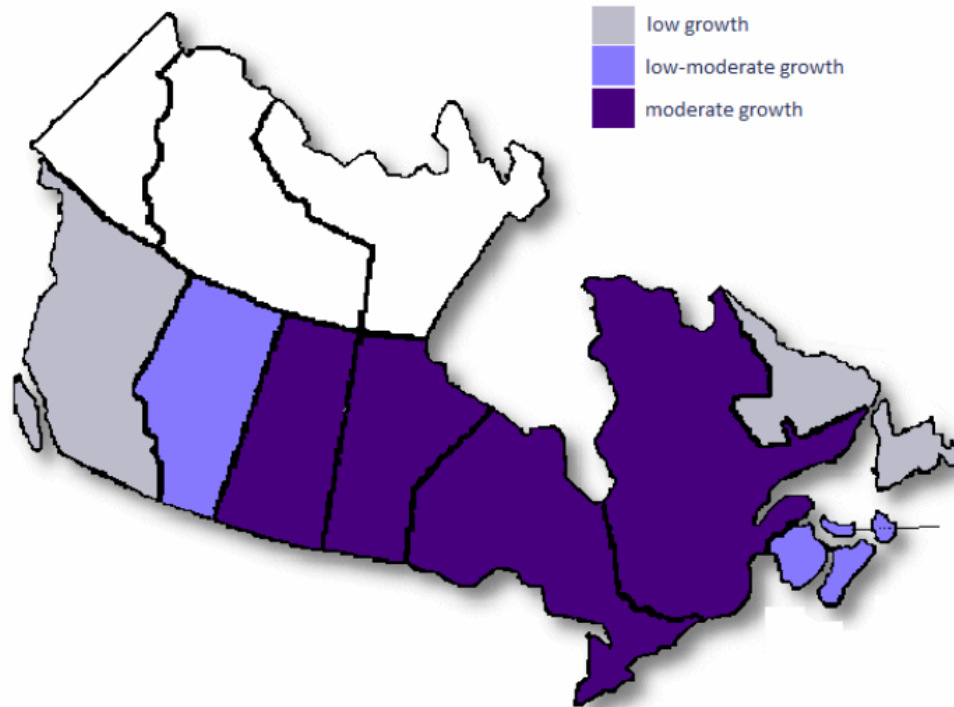
Crop production land was purchased mainly by local producers expanding their farming operations as the next generation enters the industry. The majority of the province experienced normal to good yields along with average commodity prices, which supported the increase in farmland values.

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.

FCC Farm land Increases – Source 2015 Farm Values Report & Farm Values Explained (July 2015)

Figure 7: Projected 2015 increases in land values projected to be lower in 2015 than in 2014

