

# IIMA-SFarmsIndia Agri Land Price Index

**December 2024 Release**

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**Source:** AI generated image

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## Highlights

- **Long-Term Growth:** ISALPI has shown a consistent upward trajectory since 2019, with approximately 10% annualized returns, an 8% YoY growth rate, and a 2.53% MoM growth rate.
- **Recent Trends:** After high volatility in 2023, the index recovered in early 2024, peaked in March, stabilized at a high level from April to August, and experienced a slight dip from September to October 2024.
- **Regional Disparities:** Delhi recorded the highest price multiple (5x), followed by Haryana (1.75x) and Telangana (1.25x), while eastern states like West Bengal, Assam, and Odisha had the lowest multiples (0.5x).
- **District-Level Insights:** Gurugram, Haryana (3.25x), led all districts, followed by Karnal (3x) and Rewari (2.5x). Moderately high multiples (1.5x) were seen in select districts across Gujarat, Punjab, Telangana, and Andhra Pradesh.
- **Lowest Price Multiples:** Minimal growth was observed in districts like Bankura and Purulia (West Bengal), Virudhunagar, Pudukkottai, and Thoothukudi (Tamil Nadu), with price multiples as low as 0.25x

## Introduction

Agriculture is fundamental to economic growth and poverty alleviation. In India, the agricultural sector contributes only 18.2% in the GDP despite the fact that 42.3% of the population depends on it for their livelihood. Over the past five years, the agricultural sector has registered an average annual growth rate of 4.18%.<sup>3</sup> Land has traditionally been the primary asset for agricultural households, serving as a form of financial security and a means of transferring wealth across generations. In recent years, there has also been a growing interest from non-agricultural sectors

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<sup>3</sup> <https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap09.pdf>

in purchasing agricultural land, driven by its potential for long-term returns and associated tax benefits.<sup>4</sup> Land valuation thus plays a crucial role in safeguarding the interests of landowners.

The average size of operational land holdings has significantly decreased, from 2.28 hectares in 1970-71 to 1.08 hectares in 2015-16 and further to 0.74 hectares in 2021-22.<sup>5</sup> Major forces behind land fragmentation include increasing population, inheritance laws and heterogeneous land quality (Niroula & Thapa, 2005). According to Awasthi (2009), “Farmers with smaller land holdings prefer to sell their land or take land on rent to increase economies of scale since in most cases they have economically unviable land holding.”

Agricultural land prices in India have surged dramatically across all regions in recent decades, making it comparable to the US State of Illinois and exceeding those in countries like France, Spain and Germany (Chakravorty, 2013). Farmland prices are influenced by various factors such as parcel size, soil quality, distance from towns and cities, population density, and the degree of ruralness, among others (Huang et al., 2006). This makes the process of farmland valuation intricate and highly challenging.

The IIM Ahmedabad-SFarmsIndia Agricultural Land Price Index (ISALPI) introduced in 2022 facilitates tracking agricultural land prices across India. ISALPI is a monthly, “Constant-Quality” price index of Agri Land Price in India, based on the Hedonic Pricing Model, which controls for the variation in prices due to heterogeneity in characteristics across the land parcels, focusing on the variation attributed to the passage of time alone (Das, 2022). This white paper outlines the latest update of the index, along with its methodology, trends, and regional variations.

