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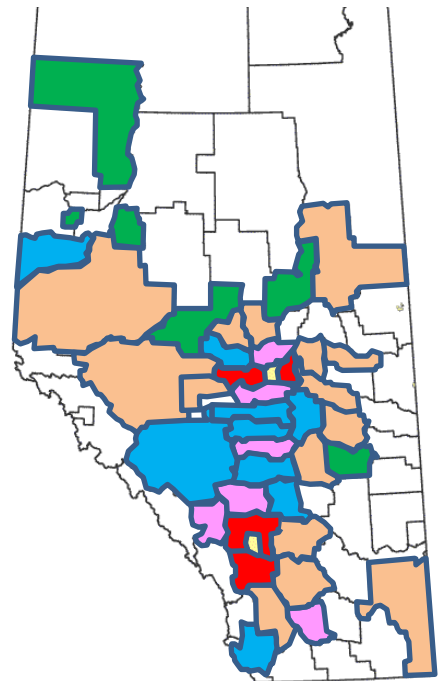
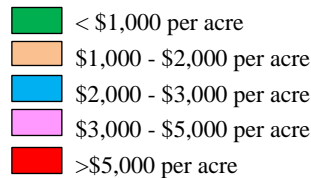
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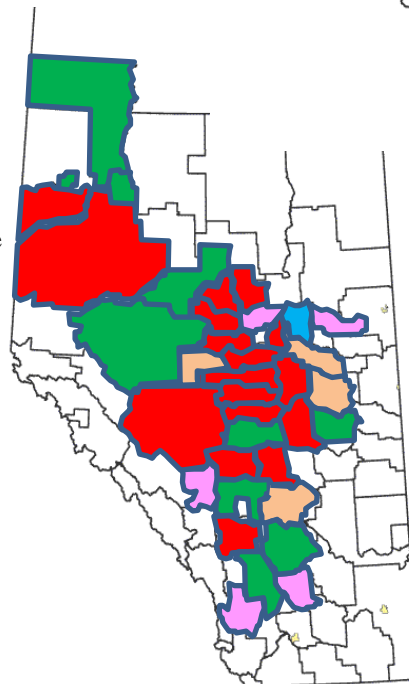
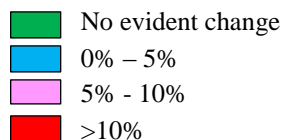
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We have now prepared our newsletter for the end of 2013. In an effort to provide an analysis that reflects variances across the province we have included an analysis of individual municipalities. It is recognized that using smaller geographic areas for separate analyses reduces that number of sales used to estimate value. However, it is hoped that this approach will be a better reflection of the changes occurring in different market areas.

Based on our database of sales, the adjoining map shows the distribution of average land values across municipalities during the second half of 2013.



The adjoining map shows how average land values in many municipalities have changed between the first half of 2013 and second half.



# SALE SUMMARY

Southern Alberta				
Municipality/County	Sale Price	Acres	Land Use	\$/acre
Bighorn	\$600,000	160	Bush	\$3,750
Cypress	\$180,000	150	Pasture	\$1,200
Cypress	\$240,000	160	Cultivated	\$1,500
Cypress	\$159,000	94.7	Pasture	\$1,679
Cypress	\$350,000	120	Cultivated	\$2,917
Foothills	\$520,000	240	Pasture	\$2,167
Foothills	\$375,000	79.48	Hay	\$4,718
Foothills	\$695,000	145	Cultivated, hay	\$4,793
Foothills	\$898,000	160	Treed, grassland	\$5,613
Foothills	\$930,000	160	Cultivated	\$5,813
Foothills	\$1,100,000	141	Bush	\$7,801
Foothills	\$850,000	78.82	Pasture	\$10,784
Foothills	\$1,749,000	159	Pasture	\$11,000
Foothills	\$1,283,000	116.59	Pasture	\$11,004
Foothills	\$1,315,000	90.16	Water Frontage	\$14,585
Pincher Creek	\$290,000	160	Treed	\$1,813
Pincher Creek	\$429,000	156.02	Pasture, hay	\$2,750
Pincher Creek	\$485,000	156	Pasture	\$3,109
Rocky View	\$355,000	160	Pasture	\$2,219
Rocky View	\$649,000	160	Cultivated	\$4,056
Rocky View	\$352,000	80.61	Cultivated, bush	\$4,367
Rocky View	\$488,500	103.55	Pasture, mountain view	\$4,718
Rocky View	\$786,000	163.93	Hay, pasture	\$4,795
Rocky View	\$1,572,850	313.23	Pasture	\$5,021
Rocky View	\$1,360,000	160	Cultivated	\$8,500
Rocky View	\$1,850,000	137	Cultivated	\$13,504
Vulcan	\$224,000	157	Hay	\$1,427
Vulcan	\$120,000	70	Pasture	\$1,714
Willow Creek	\$228,000	148.4	Hay	\$1,536

