

# Demand is putting pressure on the farmer's ability to hang onto land

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ranchers to finance additional ground from annual crop and livestock revenue, it's even tougher now, given lower commodity prices and rapidly increasing land values in some areas.

At the same time, a decade of low interest rates has increased institutional investors' appetites for farms and ranches, which can offer higher rates of return than bonds and other conservative investments.

But the highest prices are seen wherever residential and commercial development move close to agriculture lands.

## Hot market

Roger Craig, of the Canyon County Assessor's Office, said any ground in his county west of Boise that's poised for imminent development has been appreciating by 1 to 2 percent per month. The increase is fueled by strong demand for home construction.

In addition, he said, prices for agricultural properties that are attractive for future development "have really jumped," Craig said. "We are seeing as much as 10 to 20 percent increases in the past year."

In Middleton, roughly at the center of the Boise metro area, farm ground that in the recent past sold for about \$8,000 per acre for crops is now being sold to developers for \$22,000 to \$24,000 per acre, he said.

"The demand for development ground is putting pressure on the farmer's ability to hang onto ag ground," Craig said. "Developers are paying top dollar for ground in the right locations."

However, other communities on the west edge of the Boise metro area still see some traditional pricing for farmland.

"I don't think the development pressure is here yet," said John Hartman of Hartman Farms near Parma. The community is about 42 miles from Boise and 15 miles from growing Caldwell.

## Pressure varies

Elsewhere in the Pacific Northwest, the price pressure varies.

In central Oregon, Jerry Hicks, the Prineville-based principal broker with Fay Ranches, said he currently does not see much price pressure from non-agricultural development. That's largely because of the state's Exclusive Farm Use zoning, "which is the bulk of rural, privately owned lands," at least in eastern Oregon, he said. EFU zoning forbids most non-farm development on land that's well-suited for agriculture.

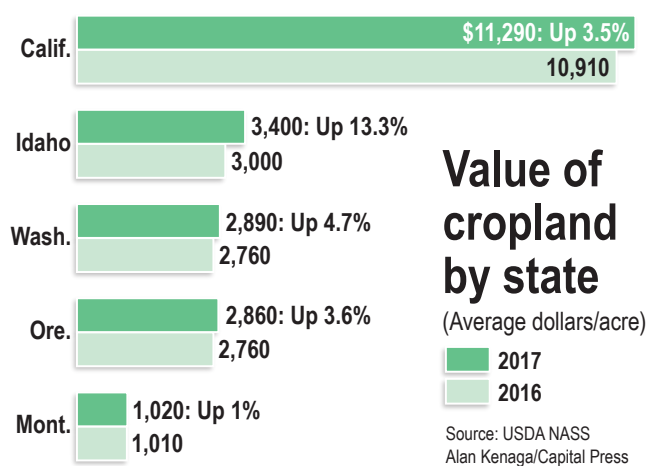
"Our values have continued to increase some, but there is probably zero bump for EFU residential development," he said.

Even without a development bump, farm and ranch property values have gone up 3 to 5 percent annually for the past five years, after staying relatively solid during a real



Courtesy of Mark E. Jones

A 1,000-acre agriculture property that changed hands in the past year near Carey in south central Idaho.



Mark E. Jones



John Starr

ranches will sell or transfer in the next 20 years.

In south central Idaho, Mark E. Jones, associate broker at Robert Jones Realty in Twin Falls, still sees most agriculture land selling at prices based on production value rather than development potential. Prices for good agriculture land jumped during the mid-2000s, dropped with the 2008 recession and started climbing a few years later as institutional-investor activity increased. Prices have been stable in the past two to three years, he said. "I believe we are not as highly pressured as Boise" by development, he said.

Situations vary, but often in south central Idaho, high-quality agricultural land marketed with a development premium included ends up at a price closer to its agricultural production value when sold, Jones said. Twin Falls still has plenty of development-suited ground within the city that can be connected to existing sewer and water infrastructure, he said.

## Values up

Cropland values in 2017 increased by 3.8 percent in the Pacific region and by 1.1

percent in the Mountain region, according to information Knipe compiled from USDA figures. Pasture land values saw their largest increase within the Pacific region in Oregon at 2.9 percent, and within the Mountain region in Idaho at 3.8 percent.