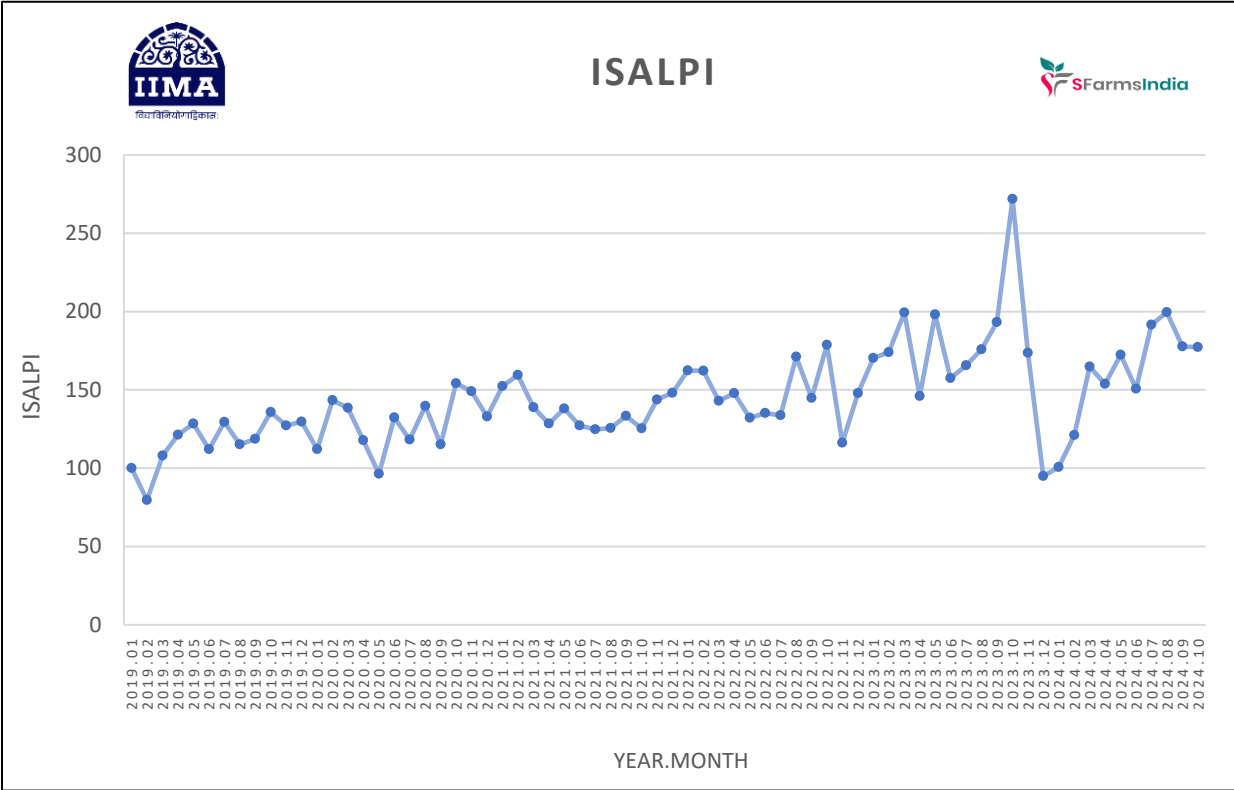
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<sup>4</sup> <https://www.financialexpress.com/money/why-agricultural-land-could-be-your-next-smart-investment-3624902/>

<sup>5</sup> <https://www.nabard.org/PressReleases-article.aspx?id=25&cid=554&EID=91>

# ISALPI December 2024 Release

Figure 1: ISALPI December 2024 Release



Source: IIM Ahmedabad with support from SFarmsIndia

The latest release of ISALPI highlights significant trends in agricultural land prices. The index shows a general upward trajectory over the years with notable volatility at several points. After a steady growth in 2019 and early 2020, the index stabilized during the pandemic but declined in 2021. The index recovered in 2022 with a price surge but was followed by high volatility in 2023 with a notable peak in October 2023 and a sharp decline that immediately followed. In 2024, the index recovered from the sharp dip and the recovery continued until March 2024, where the index peaked again. From April to August 2024, it stabilized at a relatively high level. The variations during these months are less pronounced compared to the high volatility observed in previous

years. From September to October 2024, there is a slight downward adjustment. The long-term trajectory indicates the rising demand for agricultural land in India.

Since its inception in 2019, ISALPI has achieved approximately 10% annualized compound returns. Between January 2019 and October 2024, the index recorded an average year-on-year growth rate of 8%, while the average month-on-month growth rate was 2.53%. Table 1 summarizes the growth rates for the latest release of ISALPI.

**Table 1: Growth Rates**

Since	CAGR	Cumul. Monthly Growth Rate
Jan 2019	10.30	0.82
Oct 2020	3.53	0.28
Oct 2021	12.25	0.94
Oct 2022	-0.44	-0.04
Oct 2023	-34.84	-3.24

