

Prince Edward Island Farm Values



This Garden of the Gulf is an extraordinarily beautiful place. “Tranquility” is probably its most striking feature. In a world of violence, pollution and the relentless pursuit of commerce the Island is an oasis of calm; visitors find it impossible not to relax; its signature scene, a blue heron patiently immobile in the still waters of a sea lagoon perfectly captures the moment. This is a land of colour and contrast especially in Spring: the red earth of freshly tilled fields, the lime green of emerging growth, trees erupting into bouquets of white and pink blossom, blue ocean inlets ... at dawn the clean air renders them with an intensity and vivacity that is truly breathtaking. But of course not everybody can relax: this is also a province where people have to make a living and many do so through farming. The industry is in a state of transition as the baby boomers hand over the torch to the next generation. Farmers farm for their sons (and daughters) ... their wealth is in their land. How well has that wealth been husbanded? Our Charlottetown office took a look and prepared this report.

Farms Profile

The province has an area of 1.4 million acres of which 594,000 are cleared for agriculture. Of the latter, 410,712 acres were in production at the time of the 2011 Statistics Canada Census, up from 380,796 acres in 1991. Crop acreage peaked in 2001 at 433,641 and has declined steadily over the ten years to 2011. The number of farms however has steadily decreased from 2,361 (1991) to 1,495 (2011). There has been a concomitant increase in average crop size per farm during that period from 161 acres to 274 acres whilst the percentage of farm operators aged 55 or older increased from 33% to 47%. By 2011 their average age was 54.2 years; still young but reaching the point of having offspring old enough to start shouldering the load if their partners were in accord (which should not be taken for granted ... our experience in New Brunswick is that this can be an issue because spouses have their own career path, a departure from the earlier generation, and therefore do not relish moving out of town to the family farm. It is probably not so much a concern on the Island given the shorter distance involved however succession does appear to be a concern). Farming is still a predominantly male occupation, only 17.1% of farm operators were female according to the 2011 census, versus 27.4% nationally

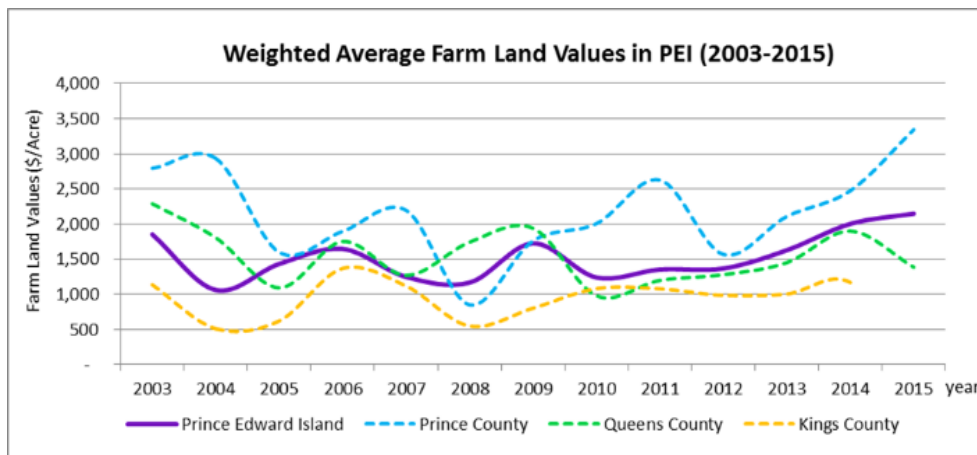
Potatoes are still the predominant crop measured by producing acreage: of the 410,712 acres in production the 2011 census recorded potatoes (21%), total wheat (6%), barley (15%), total rye (1%), soybeans (12%), and other (44%). About 89,500 acres of potatoes were planted in 2015 with 89,000 acres of grains (wheat, oats, barley and mixed grain) and 58,000 acres of oilseeds primarily grown in rotation with potato crops.

Organic farms, while only 3.1% of all farms, continue to grow. There are about 60 certified producers. They sell mainly through the local farmers' markets.

Livestock continues to be a challenge: the number of dairy cows has been stable over the five years ending 2011 (there are about 180 dairy farms) but beef cattle produced for breeding purposes (cows and heifers) declined by a third, while pigs decreased by over a half. This may have stabilised: there are now 19 commercial farms marketing about 60,000 hogs per year (including breeding stock, weaners and isoweaneers). The relatively small sheep flock doubled in size to 8,000.

