

FCC reports rise in Saskatchewan farmland values

Regina, Saskatchewan, October 9, 2012 – The average value of farmland in Saskatchewan increased by 9.1% during the first half of 2012, according to a new Farm Credit Canada (FCC) Farmland Values Report.

The latest increase is part of a trend that shows farmland values have been rising in the province since 2002. In the two previous six-month reporting periods, farmland values increased by 10.1% and 11.6%, respectively. The FCC report provides important information about changes in land values across Canada and is available at www.farmlandvalues.ca.

In comparison, the average value of Canadian farmland increased by 8.6% during the first six months of 2012, following gains of 6.9% and 7.4% in the previous two semi-annual reporting periods. Farmland values remained the same or increased in each province except British Columbia. Ontario experienced the highest average increase at 16.3%.

“High-quality farmland suitable for specialty crops continued to be in strong demand,” says Michael Hoffort, FCC Senior Vice-President of Portfolio and Credit Risk. “Consolidation of farms in some provinces is an ongoing trend as producers seek to increase their land base and take advantage of efficiencies.”

Canadian farmland values have risen steadily during the last decade. The current average national increase is the highest since FCC began reporting on farmland values in 1984. The last time the average value decreased was by 0.6% in 2000.

In Canada, the national price of farmland has increased at the annual rate of 9% on average since the start of the agriculture commodity price boom in the fall of 2006, about two and a half times faster than the period from 2001 to 2005.

Recent increases in farmland values have been mostly driven by two factors: continued high crop receipts and low interest rates. Some areas of the country are witnessing a market where multiple bids are being placed on the same property, which sets the stage for a seller’s market.

While the growth in farmland values in the U.S. Midwest generally outpaced increases in Canadian farmland values in recent years, this trend seems to be levelling out. The annual growth in farmland values in the U.S. Midwest - between July 1, 2011 and July 1, 2012 - has been 15%, while value of farmland in Ontario, Manitoba, Saskatchewan and Alberta has also grown at similar rates over the same period.

“Current low interest rates are contributing to continued land market activity,” says J.P. Gervais, FCC Chief Agricultural Economist. “While interest rates will undoubtedly increase at some point, the key interest rate of the Bank of Canada is forecast to remain low into 2013, due to the uncertainty around the world economy.”

A rising land market can have either a positive or negative impact, depending on the maturity of a producer’s business. “It can mean looking at different rent or lease options for those who would otherwise buy land, or it can improve equity for those producers who already own land,” says Hoffort. “Overall, each producer needs to look at their growth strategy, keep an eye on possible variations in Canadian farm income and adjust according to the circumstances and what is right for their business.”

Higher crop receipts, driven by world wide prices for soybeans and corn, as well as good yields in terms of volume and quality in most of the Canadian provinces, will contribute to the trend toward higher farmland values. FCC will also be monitoring the impact of the recent drought in Eastern Canada this past summer in future reports, which may affect farmland values.



News release

The FCC Farmland Values Report has been published since 1984. FCC established a system with 245 benchmark farm properties to monitor variations in bareland values across Canada. 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 the benchmark properties.

To see the FCC Farmland Values Report video, visit www.fcc.ca/farmlandvaluesvideo.

To view previous reports, visit www.farmlandvalues.ca.

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