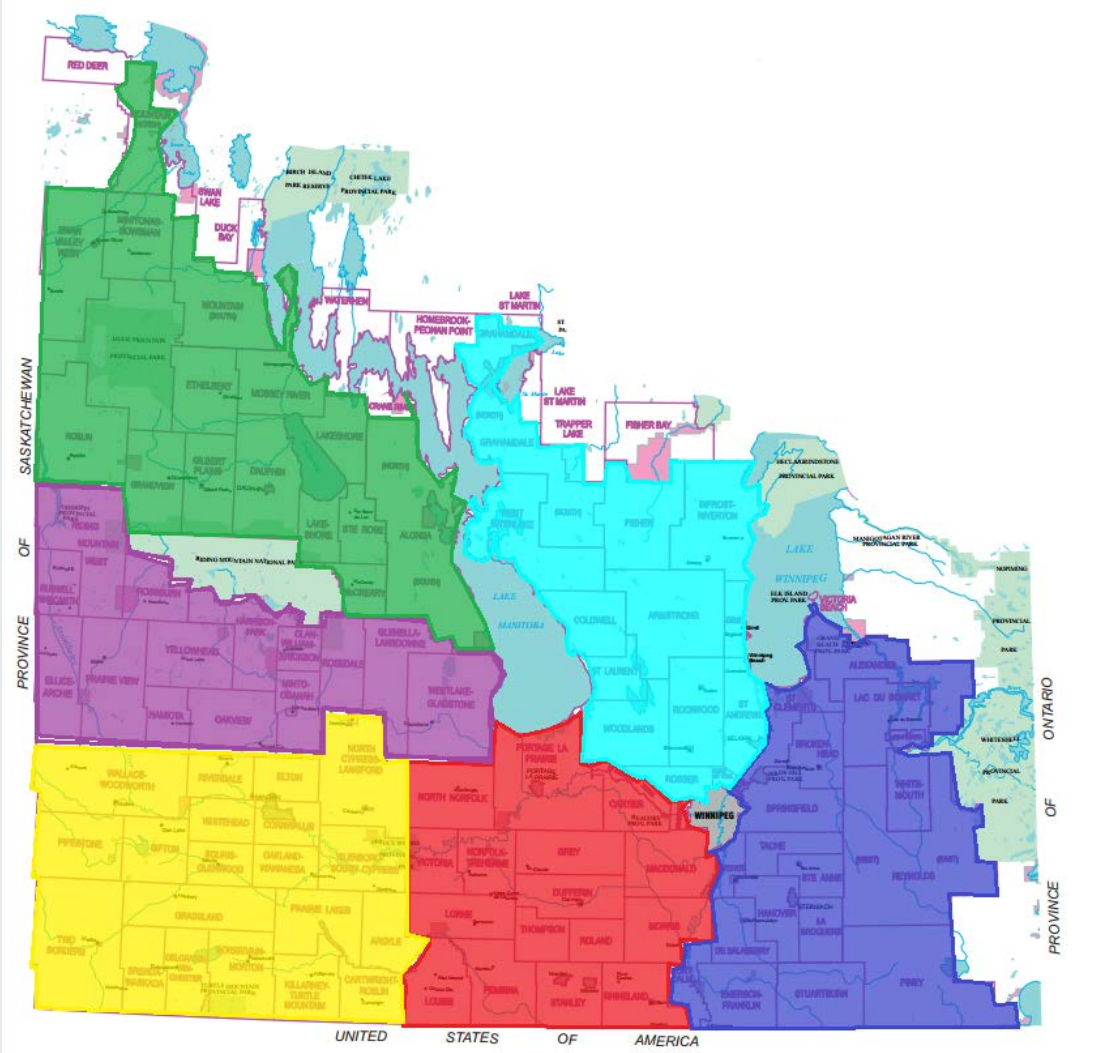


Debbie Pieterse/Prairie Sky Appraisal

Farm Land Value Analysis

- Methodology – sales reports from Manitoba Municipal Government - Assessment Services Branch were used for raw data source
- Sales reports were scrutinized for sales which were Class 30 (Farm Land & Buildings farm), with no or low percentage of buildings to total assessed value
- These sales were considered for farmland market value analysis
- Sales which were significantly lower than assessed value were excluded (probably 1/2 interest sales, family sales)
- No sales verification was done
- Sale data was categorized using Association of Manitoba Municipalities districts
- Sales which had a sale price per acre of less than \$700 per acre were analyzed as non-arable sales (bush, slough, pasture, waste land, marginal cultivated land)
- Sales which had a sale price per acre greater than or equal to \$700 per acre were analyzed as arable sales (cultivated land)

AMM Districts Farm Land Value Analysis



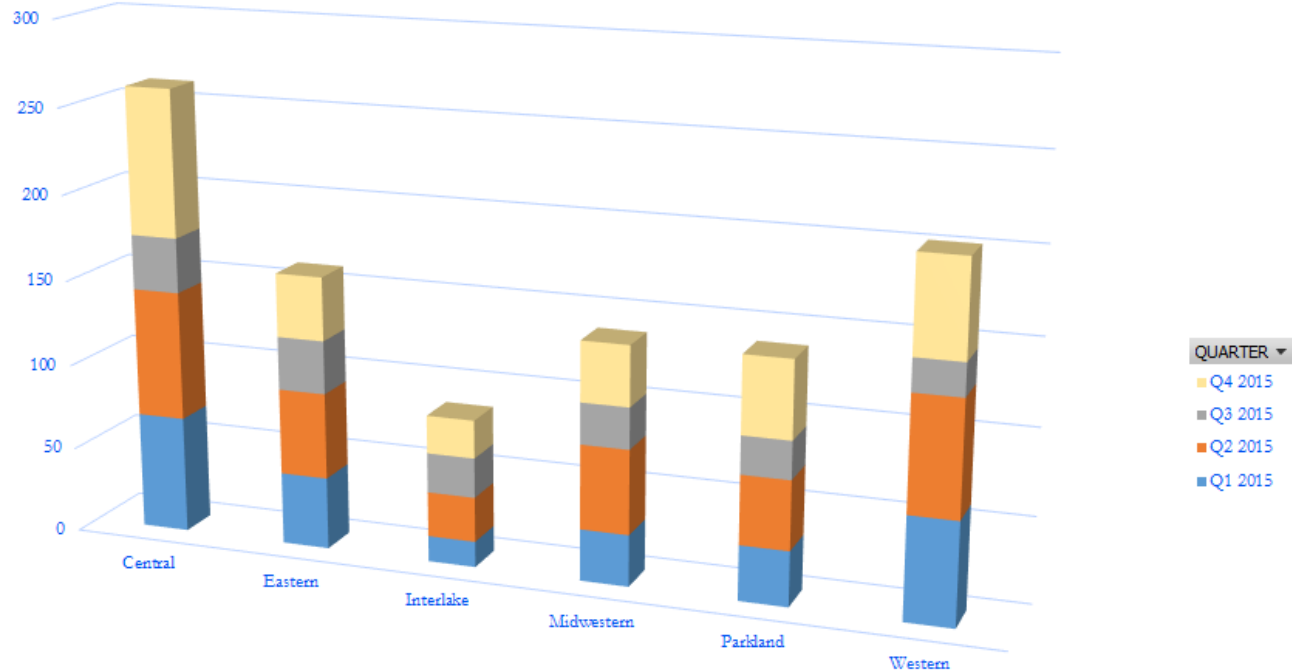
Arable Land Farm Land Value Analysis

AMM District	# Sales	Average Sale Price per Acre	Median Sale Price per Acre	Min of Sale Price per Acre	Max of Sale Price per Acre
Central	261	\$3,843	\$4,000	\$713	\$9,168
Eastern	160	\$2,494	\$2,199	\$720	\$8,626
Interlake	86	\$1,897	\$1,594	\$713	\$6,000
Midwestern	138	\$1,455	\$1,357	\$703	\$3,278
Parkland	139	\$1,507	\$1,302	\$712	\$3,937
Western	202	\$1,773	\$1,634	\$703	\$5,337
Grand Total	986	\$2,367	\$1,904	\$703	\$9,168