The Island is not a major fruit producer but it is diverse with commercial quantities of lowbush blueberries the dominant species; 13,000 acres in 2014. Jasper Wyman & Sons of Maine received a \$18.5 million loan (\$16 million of which was repayable) from the provincial government in 2013 to expand its Morell blueberry processing plant. In addition the province has about a dozen small commercial cranberry bogs, ranging in size from 5 to 30 acres, together with other fruits for local consumption such as apples, strawberries, gooseberries, rose hips, black currants, high bush blueberries, some grapes and haskap berries.

Land Values



Data Source: Turner Drake and Partners Ltd.

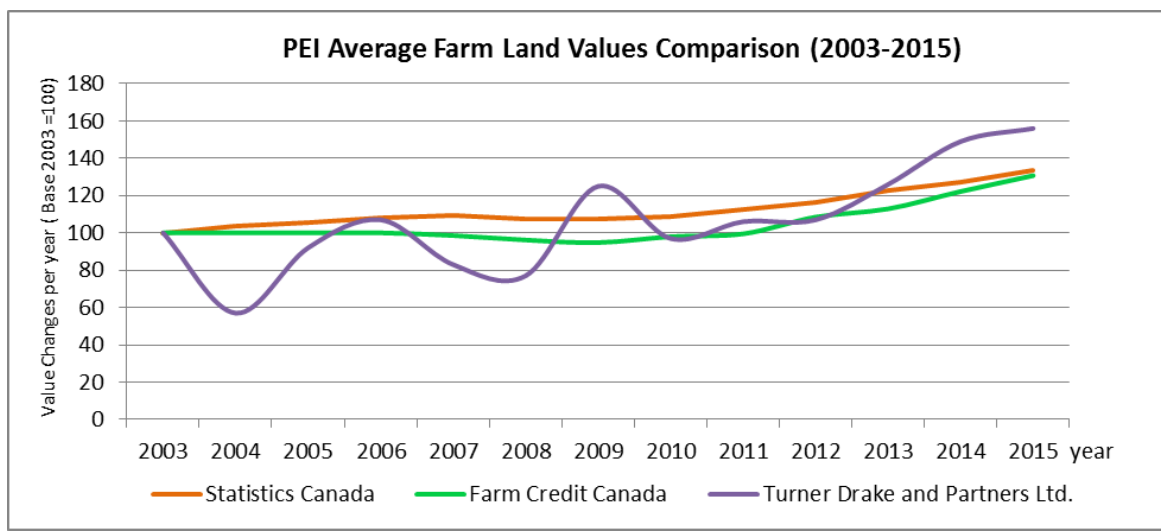
Despite its claim to be the birthplace of Confederation, the roots of democracy do not run deep in Prince Edward Island. This is the hermit kingdom when it comes to government control of information: it is the only province in the country that refuses to share sales information with its citizens. The main advocate for secrecy appears to be its Assessment Division, a.k.a. the Department of Finance, which appears terrified that taxpayers will launch a spate of appeals if they are given access to the information on which their property assessments are based. This “colonial” attitude makes it difficult to provide reliable real estate advice on the Island: however we have managed to assemble sales information on agricultural land values aggregated by county, by manually trolling through the province’s “fee by search” on-line system. This is very much a hit and miss exercise since there is no flag to indicate that a property has sold until the record is retrieved. However thanks to our Co-op student and several thousand dollars in retrieval fees we were able to assemble a data base of farmland sales. We then used high definition aerial photography and our GIS system to determine that there were no buildings on the property and to categorise the land type. Finally we decomposed the sale prices using proprietary software we have developed and then subjected it to longitudinal analysis using linear regression and exponential smoothing. The results are displayed on the Farm Land Values graph. The solid purple line tracks land sales prices for the province as a whole for the period 2003 to 2015. Farm prices fluctuated following market cycles until 2010 though the average trend was neither increasing nor decreasing. However since

2010 they have climbed steadily upwards. The most pronounced beneficiaries have been properties located in the western part of the province in Prince County (see broken blue line) where there has been a strong upward trend in agricultural land values since 2012. Queens County (green broken line) prices steadily increased between 2010 and 2014 but fell back in 2015 (the latter may well be an aberration rather than a trend). In Kings County (yellow broken line), the eastern part of the Island, land values are fairly stable. Land located near Kensington, a processing centre, and the major urban centres of Charlottetown and Summerside has experienced significant increases in value. While the profitability of farming on the Island compares favourably with the remainder of Canada, the high cost of property acquisition and investment in equipment is a major barrier to entry: however high land values in central Canada now have farmers looking east. The Farm Credit Corporation (FCC) notes in its 2015 Farmland Values Report that “in some instances, farm operators from other provinces sold their farm holdings in their home province and acquired whole farming units in P.E.I. in order to take advantage of less expensive land prices. FCC does not publish prices/acre but Statistics Canada is less reticent. Their figures are derived from FCC data but include buildings in the price per acre. As of July 1st 2015 they recorded the following values countrywide:

Farm Land & Buildings – Value per Acre						
Location	2010	2011	2012	2013	2014	2015
Canada	1,608	1,724	1,924	2,227	2,460	2,682
Newfoundland and Labrador	2,688	2,811	2,811	2,811	2,862	2,970
Prince Edward Island	2,125	2,205	2,287	2,431	2,545	2,703
Nova Scotia	1,663	1,709	1,792	1,904	1,958	2,039
New Brunswick	1,621	1,673	1,690	1,737	1,833	1,876
Quebec	2,979	3,128	3,398	4,231	4,718	5,169
Ontario	5,461	5,985	7,155	8,417	9,243	10,063
Manitoba	981	1,035	1,137	1,388	1,583	1,749
Saskatchewan	551	624	724	881	1,043	1,159
Alberta	1,514	1,592	1,725	1,934	2,092	2,282
British Columbia	4,765	4,988	4,984	5,060	5,217	5,432

Source: Statistics Canada Table 002-0003

Farm Valuation




Data Source: Statistics Canada (table 002-0003), Turner Drake and Partners Ltd. & FCC Farm Land Value Report 2015

Acquiring verified, reliable sales data is a challenge but without it an opinion of value is just a guess. It is unfortunate that the provincial government, for totally unrelated reasons, insists on keeping sales information from taxpayers ... doubly ironic given that the latter funded its acquisition. It is available in the other provinces and south of the border

the U.S. Federal Government mandates that the public must be provided with access, free of charge, to all data gathered at public expense. Open data is widely recognised as a vital condition of economic growth, this is after all, the “information age”. Most countries in the developed world and many provinces in Canada realise the importance of data availability and are working vigorously to ensure that it is accessible. Initially some provinces resisted, usually because they feared a flood of assessment appeals if taxpayers had access to the sales data on which their property assessments were based. In New Brunswick, the provincial ombudsman took the assessment authority, Service New Brunswick, to task for employing a similar policy. In a scathing report he highlighted the absurdity and immorality of the strategy and as a result SNB was obliged to release the information on a free, public web site. The PEI government has indicated to us that their refusal to make the information publicly available is not due to privacy concerns ... in fact it is available on their paid Geolink site (this is the source of the data in our Weighted Average Farm Land Value graph) ... but there is no way of finding the information without trolling through each property to see if it has sold. This has to be done manually and is time consuming and expensive ... our graph cost several thousand dollars to produce. So how do we verify that the data we have available is reliable, given that it may not be complete? We cross reference it with other analyses. We are fortunate that the Farm Credit Corporation (FCC) also compiles statistics on property price movements. Like us, FCC struggles to get sales information so they base their analysis on the appraisal of benchmark properties instead. Statistics Canada also track farm prices but include buildings in their analysis. They get their base data from FCC. Since the latter use an index, rather than a price per acre, we have converted all of the sale prices to an index (2003 = base 100) and have plotted the results on the PEI Average Farm Land Values Comparison graph. Appraisers tend to be conservative since they look at past sales data and avoid going out on a limb so we would expect that the price increases predicated on the FCC and Statistics Canada appraisal data be less volatile than our own. Overall however their findings support our conclusions ... farmland values have been increasing in Prince Edward Island since 2010 and the rate of increase is escalating.

In order to squeeze as much information as possible out of the sales data that is available, we have built an algorithm to process the data and disaggregate it into its component parts (some human intervention is required). Farms in Prince Edward Island often include land with recreational development potential and holiday cottages, so present unique valuation challenges. We therefore used the Island as our base line when we developed our analytical module. It and the data it generates are now part of our proprietary CompuVal® information technology platform. Every farm sale is broken down into its 27 contributing value components: land (by type, area, vegetation cover, utilisation, development potential, value), buildings (by type, utilisation, value), water frontage (by type, length, value), machinery & equipment (value), marketing quota (value). In order to gather information on the physical asset we utilise three dimensional aerial photography with a resolution of 15 cm. Our CompuVal® IT platform is build on top of a Geographic Information System (GIS) so we can access and compare data geographically as well as by attributes such as size, price, buildings, arable acreage, etc. This allows us to run longitudinal analysis on selected groups of properties to measure price increases (this is how we produced the Weighted Average Farm Land Value graph). We can run similar analyses on the various types of land or indeed any of the 27 contributing value components. In addition our GIS group has created interactive Farm Land Value maps for the province.

 For more information on our Valuation Division and to see how we value Resource Land (not Farms unfortunately) visit our corporate web site www.turnerdrake.com → Corporate Site → Valuation & Appraisal → Rural and watch the video (you provide the popcorn) or call Mark Farrow at our Charlottetown office 902-368-1811.