

INCOME PER ACRE ANALYSIS



Method 1

Income requirement determined using an average commodity price and a productivity for each acre depending on the land use.

For this example, we used the lowest county average productivity for each land use. Table 1 shows the income that would be required for each land use.

Table 1: Calculation of income per acre

Land Use	DOR low prod	10 Year Olympic Avg Price/Comm	Gross Income/Acre (prod x price)
Fallow (Bu. Of Wheat)	12.3	\$6.67	\$82.04
Irrigated (Tons of Alfalfa)	1.45	\$107.75	\$156.24
Non-Irrigated Hay (Tons of Alfalfa)	0.11	\$107.75	\$11.85
Continuous Crop (Bu. Of Wheat)	24.07	\$6.67	\$160.55
Grazing	0.21	\$19.93	\$4.10
Specialty Crop	60	\$6.67	\$400.20

Assumptions:

This is based on an average of the productivity of qualified agricultural properties. If those that have a productivity below the average are disqualified from agricultural classification, the average will be higher for the next cycle.

The commodity price is based on the Olympic averages used for the department's valuation of agricultural valuation. This will change every two years and lags the current market influences. It also does not account for any higher valued crop premiums.

Technical Concerns:

How would it apply to parcels with a mixture of agricultural uses? If the fallow acres qualify and the nonirrigated hay acres do not, does the parcel qualify for agricultural classification.

How would it apply to portions of a parcel with acres below the average productivity? Land owners will have harvest records for the field not according to the soil types in that field.

DOR currently does not review income requirements each year for Agriculture, only at the time of application, transfer of ownership, property is subdivided or when believes the use has been discontinued or no longer meets the income requirements. If DOR is to determine if the parcels meet the income requirements yearly, there will be an administrative cost to the agency.

INCOME PER ACRE ANALYSIS



Method 2

Income requirement determined based on the income per acre using the lowest county average productivity.

TABLE 2 – Calculation of weighted average income per acre

Land Use	Total Acres		Gross Income/Acre	=	Total Income
Fallow (Bu. Of Wheat)	12,143,696	x	\$82.04	=	\$996,268,820
Irrigated (Tons of Alfalfa)	1,671,315	x	\$156.24	=	\$261,126,256
Non-Irrigated Hay (Tons of Alfalfa)	1,107,862	x	\$11.85	=	\$13,128,165
CC (Bu. Of Wheat)	30,674	x	\$160.55	=	\$4,924,711
Total	14,922,873				\$1,275,447,951
Weighted Income/Acre					\$85

Assumptions:

Assuming the current \$1,500 income requirement, 18 acres at \$85 would be required.

This is based on an average of the productivity of qualified agricultural properties. If those that have a productivity below the average are disqualified from agricultural classification, the average will be higher for the next cycle.

The commodity price is based on the Olympic averages used for the department’s valuation of agricultural valuation. This will change every two years and lags the current market influences. It also does not account for any higher valued crop premiums.

Technical Concerns:

How would it apply to parcels with a mixture of agricultural uses? If the fallow acres qualify and the nonirrigated hay acres do not, does the parcel qualify for agricultural classification.

How would it apply to portions of a parcel with acres below the average productivity? Land owners will have harvest records for the field not according to the soil types in that field.

DOR currently does not review income requirements each year for Agriculture, only at the time of application, transfer of ownership, property is subdivided or when believes the use has been discontinued or no longer meets the income requirements. If DOR is to determine if the parcels meet the income requirements yearly, there will be an administrative cost to the agency.