

Tough Appraisal Projects - The Peoples Company Difference

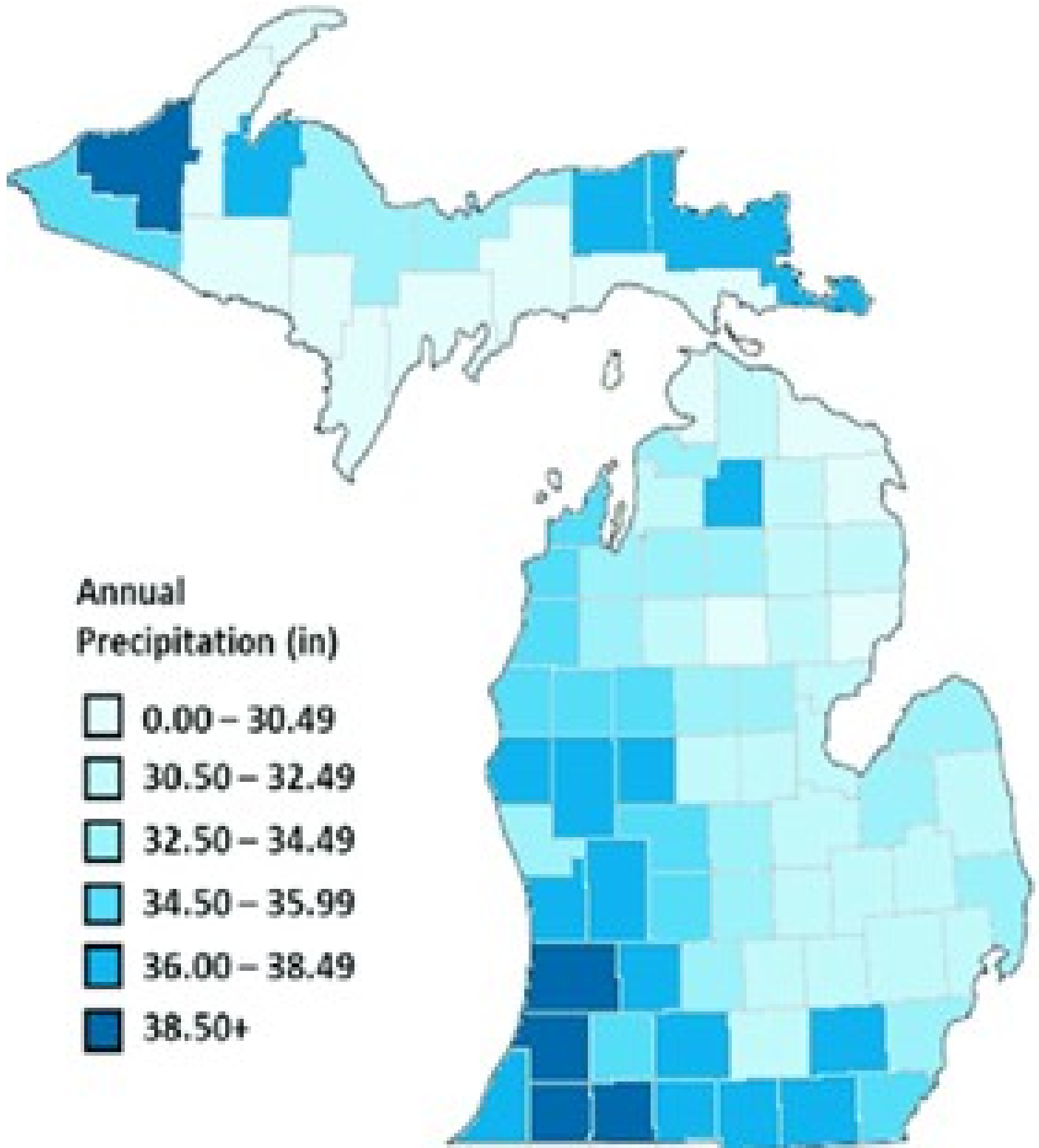
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Irrigated farmland can be hard to come by within the State of Michigan due to the amount of rainfall that occurs within the state. Michigan is a fairly wet state which allows non-irrigated cropland to grow sufficiently without the use of irrigation. On average, Michigan's annual precipitation is 34 inches of rainfall and 64 inches of snowfall. Compared to Oklahoma (a fairly dry state that uses irrigation to its advantage); their average rainfall is 33.6 inches with 9.4 inches of snowfall a year. According to the State of Michigan Irrigation water study, only 7.7% of the state is irrigated with most irrigated land taking place within the southern sector of Michigan.

Annual Precipitation



When it comes to the appraising field, one can find it difficult to value a property within the State of Michigan due to limited sales data. However, Peoples Company prides themselves on taking on difficult projects with the abundance of in-house data.

The Project: Peoples Company was tasked with the valuation of 130 +/- acre cropland with a proposed 8” well and electrical service for pivot irrigation within Northern Michigan. To accomplish the task, the appraiser first searched for sales within the immediate area and the surrounding counties. As one might

expect, no sales or references were found. Secondly, the appraiser searched for irrigation studies within the 2017-2022 USDA Land Value Report and Michigan State Land Values & Leasing Rates. However, the appraiser found no evidence of irrigation values for the state of Michigan reported by the two studies. The lack of information through sales and studies is due to the generally unnecessary use of irrigation land due to Michigan's rainfall and snowfall average per year. It is rare for a farm to need the use of irrigation and is only seen in special cases.

Ultimately, an in-house study was performed through 38 irrigated land sales within a five-year period, all in the state of Michigan. The appraiser then found 8 irrigated cropland sales within 6 counties most like the subject property through location, size, and land type. Next, the appraiser compared 31 non-irrigated land sales to the 8 irrigated cropland sales to determine a premium value for irrigated cropland. A range of 28% to 62% was found for a premium value for irrigated cropland versus dry cropland.

In the end, Peoples Company was able to appropriately value the property and reconcile that the proposed improvements are considered financially feasible. Peoples Company's extensive sales database, market knowledge and overall agricultural expertise proves an indispensable tool to complete tough projects such as these.