



Michigan Technical Note

**Natural Resources Conservation Service
USDA**

ECONOMICS: # 1

SUBJECT: Agricultural Use Land Values

DATE: January 4, 2005

AGRICULTURAL USE LAND VALUES

Following is information regarding Agricultural Use Land Values.

For further information contact the Agricultural Economist.

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AGRICULTURAL USE LAND VALUES

Land is a natural resource that is valued for many different reasons. Land is the basic unit of production which farmers and ranchers use to earn their livelihood. It is where crops are grown, livestock is grazed, timber is produced, and wildlife is provided habitat. Land is measured in acres and productivity on the land is measured as units of production (pounds, bushels, board feet, etc.). Developers seek financial opportunities to invest and “develop” the land for non-agricultural uses. Recreational needs are often met with the use of land. Land is also used as a store of wealth for future retirement; as an investment, and hedge against inflation.

The perceived value of land is expressed as a monetary measure that reflects the demand for land use and its fixed supply. Market price is a reflection of the perceived value that a buyer is willing to pay for that land.

Appraisals of land are made by using the sales information from other “comparable properties” that have been sold within a recent time period. A professional appraiser will compare the sold property to the subject property to establish an appraised value to the subject property. Land use is one of several important considerations in establishing an appraised value for a piece of property.

Agricultural use appraisals are the market value of the land based on using the land for agricultural production. This value is different from a market value appraisal for development, recreation, or other uses. Agricultural use appraisals take into consideration the soil type and soil productivity, as well as the potential income the land can generate from an agricultural crop.

When land is being considered for an easement for NRCS programs, NRCS uses the agricultural use value appraisal method. This appraisal is then used to determine what amount the government is willing to pay for an easement. Landowners should be aware that the agricultural use valuation may be less than other land use methods of appraisal.

Landowners may want to consider the economic impact of the easement as part of their decision on program participation. Easements restrict future use in exchange for a payment. Easements can have a positive or negative impact on future market value of the property. Landowners are encouraged to discuss and understand the agricultural use appraisal, as well as other aspects of the program before signing the contract documents for an easement.