Arable Land Farm Land Value Analysis

Count of Sale Price per Acre

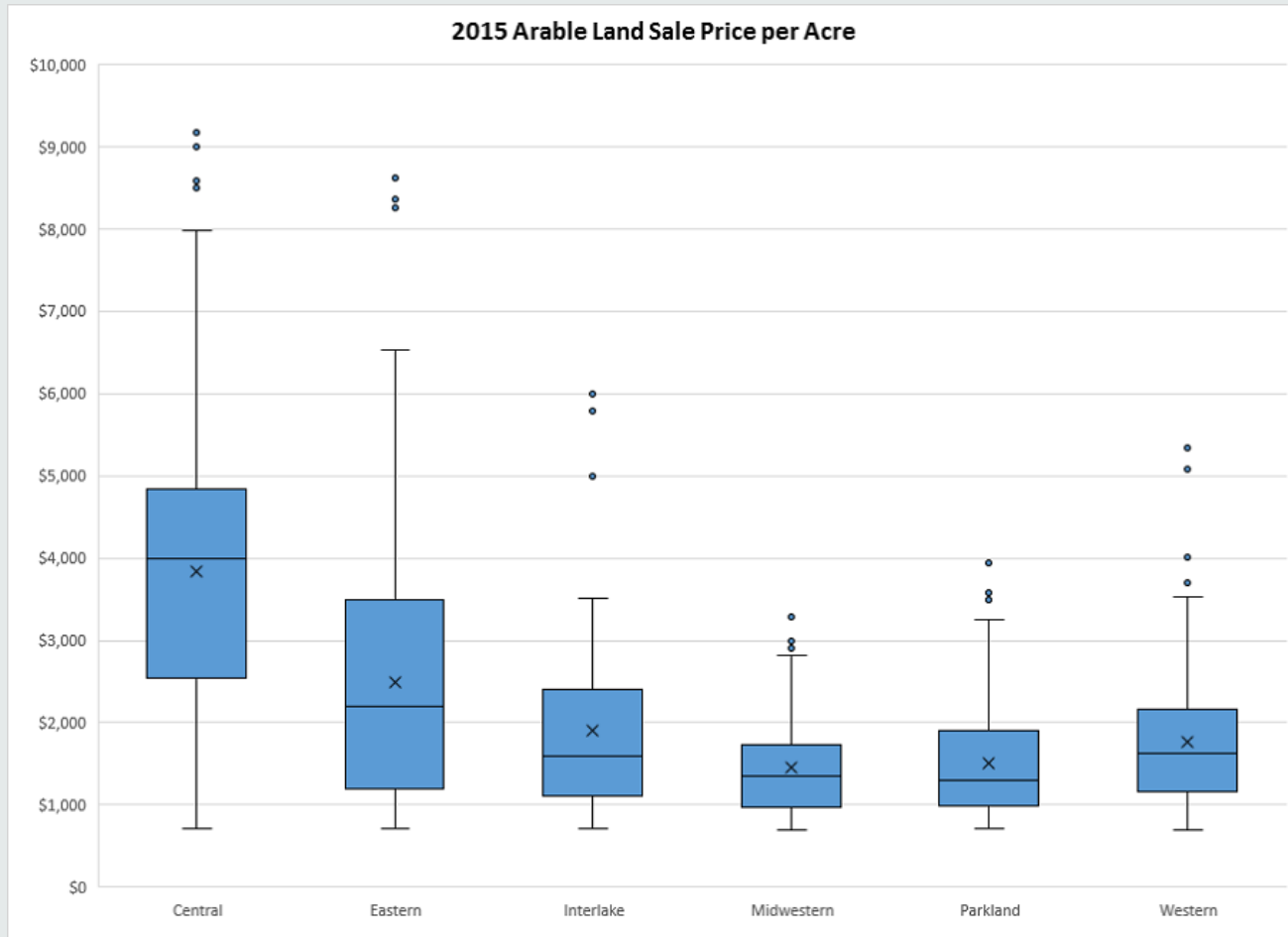
Number of 2015 Sales by AMM Region (=>\$700/ac)