Central Alberta				
Municipality/County	Sale Price	Acres	Land Use	\$/acre
Brazeau	\$261,500	151.84	Bush	\$1,722
Brazeau	\$270,000	149.26	Bush, pasture	\$1,809
Brazeau	\$235,000	117.66	Bush	\$1,997
Camrose	\$300,000	148	Cultivated	\$2,027
Camrose	\$745,000	233.57	Hay, mixed	\$3,190
Clearwater	\$275,000	160	Pasture	\$1,719
Clearwater	\$330,000	160	Pasture, crop	\$2,063
Clearwater	\$260,000	120	Pasture	\$2,167
Clearwater	\$360,000	160	Hay, pasture	\$2,250
Clearwater	\$412,000	156	Pasture	\$2,641
Clearwater	\$415,000	153	Bush	\$2,712
Clearwater	\$420,000	151	Pasture	\$2,781
Flagstaff	\$320,000	276	Pasture, hay	\$1,159
Kneehill	\$335,000	160	Pasture, cultivated	\$2,094
Lacombe	\$290,000	140	Pasture, hay	\$2,071
Lacombe	\$350,000	150	Mixed	\$2,333
Lacombe	\$405,000	159	Cultivated	\$2,547
Lacombe	\$625,000	160	Cultivated	\$3,906
Lacombe	\$610,000	154	Cultivated	\$3,961
Lacombe	\$605,000	144	Mixed	\$4,201
Lacombe	\$720,000	158	Cultivated	\$4,557
Lacombe	\$950,000	80	Cultivated	\$11,875
Leduc	\$290,000	160	Pasture	\$1,813
Leduc	\$399,000	160	Cultivated	\$2,494
Leduc	\$212,000	80.49	Cultivated	\$2,634
Leduc	\$296,200	92	Cultivated	\$3,220

Central Alberta				
Municipality/County	Sale Price	Acres	Land Use	\$/acre
Leduc	\$275,000	77.57	Cultivated	\$3,545
Leduc	\$682,027	152.91	Cultivated	\$4,460
Leduc	\$730,000	156.2	Cultivated	\$4,673
Leduc	\$400,000	74.5	Cultivated	\$5,369
Leduc	\$432,000	79.94	Cultivated	\$5,404
Leduc	\$802,725	129.91	Cultivated	\$6,179
Leduc	\$720,000	80	Cultivated	\$9,000
Mountain View	\$375,000	135.04	Cultivated	\$2,777
Mountain View	\$460,000	160	Bush, hay	\$2,875
Mountain View	\$380,000	125	Pasture	\$3,040
Mountain View	\$495,000	160	Hay	\$3,094
Mountain View	\$525,000	160	Bush	\$3,281
Mountain View	\$510,000	154.84	Pasture	\$3,294
Mountain View	\$350,000	79.91	Hay, bush	\$4,380
Mountain View	\$493,230	90.17	Treed	\$5,470
Mountain View	\$480,000	80.08	Hay	\$5,994
Paintearth	\$510,000	959	Pasture	\$532
Paintearth	\$355,500	574.1	Hay	\$619
Ponoka	\$160,000	145.67	Cultivated, pasture	\$1,098
Ponoka	\$159,900	78.83	Bush	\$2,028
Ponoka	\$630,000	160	Cultivated, treed	\$3,938
Red Deer	\$310,000	160	Cultivated, pasture	\$1,938
Red Deer	\$320,000	160	Pasture	\$2,000
Red Deer	\$320,000	160	Pasture	\$2,000
Red Deer	\$282,000	123	Hay, pasture	\$2,293
Red Deer	\$355,000	147.22	Cultivated	\$2,411
Red Deer	\$387,500	160	Hay, pasture	\$2,422
Red Deer	\$398,000	160	Pasture, bush	\$2,488
Red Deer	\$450,000	158.96	Cultivated	\$2,831
Red Deer	\$635,000	153.75	Cultivated	\$4,130
Stettler	\$452,000	320	Bush, pasture	\$1,413
Stettler	\$230,000	140	Mixed	\$1,643
Wetaskiwin	\$240,000	143	Bush	\$1,678
Wetaskiwin	\$272,500	160	Bush	\$1,703
Wetaskiwin	\$175,000	91	Pasture	\$1,923
Wetaskiwin	\$160,000	80.56	Hay, bush	\$1,986
Wetaskiwin	\$290,000	120.66	Cultivated	\$2,403
Wetaskiwin	\$259,000	77.5	Pasture	\$3,342

Northern Alberta				
Municipality/County	Sale Price	Acres	Land Use	\$/acre
Athabasca	\$140,000	160	Bush	\$875
Athabasca	\$71,000	80	Cultivated	\$888
Athabasca	\$272,700	303	Pasture, hay	\$900
Barrhead	\$184,000	149.37	Bush	\$1,232
Barrhead	\$205,000	155	Pasture	\$1,323
Barrhead	\$212,500	153	Pasture	\$1,389
Barrhead	\$1,575,000	798.97	Cultivated	\$1,971
Beaver	\$240,000	160	Cultivated	\$1,500
Beaver	\$190,000	80	Cultivated	\$2,375
Bonnyville	\$292,000	140.74	Hay, bush	\$2,075
Bonnyville	\$305,000	78.73	Pasture	\$3,874
Bonnyville	\$625,000	158	Cultivated, pasture	\$3,956
Bonnyville	\$900,000	158.06	Cultivated	\$5,694
Lac La Biche	\$180,000	160	Bush	\$1,125
Lac Ste. Anne	\$235,000	161	Hay	\$1,460
Lac Ste. Anne	\$123,000	74.3	Bush	\$1,655
Lac Ste. Anne	\$261,000	149.23	Hay, cultivated	\$1,749
Lac Ste. Anne	\$125,000	70.47	Bush	\$1,774
Lac Ste. Anne	\$280,000	153.14	Cultivated	\$1,828
Lac Ste. Anne	\$142,000	75	Bush	\$1,893
Lac Ste. Anne	\$330,000	161	Bush	\$2,050
Lac Ste. Anne	\$200,000	75	Pasture	\$2,667

Northern Alberta				
Municipality/County	Sale Price	Acres	Land Use	\$/acre
Lac Ste. Anne	\$270,000	79.49	Bush	\$3,397
Lamont	\$160,000	139.08	Pasture	\$1,150
Lamont	\$99,000	80	Hay, pasture	\$1,238
Lamont	\$110,000	79.02	Bush, pasture	\$1,392
Lamont	\$115,000	80	Pasture	\$1,438
Lamont	\$240,000	160	Cultivated	\$1,500
Lamont	\$300,000	160	Pasture	\$1,875
Lamont	\$675,000	150	Cultivated	\$4,500
Minburn	\$233,500	80	Hay	\$2,919
Minburn	\$233,500	80	Hay	\$2,919
Parkland	\$195,000	159	Bush, pasture	\$1,226
Parkland	\$106,000	79.99	Bush	\$1,325
Parkland	\$188,000	80	Bush	\$2,350
Parkland	\$197,500	80.06	Cultivated	\$2,467
Parkland	\$350,000	129.51	Bush	\$2,702
Parkland	\$925,000	297.05	Bush, Pasture	\$3,114
Parkland	\$540,000	119.23	Hay	\$4,529
Parkland	\$1,000,000	148.4	Treed	\$6,739
Parkland	\$1,000,000	148.4	Treed	\$6,739
Parkland	\$975,000	132.48	Bush	\$7,360
Parkland	\$635,000	79.64	Cultivated, bush	\$7,973
Parkland	\$1,100,000	121.21	Treed	\$9,075
Parkland	\$1,100,000	121.21	Treed	\$9,075
Parkland	\$1,200,000	70	Cultivated	\$17,143
St. Paul	\$165,000	160	Pasture	\$1,031
St. Paul	\$80,000	73.64	Bush	\$1,086
St. Paul	\$210,000	156.14	Bush	\$1,345
St. Paul	\$130,000	80	Bush	\$1,625
Strathcona	\$1,000,000	108.95	Bush	\$9,179
Sturgeon	\$425,000	158	Bush	\$2,690
Sturgeon	\$425,000	158	Bush	\$2,690
Sturgeon	\$300,000	73.3	Cultivated	\$4,093
Two Hills	\$190,000	158.01	Hay	\$1,202
Two Hills	\$450,000	309	Pasture	\$1,456
Westlock	\$205,000	160	Cultivated	\$1,281
Westlock	\$195,000	146.51	Cultivated	\$1,331
Westlock	\$215,000	158	Cultivated	\$1,361
Westlock	\$250,000	160	Hay	\$1,563
Westlock	\$280,000	160	Cultivated	\$1,750
Westlock	\$340,000	160	Pasture, Treed	\$2,125
Westlock	\$489,000	161	Cultivated	\$3,037
Woodlands	\$124,000	160	Bush	\$775
Yellowhead	\$145,000	158.97	Cultivated	\$912
Yellowhead	\$151,000	149	Bush	\$1,013
Yellowhead	\$215,000	134	Bush	\$1,604
Yellowhead	\$330,000	142.04	Bush, Pasture	\$2,323

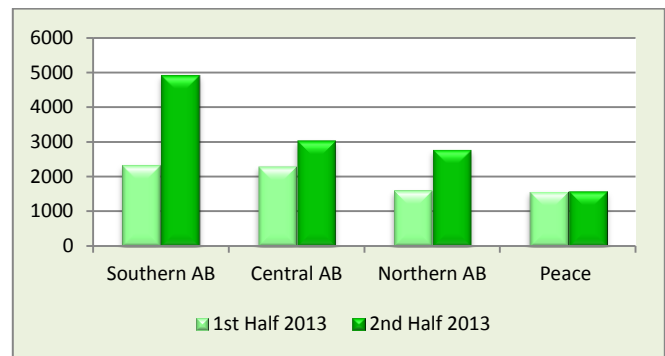
Peace Country				
Municipality/County	Sale Price	Acres	Land Use	\$/acre
Greenview	\$200,000	120	Cultivated	\$1,667
Greenview	\$265,000	158	Cultivated, bush	\$1,677
Northern Lights	\$90,000	160	Cultivated, bush	\$563
Northern Lights	\$120,000	160	Cultivated, bush	\$750
Northern Lights	\$95,000	118.4	Bush	\$802
Northern Lights	\$137,500	129	Hay, bush	\$1,066
Smoky River	\$85,000	159	Cultivated	\$535
Spirit River	\$85,000	152.8	Bush	\$556

## REGIONAL ANALYSIS

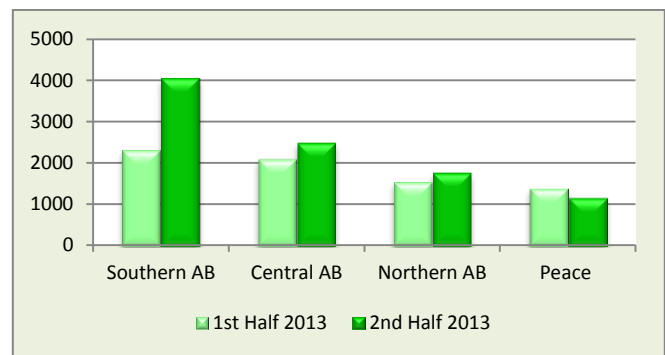
Our regional analysis has now been divided into four regions. From our previous analysis, land sales in the Peace Country have been separated into a separate region to better reflect production areas.

An analysis of both the mean and median sale prices shows a strong increase in the average sale price for most regions between the first half and second half 2013. However, mean average and median in the Peace region remained relatively stable.

Graph 1: Mean Sale Price



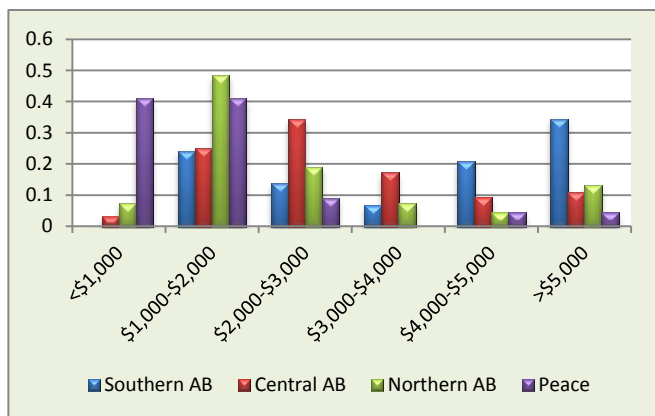
Graph 2: Median Sale Price



Peace Country				
Municipality/County	Sale Price	Acres	Land Use	\$/acre
Grande Prairie	\$125,000	160	Cultivated, bush	\$781
Grande Prairie	\$155,000	156	Cultivated	\$994
Grande Prairie	\$155,000	150.02	Bush	\$1,033
Grande Prairie	\$155,000	131.76	Hay, treed	\$1,176
Grande Prairie	\$200,000	160	Cultivated, bush	\$1,250
Grande Prairie	\$161,000	112.77	Pasture	\$1,428
Grande Prairie	\$230,000	160	Cultivated, bush	\$1,438
Grande Prairie	\$200,000	87.86	Cultivated	\$2,276
Grande Prairie	\$360,000	150	Cultivated	\$2,400
Grande Prairie	\$700,000	159	Cultivated	\$4,403
Grande Prairie	\$1,050,000	151.12	Cultivated	\$6,948
Greenview	\$119,900	141	Bush	\$850
Greenview	\$250,000	284	Cultivated, pasture, bush	\$880
Greenview	\$225,000	137	Cultivated	\$1,642

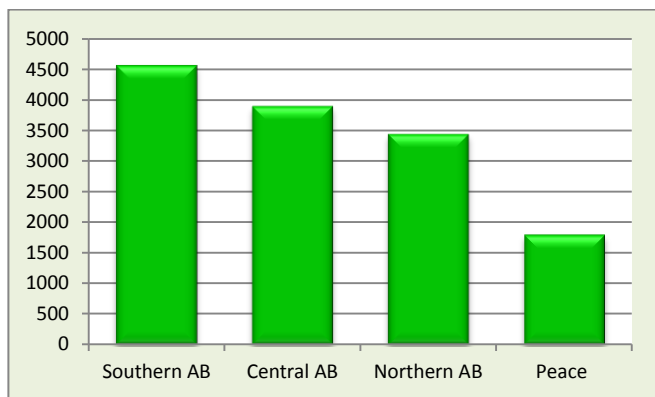
In addition, the following graph shows how the sales are distributed between each of the regions.

**Graph 3: Distribution of Sale Values for Each Region**



The following graph shows the relative value of cultivated land between the regions.

**Graph 4: Comparison of Cultivated Land Values**



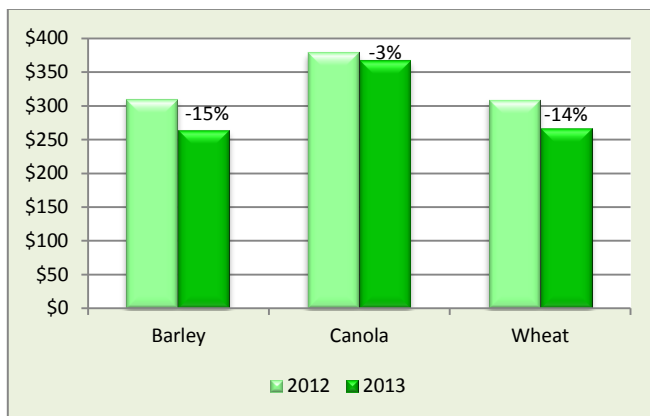
## WILL CHANGES IN GRAIN PRICES AFFECT LAND VALUE?

With the abrupt decline in crop prices that has occurred over the last few months there has been much speculation about how land prices will respond. Because gross farm revenue is commonly suggested as a potential indication of where land prices are expected

to go, we will consider the historic relationship between these factors.

Based on the average prairie province yields reported by Statistics Canada and approximate year ending prices, the following graph shows an estimate of average gross revenue for three crops from 2012 to 2013.

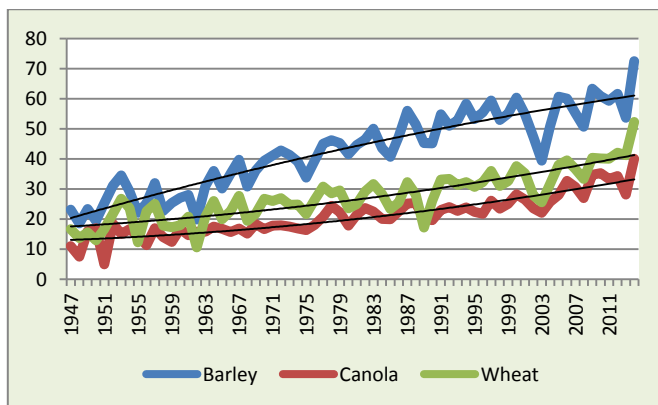
**Gross Revenue per Acre for Major Crops in 2012 and 2013**



Logistical and delivery issues aside, even with the record large crop, the graph above indicates that there is expected to be some decline in gross farm revenue per acre.

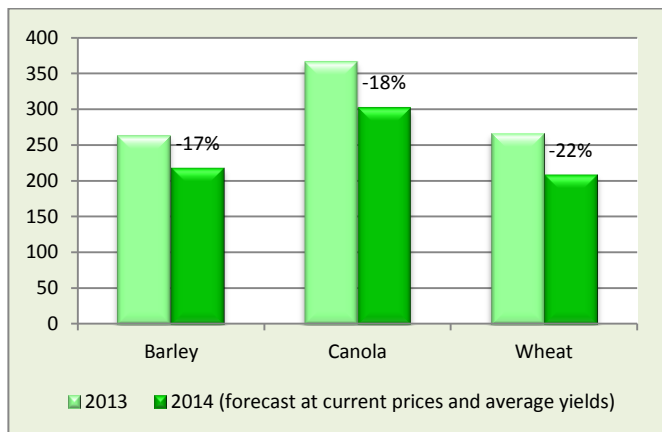
The following graph shows the long term yields and possible trendline for these crops.

**Long Term Trendline for Yields (bushels per acre) of Major Crops**



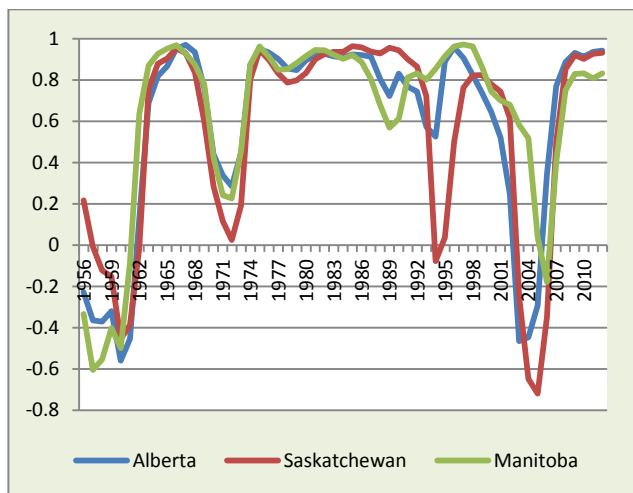
If current grain prices hold and 2014 yields return to the level indicated by the trendlines above, the following graph shows the possibility of a further decline in the gross revenue per acre for these crops.

**Forecast of Gross Revenue for 2014 of Major Crops**



However, before any impact on land prices could be predicted, it is necessary to consider the potential relationship between land prices and gross farm revenue. Based on a ten period moving average, the following graph shows the correlation coefficient between average land values and gross farm revenue for each of the three prairie provinces.

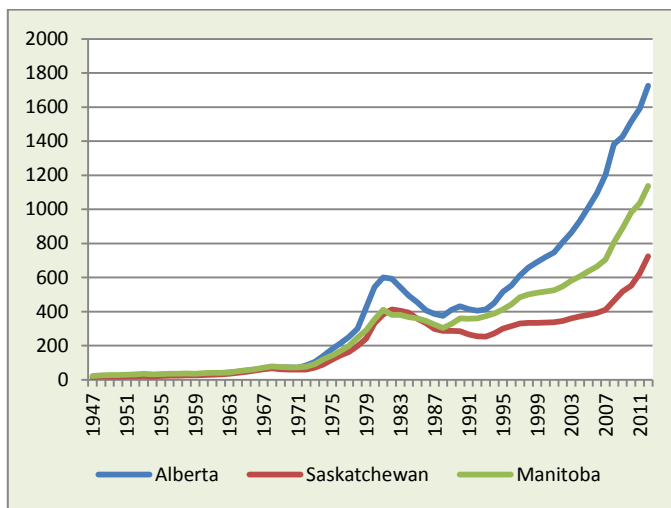
**Correlation Coefficient of Farmland Values to Gross Farm Revenue**



The graph above indicates that land values often have a high correlation to gross farm revenue. However, there are distinct periods when there was no correlation with gross farm revenue. Therefore, it is considered that other factors also influence land values.

