

Land prices and the real value of farmland

by Ralph C. Martin

In the 1960s my parents bought the home farm in Wellington County, including buildings, for a purchase price per acre, within spitting distance of what it currently costs to rent an acre of Ontario cropland.

The Farm Credit Canada Farmland Values Report sheds some light. In the three most recent 6 month periods, Ontario farmland prices went up 7.2% in the first half of 2011, 6.6% in the second half of 2011 and 16% in the first half of 2012. Across Canada, the average farmland value hike was 8.6% in the first half of 2012. What is happening in the Ontario countryside?

An initial reaction might be that it is about time buyers recognize the real value of the land that feeds us. This is the land that gives us food, feed, fibre, fuel and even fun. Our land seems forgiving as we fumble to maintain functions of the ecosystems it supports. The same land also takes so much of our refuse and, in time, our bodies. Is it from respect that buyers pay more to own land?

There are also other forces at play. Interest rates are low and some holders of cash suppose they will realize higher gains by investing in land rather than in banks or stock markets. Some farmers perceive that expanding their land holdings is preferable to other system shifts. For example, it is compelling to buy more land when quota is restricted. As land prices rise, to what extent will property tax assessments follow?

Recently corn and soybean prices have been strong and growers who struggled for years are recognizing profitable opportunities with these dominant Ontario crops. Back of the envelope calculations support land purchases when crop prices are high and interest rates are low. Nevertheless, second scribbles with scenarios of lower crop prices and higher interest rates are prudent.

Tom Eisenhauer of Bonnefield Financial recently discussed Canadian farmland in the currency of gold. It now takes 1.2 ounces of gold to buy an average Canadian acre, whereas in the late 1960s, for the same acre, buyers had to hand over 2.6 ounces of gold. He notes that Canadian land is on offer at discount prices in comparison to equally productive farmland in other countries.

Foreign investors see this buying opportunity and snap up Canadian farmland. It's not clear to me how much Canadian land is owned today by non-Canadians. It may be important for us to know.

With upward pressure on farmland prices there is also pressure to derive as much revenue as possible from that land. Traditional cash crops are bringing good returns now. Additionally, there are also opportunities to sell corn stover for bio-products. The benefits of replacing plastics manufactured with fossil fuels are considerable. However, it is also important to assess the implications of not returning this organic matter from the stover to the soil, both to protect soil from erosion and to add organic matter to the soil.

About a year ago I read that Margaret Atwood, one of my favourite writers, was insisting that her new books should be of paper made from straw. She argued that trees would be saved and that straw is a waste product anyway. On that point she is wrong. Straw is not a waste product. It can be used for livestock as bedding to absorb urine and feces and then be returned to soil for its nutrient and organic matter value or it can be directly applied to soil. If straw and stover leave farms, then compensation is in order.

It is possible to include cover crops grown between cash crops, or with them, to maintain soil quality. Soil amendments such as manure and municipal solid waste may also provide nutrients and organic matter.

Although bio-solids are problematic in their current form of being mixed with industrial waste from our sewage systems, there are opportunities to improve sewage management for farms. Struvite can be extracted from sewage as a source of phosphorus. In the future, it will become important to consider compost toilets for all new homes so that sewage without industrial waste can be treated for use on farms. Problems with pharmaceuticals in this sewage could be addressed with a treatment protocol focused on pharmaceuticals, without also having to treat other contaminants.

Farmland is valuable. It provides food, feed, fibre, fuel and more for all of us. Its value goes beyond current prices, ownership and products. How we choose to retain the productive capacity of land for the benefit of all people and other creatures indefinitely, may be the defining societal issue of our time.

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