

1 July 2016

Understanding the value of agricultural land

Factors that affect the demand for, and hence the value of farm land are many and varied, and often poorly understood. Many farmers complain that land values are unsustainable relative to earning capacity, yet existing landholders are often the most aggressive purchasers of additional land. International and corporate investors often seem to place a higher value on farm land than existing landholders, but many question whether these investors ever generate viable returns.

Ultimately the value of land is what a purchaser is prepared to pay, however the perception of 'fair' value relative to the productive capacity of the land is a very uncertain concept. That uncertainty notwithstanding, land values appear to be impacted to a significant degree by relative farm profitability. Other factors affecting land value include government regulations that impact on title security and land use practices and the presence of transport infrastructure or perceived amenity value. Land title security also impacts on farmers' access to finance, which in turn affects land values.

The Winter 2016 edition of the Australian Farm Institute's *Farm Policy Journal* contains a series of papers discussing current knowledge about factors and trends that are evident in both the value of farm land and the methodologies that are used to assess value.

Articles included in the Winter 2016 Journal:

- 'The Valuation of Agricultural Assets in Australia', by Tim Lane from Herron Todd White.
- 'The Effects of Financialisation on Farmland Demand', by Mark Henry from the Australian Farm Institute.
- 'Explaining Changes in Farmland Price: Another Grail Quest', by Professor Charles B Moss from the University of Florida.
- 'The Analysis of NSW Rural Property Investment Returns 1990–2014', by Professor Chris Eves from the Queensland University of Technology.
- 'Trends and Determinants of US Farmland Value Since 1910: Evidence from the Iowa Land Value Survey', by Dr Wendong Zhang and Zachariah Beek from the Department of Economics at Iowa State University.

The Winter 2016 quarter *Farm Policy Journal* is available online at the Australian Farm Institute website www.farminstitute.org.au or by phoning (02) 9690 1388.

Ends

Media contacts: Richard Heath – 02 9690 1388 or 0427 447 872, and Mick Keogh – 0418 256 066