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*Background Information:*

AN EXCERPT FROM

**A NEW LOOK AT AGRICULTURE**



Redefining agriculture's role in our  
economy, landscape, environment  
& social culture

EXCERPT#5

*Agricultural Land Values*

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## Agricultural Land Values



**A**t times, it seems everything conspires against the farmer — the weather, pests, vandals from nearby subdivisions, government regulations, urban planners, and people from Tallahassee — or worse, Washington, DC — who swear "I'm here to help you" and then do just the opposite. Even if everything else is going right (and that is rare), there's the market, which can make or break a year ... or a family.

*One story making the rounds tells about a farmer who won the Florida Lottery. When asked by a reporter what he would do with his new fortune, the farmer said: "Well, I figure I'll keep on farming ... until it is all gone."*

Make no mistake: some farmers do very well. In fact, one good year can often make up for a string of three or four bad years. It's those good years — and the land, and the life — that keep people in farming.

Most farmers will say: "I'll keep on farming ... so long as it is profitable." In fact, they might even farm a little bit longer, hoping for one of those good years, hoping their kids might take over the farm, hoping ...

But once regulations become too strict, profit margins become too thin, complaints and nuisance suits from new suburban neighbors become too frequent, and competition from foreign producers threatens to undermine the market for their produce, many farmers begin to wonder ... Is it worth it? Should I sell?

If there is a willing buyer — a developer — who offers to pay \$20,000, \$30,000 or \$50,000 an acre, the thought is tempting. Maybe not today. But someday ...

That's why land value is important. It provides collateral for the bank loans needed to plant each year's crop. It provides a nestegg in case something goes wrong. And it provides security for the future.

There is even a presumption — which is prevalent among farmers, bankers, developers, homeowners and many planners — that land only has one type of value: a commodity value, based on the dollar value of the crops it can produce, on the price per acre it will bring for development, and on its resale value once improvements are made. "Highest and best use" is often translated into "highest and best price."

After all, if one decides to sell, there is no sense in selling to anyone except the highest bidder.

As a result, farmland preservation may sound nice in theory, but in the real world of dollars and cents, and uncertain weather, uncertain zoning, uncertain markets and uncertain futures, a farmer needs as many options as possible. Land values provide a hedge against those uncertainties.

Farmland, however, is unique in that it has both a commodity value and a resource value.

Like coal for a steel mill, land is an industrial input. In fact, land is the largest input in the agricultural industry, the input that makes production possible.

Unlike coal or, for that matter, steel mills, land that is properly used does not become depleted or depreciate; it actually can get better over time.

As a result, it can provide for long-term food production — sometimes for centuries. That's why it is a resource. But food production is only one of its resource values. Farmland also assists in the retention and detention of floodwaters, recharges groundwater supplies, provides habitat for wildlife and retains open space.

This is in contrast to urban land which, outside of parklands, only has a commodity value; and natural land which, outside of income from recreation, only has a resource value.

Resource values provide for steady, long-term returns. Commodity values fluctuate with the market, sometimes appreciating or depreciating rapidly; hence, they can provide for large, short-term returns.

Unfortunately, the State of Florida does not recognize the resource value of farmland. The state has set the tone for economic growth. And short-term returns — from the development of land, from impact fees for new construction, from an expanding property tax base, and from additional job markets — are fueling its growth.

Many future decisions about land use will be based on economics. If it is profitable to keep land in agriculture, the agricultural industry will survive. But if it is more profitable to sell land for development — and there are no other alternatives for landowners to "cash in" on the commodity value of their land — agriculture will be diminished ... and may eventually disappear.

Once land is converted to an urban use, it loses its resource value. The structures that are built usually determine its future use. However, all built structures — such as factories, business establishments, commercial developments and homes — have a limited economic life. Many will be obsolete in 20 or 30 years. Some may fall into disrepair. Some may be torn down. And weeds may grow up in vacant lots. But farmland that is displaced won't come back.