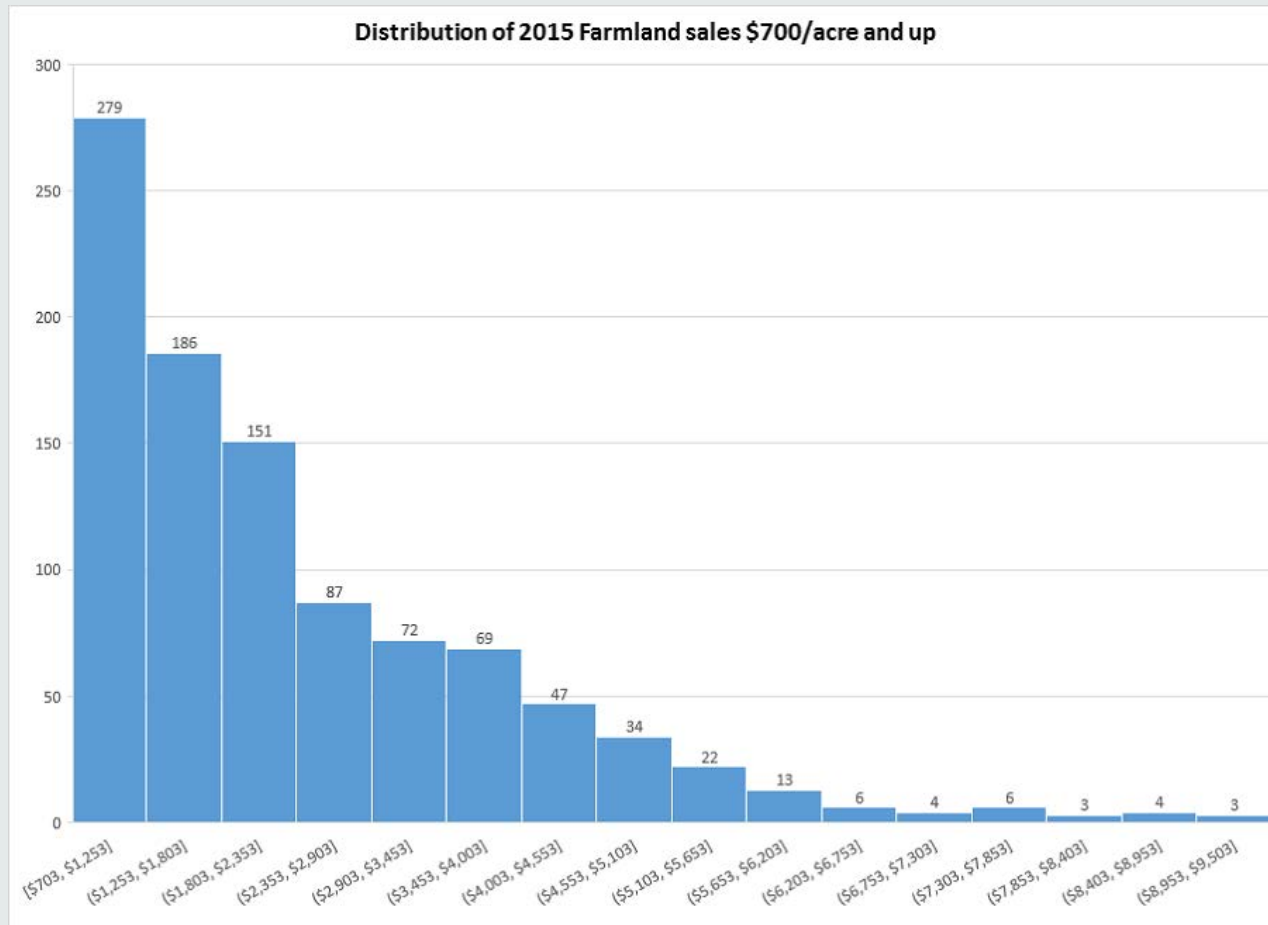
	Central	Eastern	Interlake	Midwestern	Parkland	Western
Q4 2015	86	37	22	35	45	56
Q3 2015	32	31	23	24	22	19
Q2 2015	75	50	26	49	40	67
Q1 2015	68	42	15	30	32	60