*Source:* Prashant Das

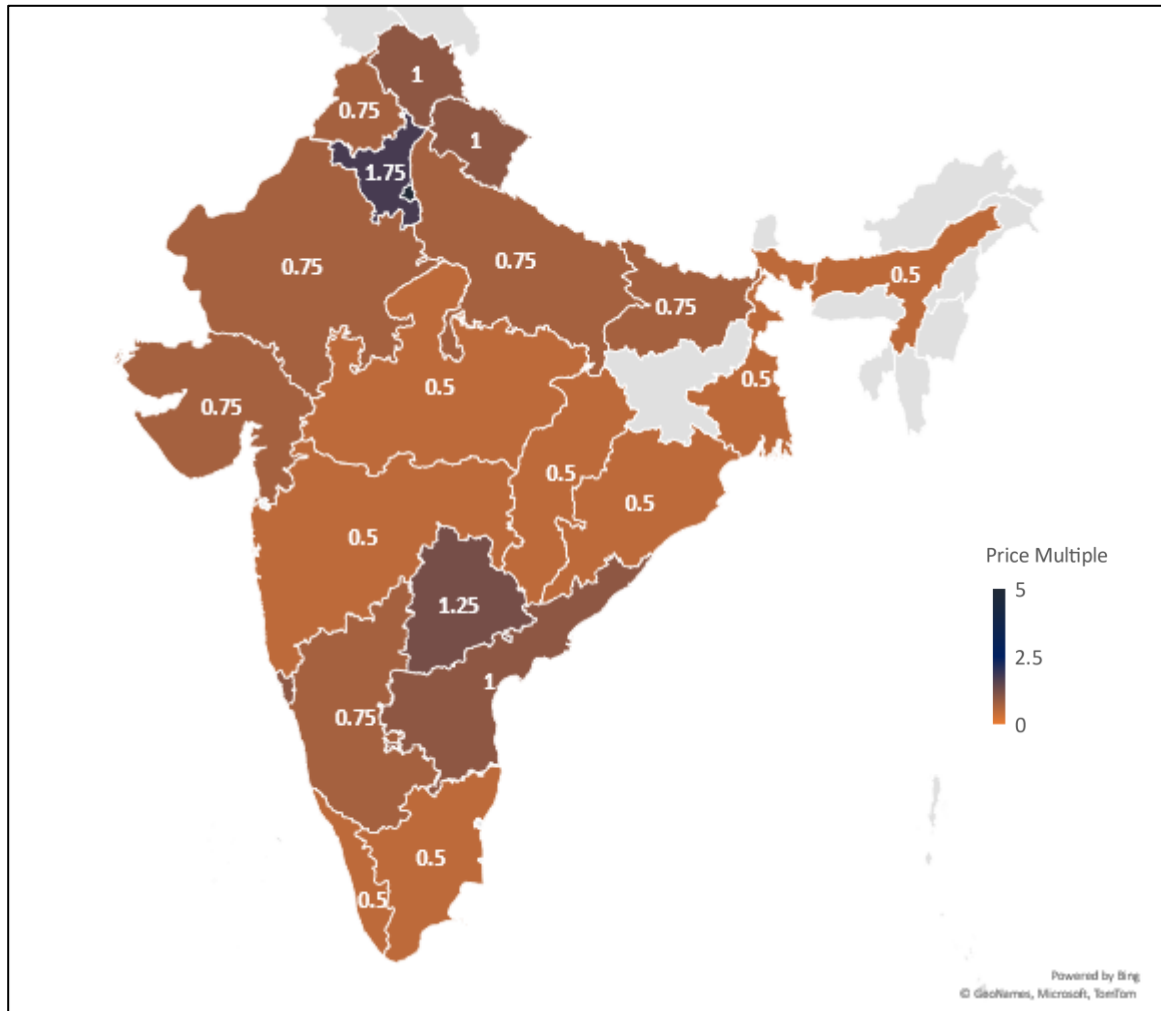
## Regional Variations in ISALPI

The regional variations in agricultural land price listings are analysed by controlling for the quality differences across land parcels. Based on the assumption that the land parcels are otherwise similar, Figure 2 depicts the agricultural land price multiples across Indian states. Suppose a land parcel with certain characteristics is sold at 1 Crore in Andhra Pradesh (Price Multiple: 1x), then a similar piece of land will be sold, on an average, at 5 Crore in Delhi (Price Multiple: 5x) and at 0.5 Crore in West Bengal (Price Multiple: 0.5x).

The highest price multiple is that of Delhi (5x), followed by Haryana (1.75x) and Telangana (1.25x). The north Indian states have higher price multiple, in general, as compared to the southern

states. States like Uttarakhand, Goa, Himachal Pradesh and Andhra Pradesh have moderate price multiple (1x) whereas the eastern states like West Bengal, Assam and Odisha have the lowest price multiple (0.5x).