It is also considered that based on the graph below, the only extended period where farmland values have fallen is during the 1980s. During this period gross farm revenue also experienced a general downwards trend.

**Average Farmland Values for Three Prairie Provinces**



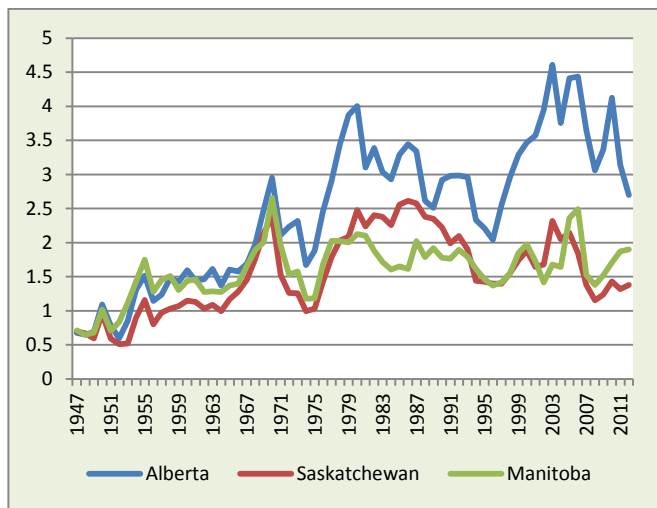
To further assist in forecasting the potential impact on farmland value, the gross income multiplier (GIM) is also analysed to consider if land values are at risk of declining. The GIM is a reflection of how many times greater the price of land is than the gross revenue per acre.

Mathematically it can be expressed as:

$$GIM = \frac{\text{Price per Acre Land}}{\text{Gross Revenue per Acre}}$$

The graph below shows the GIM for the three Prairie Provinces from 1947 to 2012.

**Gross Income Multiplier for Farmland Values in Three Prairie Provinces**



The graph above shows some extreme variability year to year that can be attributed to a combination of factors including crop prices and yields. Therefore, the analysis below considers longer term trends rather than individual values year to year.

**Alberta**

The graph above indicates that in Alberta during the 1980s the GIM trended downwards quite dramatically. This indicates that land values generally fell at a greater rate than gross farm revenue. Despite the publicity over increasing land values over recent years, the GIM in Alberta has also been trending downwards since the peak in 2003. This suggests that during that period gross farm revenue has been increasing proportionately more than land values. Although the gap between the GIM for Alberta and the other prairie provinces remains quite large, this difference is expected to be attributed to factors unrelated to the agricultural industry, and from a historical perspective the current GIM is not abnormally high. Therefore, there may be potential that land values could be buffered against a short term decline in farm revenue.

**Saskatchewan**

The GIM in Saskatchewan remains near the lowest level since the late 1970s. Based on the data in the graph above, a down trend in GIM in Saskatchewan did not occur until 1987. By that time, based on the data we have reviewed, gross farm revenue in Saskatchewan appeared to have stabilized near the bottom. Therefore, prior to that period, land values are considered to have declined at a lower rate than farm income and looking forward, it is also considered any downward reaction of land values to falling crop prices may be delayed.

**Manitoba**

Although there have been years that varied, the GIM for Manitoba has frequently been bounded within the range of 1.5 to 2.0. Therefore, it could be considered that if gross farm revenue declines sufficiently for the GIM to exceed this range, there may be a correction in land values.

**Conclusion**

With the variability in GIM between provinces, it is difficult to make a definitive forecast about how land values could react if farm revenue drops and with the correlation coefficient indicating that other factors affect farmland values it is a further challenge to predict a possible change without an analysis of these factors. However, based on the above analysis, the GIM for land values are not historically high. Therefore, looking forward, even if crop prices progress in a downwards trend, with normal production, we do not expect land values to immediately react downwards. However, if crop prices progress through a sustained period of depression, there may be a negative response.