AMM District ▼

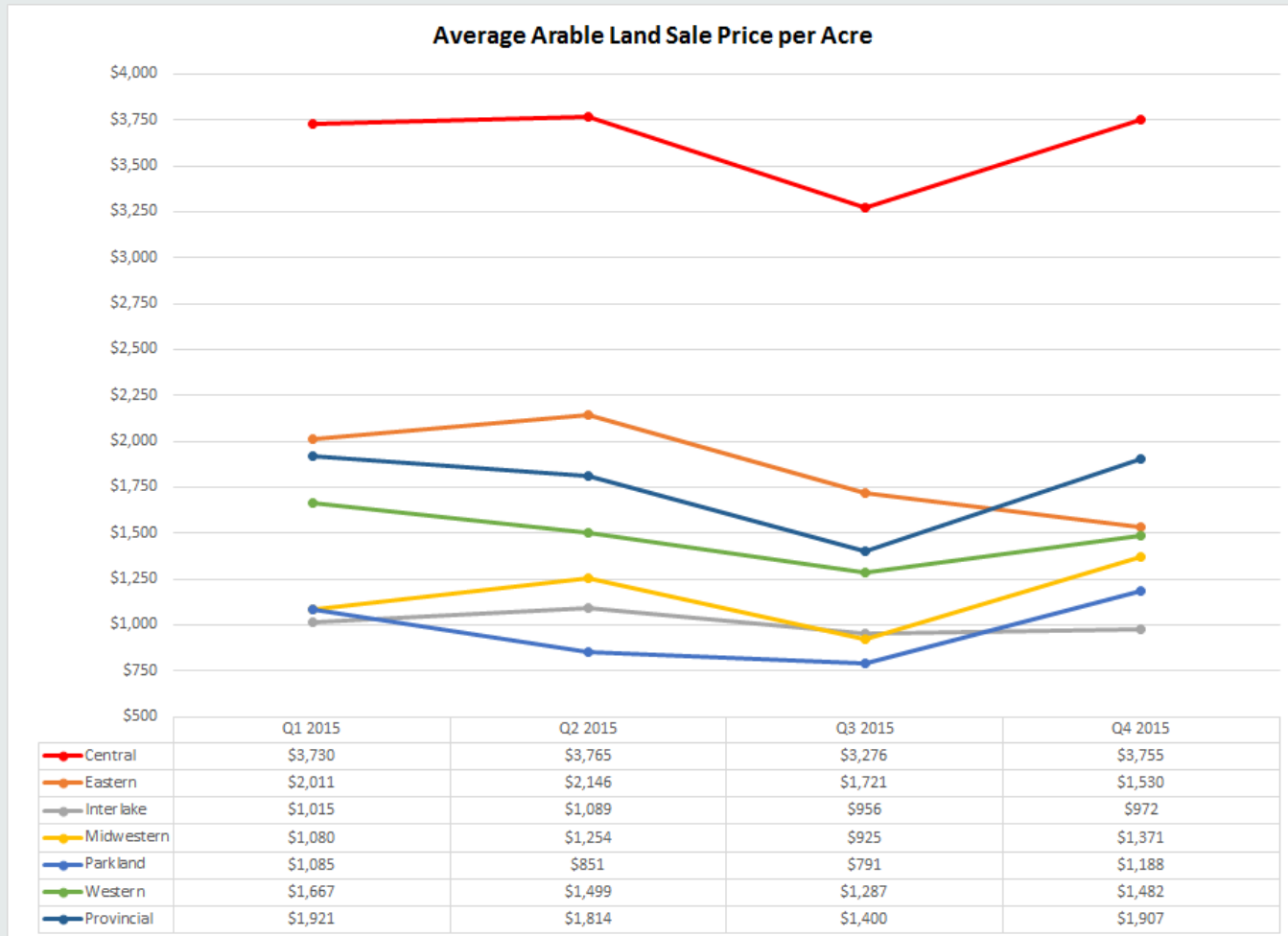
Arable Land Farm Land Value Analysis



Arable Land Farm Land Value Analysis



Arable Land Farm Land Value Analysis



Arable Land Farm Land Value Analysis

	Central	Eastern	Interlake	Midwestern	Parkland	Western	Provincial
2013 # Sales	297	173	95	111	100	188	964
2015 # Sales	261	160	86	138	139	202	986
2013 Average Sale Price/Acre	\$2,773	\$1,924	\$1,643	\$1,325	\$1,290	\$1,831	\$2,005
2015 Average Sale Price/Acre	\$3,843	\$2,494	\$1,897	\$1,455	\$1,507	\$1,773	\$2,367
Change from 2013 to 2015	39%	30%	15%	10%	17%	-3%	18%
Indicated Annual Change	19%	15%	8%	5%	8%	-2%	9%

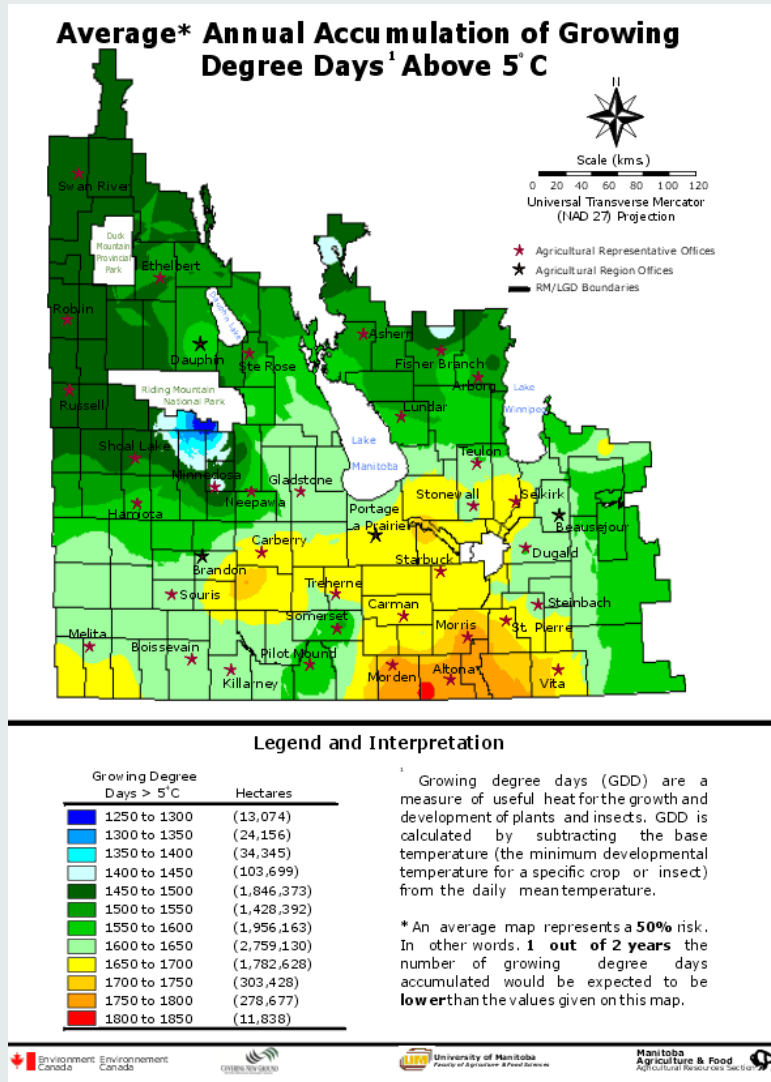
- Data from previous newsletter in 2014 (2013 sales) was compared to 2015 sales data
- Sales below \$700/acre were eliminated from 2013 sales
- Similar sales volume in the two years
- Slight differences in Western & Midwestern Region boundaries due to municipal amalgamation
- Indicates strong increases in Central and Eastern regions in particular
- Overall indicated annual increase of 9%

Arable Land Farm Land Value Analysis

	Central	Eastern	Interlake	Midwestern	Parkland	Western	Provincial
2013 # Sales	297	173	95	111	100	188	964
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- Strong increases in Central region appear to be driven by strong crop receipts
- Rural community growth such as Morden, Winkler, and Capital Region may be influencing values – competition from development
- Recovery of hog industry and stronger crop receipts appear to be driving increases in Eastern region, as well as development in the Capital Region.
- Interlake region has similar increases in arable land in southern areas, lower in northern areas due to land composition
- Midwestern and Parkland regions as well as Western areas have similar land values per acre, relatively low levels of growth – being able to grow fewer special crops like soybeans influencing value?

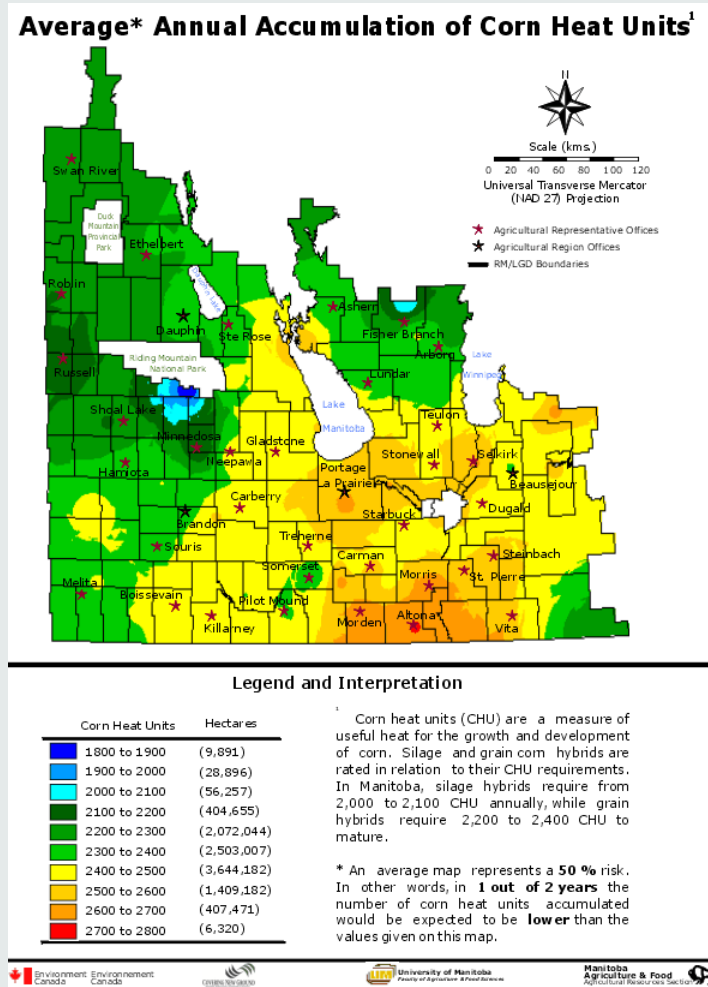
Arable Land Farm Land Value Analysis



- Growing Degree Days (GDD) – measure of useful heat for growth and development of plants and insects
- Indication of what crops can be grown in which areas
- Special crops like soybeans and corn need higher number of GDD's
- Appears to be correlation of GDD's to sale price per acre

Arable Land

Farm Land Value Analysis



- Corn Heat Units (CHU) – measure of useful heat for growth and development of corn
- Corn requires 2,200 CHU and up (yellow to red on the map)
- Appears to be correlation of CHU's to sale price per acre

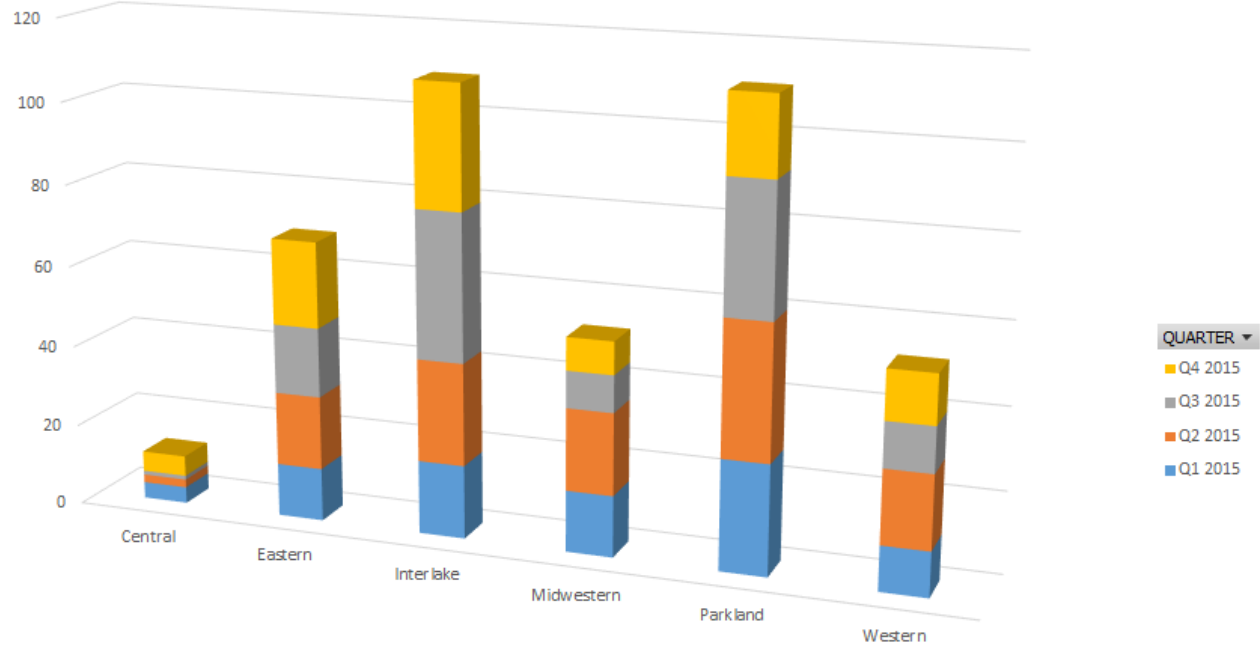
Non-Arable Land Farm Land Value Analysis