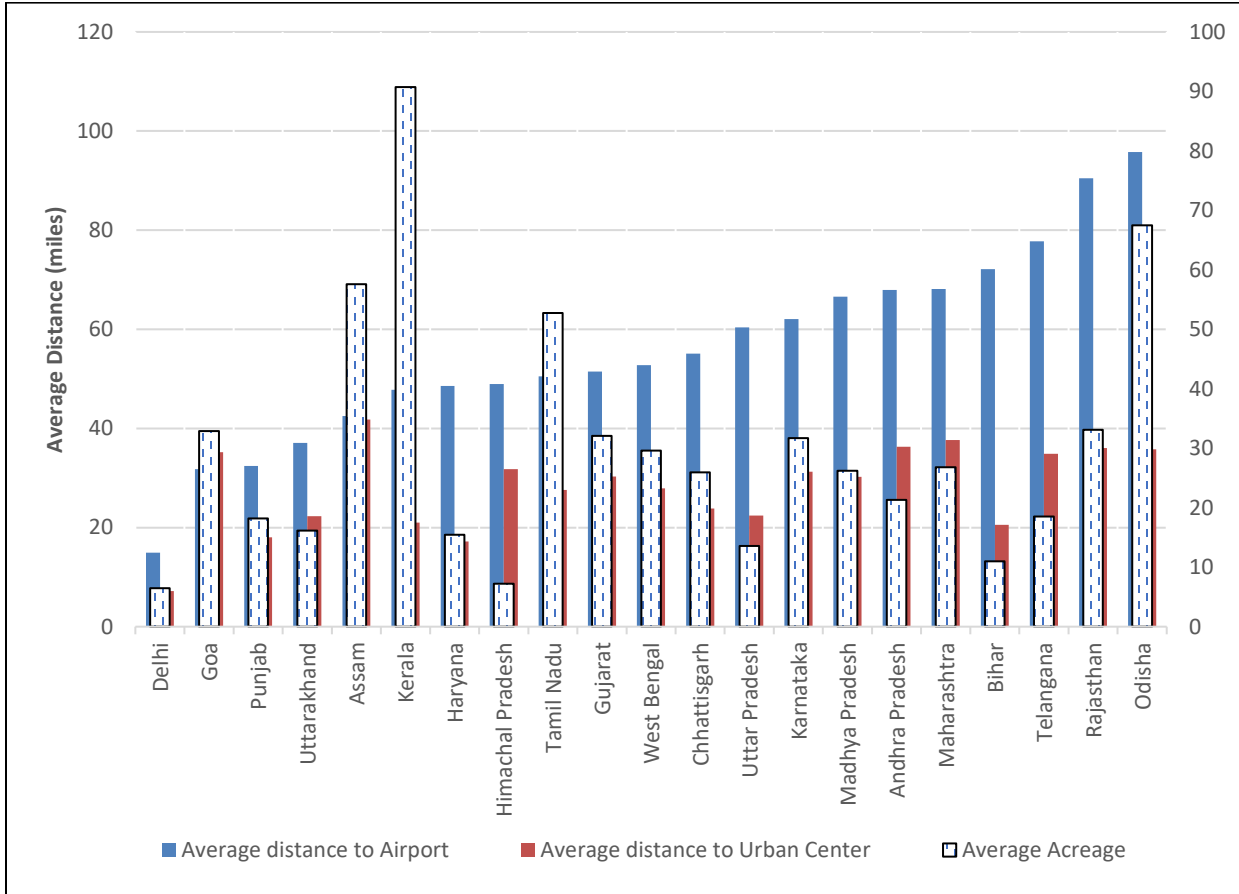
**Figure 2: ISALPI State Wise Price Multiples**



**Source:** Prashant Das

The valuation of agricultural land parcels is significantly influenced by their proximity to urban centers and airports. Figure 3 highlights the average acreage and average distance (in miles) of land parcels from urban nodes and airports across various states.

