

Agricultural valuations: main principles & common obstacles

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Purpose of the presentation

- discuss some of the practical difficulties encountered by agricultural valuers
- relate these difficulties to land consolidation

VALUATIONS

important fundamental points

- All valuations are purpose specific
- All valuations are date specific
- Valuations are part of a larger process
- Valuation methods & valuation standards are two different things

The nature of property markets

- Default assumption: A MARKET EXISTS
- Absence of evidence is not evidence of absence
- Land & property markets almost always very thin: especially agricultural land markets
- Valuers must learnt to deal with this. How?

Computer assisted mass appraisal the myths

- CAMA mainly a tool for property tax assessment. Not suitable for most other purposes.
- Mass appraisal is not new. Used in Egypt two thousand years ago.
- CAMA only works for 60% to 80% of properties even in the best conditions with open disclosure of true sale price. Not suitable in thin markets
- Not a 'magic black box'. Promotes wrong assumptions about valuations and land markets
- Valuers use an informal Bayesian approach in thin markets

Market evidence

- Do expect the evidence to come to you
- Official records of only limited use
- Sales advertisements and follow up
- Informal anecdotal information
- Keep your own informal records
- Analyse evidence & find trends and patterns

Agricultural productivity = agricultural value ?

- soil classification
- aspect
- layout
- access
- drainage
- irrigation
- agricultural improvements
- agricultural buildings
- & ??????????????????

correlation?

- Frequently the correlation between agricultural productivity and **capital** value is poor.
- There are other value significant factors. WHAT ARE THEY?

Macedonian examples

- 30,000; 50,000 Euros per hectare
- 60,000; 70,000; 70,000
- 130,000; 20,000; 15,000, 100,000
- 50,000; 12,000
- 20,000
- 5,000 to 10,000 depending on cadastral class

England 2010 Euros per hectare

- Bare land 12,500
- Equipped land 19,500

Non-agricultural factors?

- Sentiment & family attachment to a particular holding. Inverse relationship strength of sentimental feeling with size of the average holding?
- Development value
- Hope value
- Amenity value
- Values greater than present productive value

Consequences for land consolidation

- Consolidation of scattered holdings in previous times. Agricultural value of each ownership before rearrangement = agricultural value after it.
- Much more difficult when 'other factors' have to be taken into account.

Agricultural Valuations

- Capital Valuation
 - Sales
 - Purchase
 - Compulsory purchase
 - Mortgages
 - Annual taxes
 - Other taxes
 - Asset valuations

Rental valuations

- New lettings
- Rent revisions

Other agricultural valuations

- Insurance
- Crop loss
- Value of growing crops
- Value of unexhausted manurial values

Agricultural valuers education in:

- Agriculture
- Valuation theory and practice
- Land law
- Building construction
- Basic surveying