AMM District	# Sales	Average Sale Price per Acre	Median Sale Price per Acre	Min of Sale Price per Acre	Max of Sale Price per Acre2
Central	12	\$439	\$498	\$5	\$683
Eastern	69	\$418	\$385	\$155	\$650
Interlake	109	\$301	\$266	\$25	\$693
Midwestern	52	\$481	\$533	\$158	\$699
Parkland	111	\$319	\$278	\$44	\$696
Western	52	\$514	\$504	\$250	\$688
Grand Total	405	\$380	\$375	\$5	\$699

Non-Arable Land Farm Land Value Analysis

Count of Sale Price per Acre

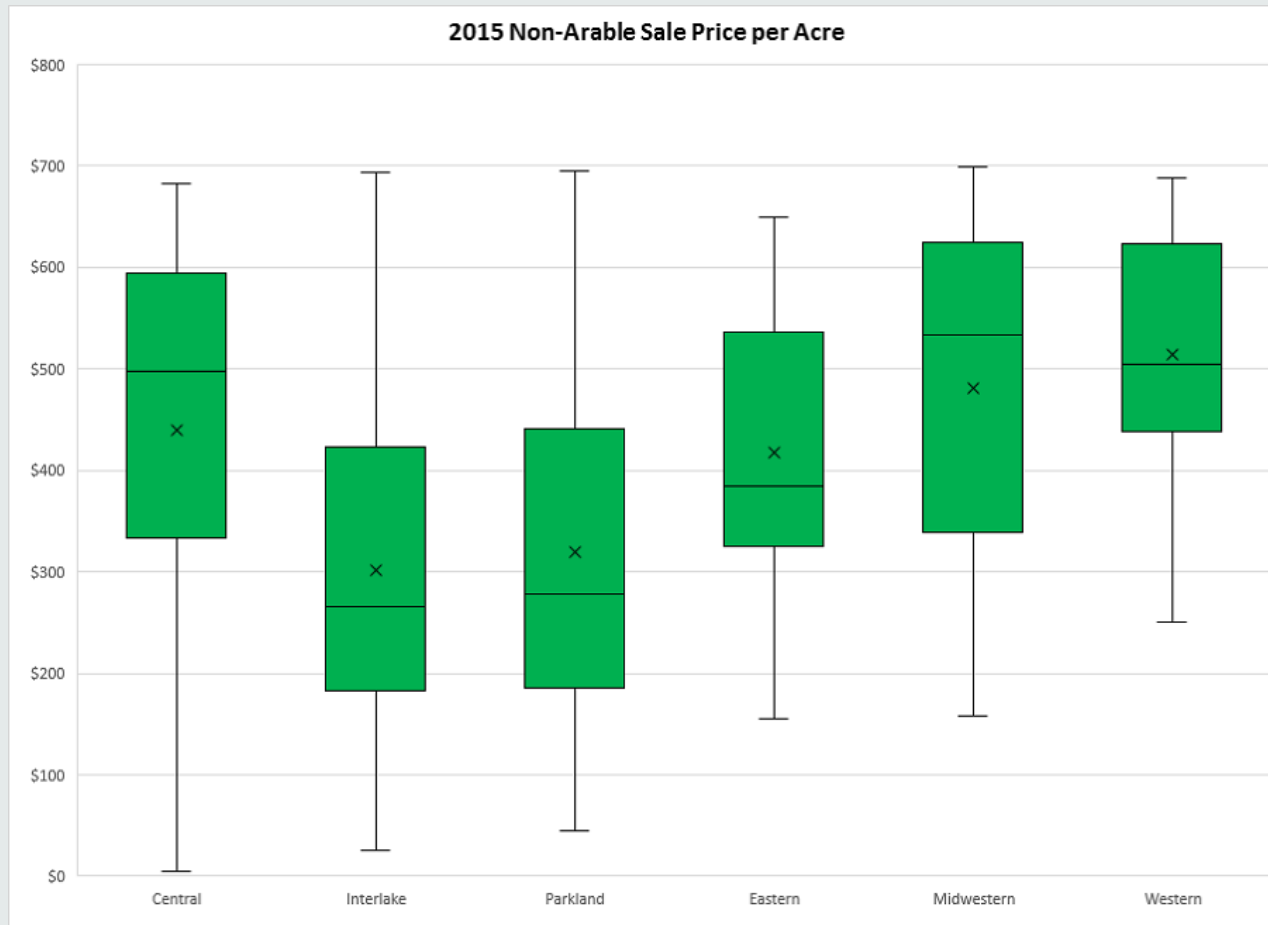
Total 2015 Non-Arable Sales (<\$700/acre SP) by AMM Region