**Figure 3: Characteristics of Land Parcels**

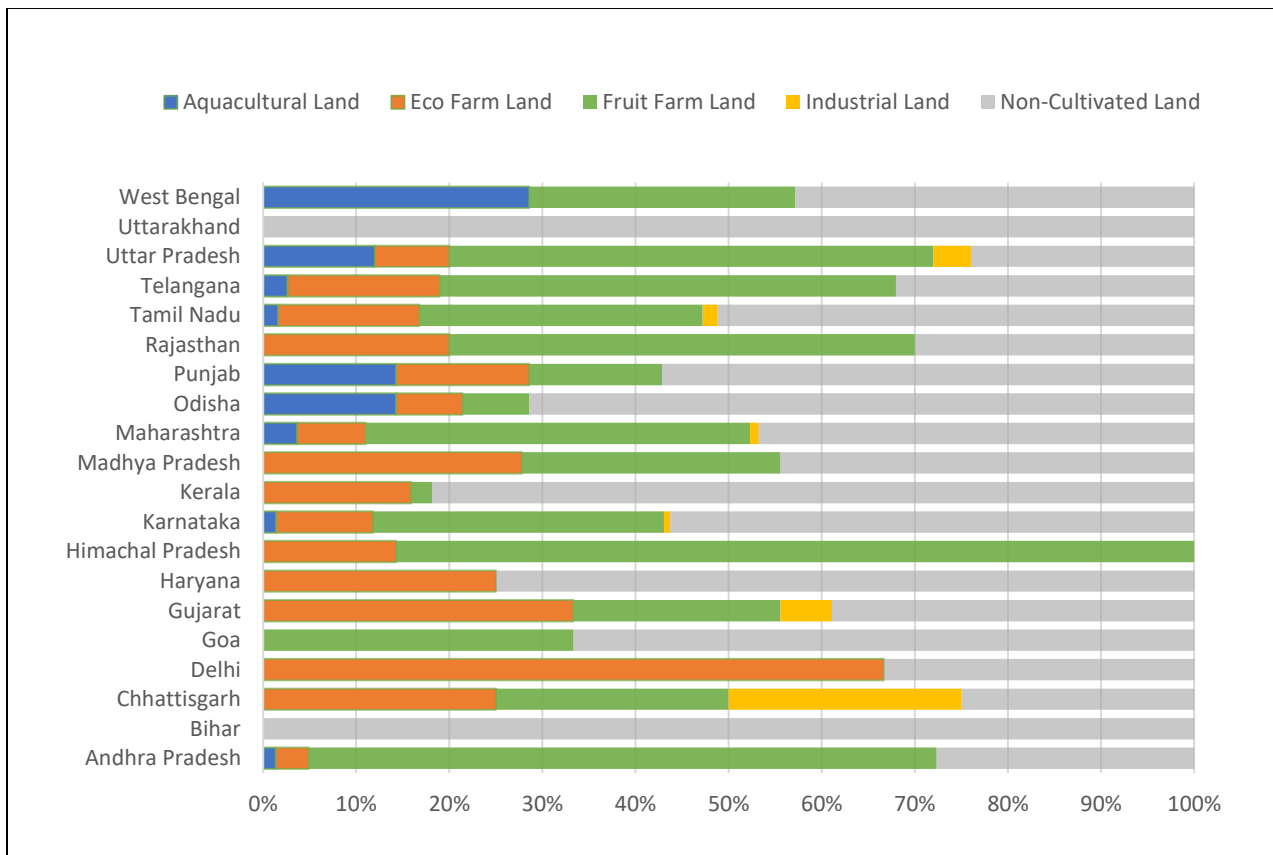


**Source:** Prashant Das

Land parcels in Delhi are, on average, closest to airport (15 miles) and urban centers (7 miles) as compared to those in the other states. Thus, proximity to airports and urban centers seem to significantly increase the value of agricultural land as these factors are likely to enhance accessibility and potential for non-agricultural uses such as urban expansion or commercial development. Additionally, the smaller average acreage in Delhi (6 acres) suggests that land fragmentation is more pronounced in regions with high demand and urban influence, which further drives up per-unit land prices. This reflects the impact of urbanization and infrastructure connectivity on agricultural land valuation. Odisha has the largest average distance to airport (96

miles) and urban centers (36 miles), and correspondingly the lowest price multiple. Despite the moderate proximity of land parcels to airports (48 miles) and urban centers (21 miles) in Kerala, the state records the lowest price multiple (0.5x), likely influenced by its significantly larger average acreage (91 acres).

**Figure 4: Different Types of Farmlands Across States**



**Source:** Prashant Das

Figure 4 illustrates the various types of land parcels listed across states, emphasizing regional and location-specific preferences. The prevalence of aquacultural lands in states like West Bengal, