Land Value Evaluation

The overall approach requires that we find the present value of acreage-weighted net returns for various crops. This allows us to come up with county-specific estimates of the value of land when used only for crop production. This removes the value of development potential, unique land characteristics, location in a county, and many other factors that influence land values.

Process

Prices - Agricultural commodity prices have been quite variable historically and such variability is difficult to deal with, both as producers and as assessors. In order to temper annual price declines and increases, we have determined that a five-year average of prices result in sufficient stability in assessment values and associated taxes.

Production – Yield changes directly impact the net returns of various crops, whether grains, forages, or fruit. Yields are quite variable and a five-year average on per acre yields has also been used.

Costs- Because of the rapid changes in input prices (i.e., fertilizer, fuel, pesticides, etc.), we take into account only the most recent year's cost changes. This means that there is a conservative bias in the approach used to determine prices versus the approach used to determine costs, i.e., we average past prices but use only the most current costs.

Crop Mix- The 2012 Ag-census numbers are used in the calculation of the land values. Additional crops are being produced within the State of Utah, as more of these crops are produced we will include them in our land value calculations. Alfalfa is the main crop in the State and therefore is the main driver of changes in the crop land values. Tart cherries and apples have the same effect on orchard land values.

Summary

As an illustration of the process used in calculating changes in net returns, if the average price of a particular crop mix *increased* 8%, yields *increased* by 1%, the crop mix was *unchanged* from year to year, and costs *were up* by 7%, land values would *increase* by approximately 2%.