

Saskatchewan farmland sees boom in value

BY WILL CHABUN, LEADER-POST APRIL 18, 2012

Like urban real estate, the estimated value of farmland in Saskatchewan is booming, rising by an estimated average of 10.1 per cent in the last six months of 2011 alone, according to a new report by Farm Credit Canada.

To put that into perspective, the average value of all Canadian farmland rose by 6.9 per cent during the last half of 2011, following gains of 7.4 and 2.1 per cent in the previous reporting periods.

The results came as no surprise to FCC, which has been tracking farmland prices since 1984.

"They expected them to be up, what with all of the interest and with commodity prices being higher," said Cathy Gale, FCC's Saskatchewan valuation director. "Things are very positive in agriculture in Saskatchewan right now."

By comparison, farmland prices rose by 4.5 per cent in Alberta and 1.9 per cent in Manitoba in the last half of 2011.

For this study, FCC assembled a benchmark portfolio of 245 properties 28 years ago, then has appraisers estimate their current value by taking note of comparable sales in the same area, she said.

"Saskatchewan results appear to be in line with the pace of price increases in the U.S., where doubledigit growth in farmland values have been reported in several corn and soybean states including Iowa, Kansas and Nebraska," the federal Crown corporation said in its Farmland Values Report. "Two contributing factors to the value increase in Saskatchewan are the current and anticipated strength of commodity prices, combined with land values that previously increased at a slower rate than in other areas of the country.

FCC also cited relatively low interest rates, which are expected to remain low until 2013, plus "strong demand from expanding farm operations and increasing interest by non-traditional investors." In some cases, there's the proximity of farmland to oil and gas properties that would provide supplementary income.

FCC also noted that areas with few sales because of flooding in 2010 saw a resurgence of activity in the last half of 2011, though those also flooded last year did not.

The report said farmland values have been rising nationally since 2000, and since 2002 in Saskatchewan, which has about 40 per cent of Canada's arable land. The rise in values shifted into high gear around 2006, when commodity prices began rising, it added.

Over that period, the highest rate of increase was a national average of 7.7 per cent in 2008.

More information is available on the FCC website www.farmlandvalues.ca.

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