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To: Agricultural Land Valuation Advisory Committee

From: Amanda Funke, Forest and Agricultural Valuation, Property Assessment Division

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Subject: Agricultural Land Reappraisal Overview

The purpose of this overview is to provide the comparisons of commodity prices, with examples of valuation, between the appraisal year 2023 and the appraisal year 2025.

Per [15-7-201, MCA](#), the formula used to determine the per-acre value of agricultural land is  $V=I/R$  where:

**V** = productivity per-acre value of agricultural land  
**I** = per-acre net income associated with agricultural use<sup>1</sup>  
**R** = capitalization rate. The rate converts an on-going income stream into value. The current capitalization rate is 6.4%

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<sup>1</sup> A crop share approach is used to determine the net income attributable to agricultural production. In a crop share approach, a percentage of the income from production (the share) is attributed to the landlord (owner) of the land. The remaining percentage is considered the tenant's share and includes expenses of production.

<b>Valuation Example of Summer Fallow Farm Land</b>		
	<b>2023</b>	<b>2025</b>
Avg price for spring wheat/bu.	\$5.96	\$6.11
Productivity (bushels of spring wheat)	23	21
Gross Income/acre (Productivity x Commodity Price)	\$137.08	\$128.31
Crop Share	12.5%	12.5%
Net Income (Gross Income x Crop Share)	\$17.14	\$16.04
Capitalization Rate	6.4%	6.4%
Value/acre (Net Income/Capitalization Rate)	\$267.73	\$250.61

<b>Valuation Example of Continuous Crop Land</b>		
	<b>2023</b>	<b>2025</b>
Avg price for spring wheat/bu.	\$5.96	\$6.11
Productivity (bushels of spring wheat)	23	21
Gross Income/acre (Productivity x Commodity Price)	\$137.08	\$128.31
Crop Share	25%	25%
Net Income (Gross Income x Crop Share)	\$34.27	\$32.08
Capitalization Rate	6.4%	6.4%
Value/acre (Net Income/Capitalization Rate)	\$535.47	\$501.21

<b>Valuation Example of Specialty Crop (CC) Land</b>		
	<b>2023</b>	<b>2025</b>
Avg price for spring wheat/bu.	\$5.96	\$6.11
Productivity (bushels of spring wheat)	60	60
Gross Income/acre (Productivity x Commodity Price)	\$357.60	\$366.60
Crop Share	25%	25%
Net Income (Gross Income x Crop Share)	\$89.40	\$91.65
Capitalization Rate	6.4%	6.4%
Value/acre (Net Income/Capitalization Rate)	\$1,396.88	\$1,432.03

<b>Valuation Example of Grazing Land</b>		
	<b>2023</b>	<b>2025</b>
Avg private grazing fee	\$23.50	\$24.69
Productivity (aum/acre)	0.2	0.21
Gross Income/acre (Productivity x Commodity Price)	\$4.70	\$5.18
Gross Income - Expenses	75%	75%
Net Income (Gross Income x expense factor)	\$3.53	\$3.89
Capitalization Rate	6.4%	6.4%
Value/acre (Net Income/Capitalization Rate)	\$55.08	\$60.76

<b>Valuation Example of Non-Irrigated Hay Land</b>		
	<b>2023</b>	<b>2025</b>
Avg price for alfalfa hay/ton	\$111.30	\$124.20
Productivity (tons of vegetation)	0.71	0.71
Gross Income/acre (Productivity x Commodity Price)	\$79.02	\$88.18
Crop Share	25%	25%
Net Income (Gross Income x Crop Share)	\$19.76	\$22.05
Capitalization Rate	6.4%	6.4%
Value/acre (Net Income/Capitalization Rate)	\$308.68	\$344.46

<b>Valuation Example of Irrigated Hay Land</b>		
	<b>2023</b>	<b>2025</b>
Avg price for alfalfa hay/ton	\$111.30	\$124.20
Productivity (tons of alfalfa hay)	3	3
Gross Income/acre (Productivity x Commodity Price)	\$333.90	\$372.60
Crop Share	25%	25%
Water Cost	\$50	\$50
Net Income (Gross Income x Crop Share)- Water Cost	\$83.48 \$33.48	\$93.15 \$43.15
Capitalization Rate	6.4%	6.4%
Value/acre (Net Income/Capitalization Rate)	\$523.05	\$674.22
Minimum Value	\$535.47	\$501.21