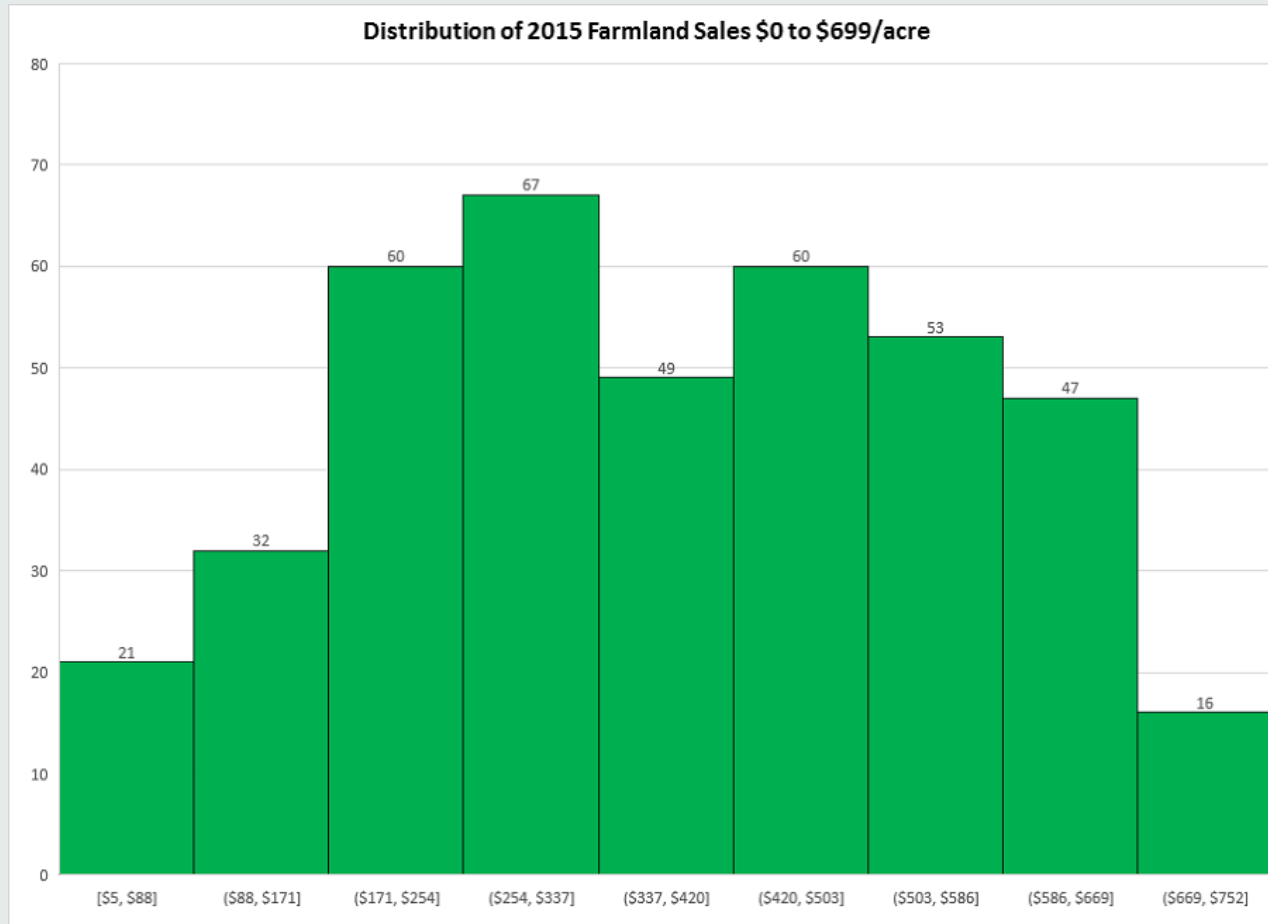
	Central	Eastern	Inter lake	Midwestern	Parkland	Western
Q4 2015	5	21	30	8	19	12
Q3 2015	1	17	36	9	32	11
Q2 2015	2	18	25	20	33	18
Q1 2015	4	13	18	15	27	11

AMM District ▾

Non-Arable Land Farm Land Value Analysis



Non-Arable Land Farm Land Value Analysis



Non-Arable Land Farm Land Value Analysis

- No comparison between 2013 and 2015 because data was treated slightly differently
- Observations from the non-arable data analysis
 - Interlake region sales volume appears to be picking up since last analysis
 - Overall the non-arable values appear to be increasing - is this due to increase in cattle prices, and further recovery from BSE crisis in 2003?
 - Is Eastern region influenced by recreational properties – higher average than the rest of the regions?

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Conclusions

- Farmland prices in Manitoba appear to be remaining strong across all areas of Manitoba
- Crop receipts of special crops in Central Manitoba will have particular influence on whether the prices in this region will keep increasing at the rate that they have been
- Cattle prices will continue to influence value of non-arable land in Interlake and Parkland regions.
- Number of producers entering the cattle sector will influence prices of non-arable land in Interlake and Parkland regions
- Number of producers entering the hog sector will influence prices of non-arable land in Eastern region
- Low interest rates will continue to push the market value of farmland upwards
- Rate of growth will remain positive, but will likely slow over next few years

For further
information,
please contact me

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