Non-irrigated land was less than half as valuable as irrigated land in the Northwest — worth an average of \$2,120 per non-irrigated acre in Oregon, \$1,460 in Idaho and \$1,380 in Washington, according to USDA figures.

Land values and rents can also rise and fall due to circumstances beyond a parcel's development potential.

Matt and Autumn Brechwald own crop and livestock ground in growing Kuna, Idaho, southwest of Boise. Their land was priced well above its agricultural production value even when they first looked at buying it seven years ago, he said.

The Brechwalds now lease additional ground as needed, often from residential ranchette owners who have more land than they can or want to take care of.

"I can take care of it for them, often leasing at a lower rate because I am solving a problem for them," Matt Brechwald said.

Farther north, Joe Anderson said rents were higher in 2013 and 2014, in line with the higher profit margins of the time. He grows wheat, pulse crops and oilseeds near Genesee and south of Lewiston, Idaho, near the Washington border. Now, with lower margins on many crops, rents are back down to previous levels, he said.

Southwest Idaho hop growers in the spring of 2017 saw a substantial increase in rents as they sought more ground to meet contract-driven production targets, said John Starr, land broker with Colliers International in Boise.

Many farmers in southwest Idaho also grow high-value crops such as produce and seeds, which generally command higher prices per unit than commodity crops. Starr said this group remains active in land acquisition but is hard-pressed to compete for land that's also well-suited for development.

Leasing will remain an important option for farmers who want to expand their land footprint, and institutional owners have land for rent at rates that often don't change much from year to year, he said.

"In the long run, as long as there are organizations and individuals that want to farm, there will be demand for ag land," Starr said.

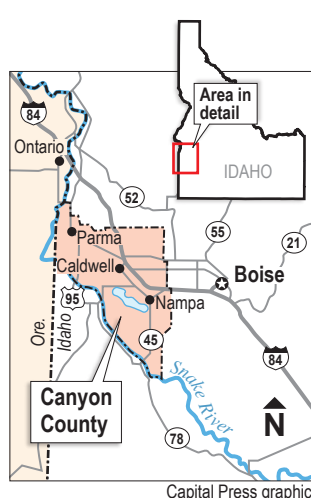
estate crash that started in 2008 after the housing bubble burst, Hicks said.

For investors, production agricultural land is a traditionally attractive, solidly performing investment for part of a portfolio, he said.

"When commodities were so high, a lot of people were jumping on the bandwagon," Hicks said. "Now we are dealing with core ag producers and values, and we don't have an onslaught of newcomers to the business hoping for \$300-a-ton hay and \$3-per-pound steers."

## Key fundamentals

Jim Whitney of The Whitney Land Co. in Pendleton, Ore., recommends agricultural producers focus on fundamentals, including the production value of the land, as they consider buying or selling. A farmer aiming to sell ground, for example, will be best served by planting promptly and making sure all irrigation systems are in order, he said. Learning about the market and networking also are keys



to success, he said.

The average age of farmers and ranchers has risen 16 percent in the past 30 years, said John Knipe, principal at Knipe Land Co., Boise. USDA pegs it at just over 58. He expects an increase in the number of landowners looking to sell due to their age or health, and the lack of interest of family members in continuing to run the farm or ranch.

Citing a recent Oregon State University study, he said two-thirds of all farms and

# 'Our ranchers are not in business to raise high-quality beef for grizzlies'

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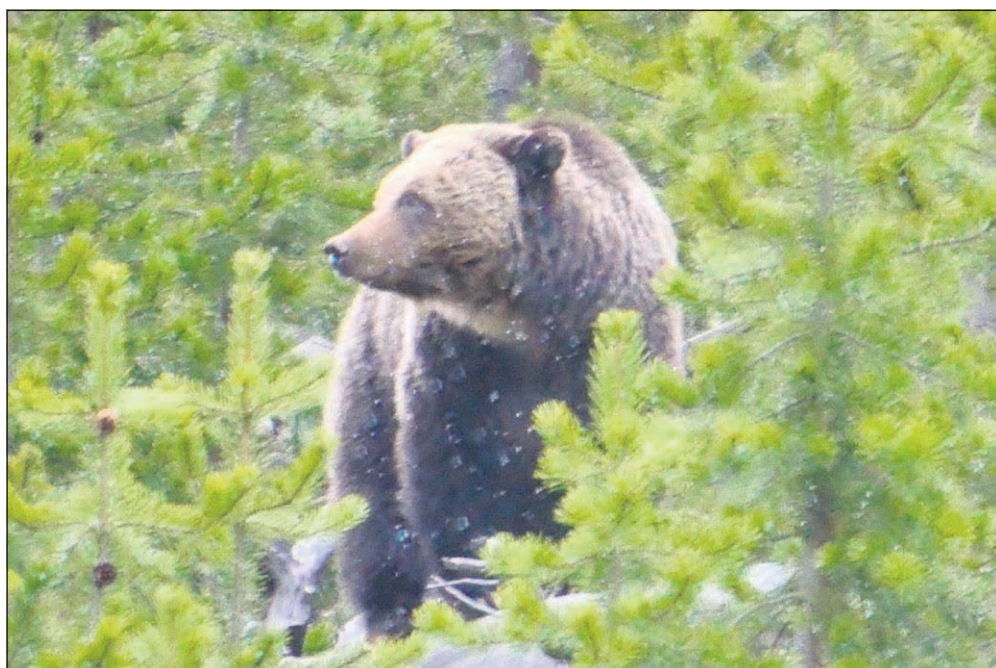
part of the Yellowstone ecosystem and the criteria was 500 bears, MacKay said.

While cattlemen favor the hunts, the states are doing them as proper management more than as a response to the group, MacKay said.

Wyoming pays ranchers for loss of livestock using a formula that figures there are more kills for every one reported, he said. The state paid \$455,000 for livestock kills by grizzlies in 2016, \$509,000 in 2015 and \$301,000 in 2014, he said.

The state confirmed 136 cattle killed by grizzlies in 2016 along with 24 lambs, 5 ewes, 46 chickens, 13 domestic turkeys, 3 pigs, 3 ducks and 1 dog, he said.

About nine ranches run more than 4,000 mother cows, plus calves on thousands of acres of summer range in the Bridger-Teton National Forest in northwest-



U.S. Fish and Wildlife Service

A grizzly bear in Yellowstone National Park. The head of the Wyoming Stock Growers Association says Washington ranchers should do all they can to prevent reintroduction of grizzly bears in the North Cascade Range.

ern Wyoming, Magagna said. It's believed to be the largest U.S. Forest Service grazing

permit in the nation and ranges from 8,500 to 11,000 feet elevation, he said.

The ranches on that permit experienced a maximum of 2 percent loss of calves per

year prior to 1992 when there were no wolves and few grizzlies, Magagna said.

Wolves were reintroduced and losses went to 4 to 6 percent, he said. Since grizzlies have increased in number, losses have gone to 9 to 14 percent, he said.

"The ranchers tend to think losses to wolves have declined a little bit as losses to grizzlies have increased," Magagna said.

Grizzlies have a greater overall impact and ranchers have had to add more range riders to protect cattle, document losses for state compensation and move cattle more often for protection if a certain meadow is hard hit, messing up grazing rotations, he said.

"Grizzlies will kill adult cows. This area lost 48 calves to all causes in 1995 and 286 in 2017. The biggest change in that time was more wolves and grizzlies," Magagna said. Ranchers are investigat-

ing large dog breeds from Eastern Europe used there to protect cattle from large bears, he said.

Wyoming Stock Growers Association has worked hard to minimize grizzly protection zones and has intervened in a lawsuit to support delisting them, he said.

"Even with compensation for losses, our ranchers are not in business to raise high-quality beef for grizzlies but for the market grizzly," he said. "Grizzlies unsettle our herds and that results in lower weights and conception rates. Summer time is breeding season in the high country."

"We definitely think there are too many grizzlies where the livestock are. The trophy hunts are a management tool, but at the levels they're starting at won't eliminate or significantly reduce our loss of livestock. The best we can hope for is it maintains the status quo."