

IN THE MIDST OF CHANGE
CHALLENGES AHEAD FOR THE CANADIAN AGRI-FOOD SECTOR
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À LA CROISÉE DES CHEMINS:
LES DÉFIS À VENIR POUR LE SECTEUR AGROALIMENTAIRE CANADIEN

ABSTRACT 3

**Assessing the Use of Farm Land Rental Rates to Determine
Agricultural Land Values Near Urban Areas: An Empirical Study in
South-Western Ontario**

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The Municipal Property Assessment Corporation (MPAC) has to determine the agricultural value of land. Their assessments are important because municipalities use the assessed land values to determine their tax rates. This ensures municipalities have the tax revenue necessary to deliver municipal services. Limited sales information in some areas has led MPAC to explore whether rental rates for farm land can be used to determine agricultural land values. Since rental rates data is not readily available, the first goal of this study is to determine the sources and pieces of rental rates information for Ontario. The second goal is to assess how rental rates respond to development pressure from urban centres. This study uses Geographic Information Systems to create unique variables to analyze the use of rental rates in determining farm land values in Ontario. Then, it uses a hedonic price method to estimate the implicit prices of the characteristics that differentiate land in various municipalities. Findings show that regular and micro level rental rates data is not available. The best rental rates data that we could construct was at the municipal level for 2006 and 2011. Moreover, urban centres were shown to impact farm land values but not rental rates. The only variable that consistently affected rental rates was tile drainage. The main policy implication of this research is validation for the collection of more frequent rental rates data for smaller geographic regions. Another is that MPAC could use rental rates for their farm land value assessments, including in near urban areas.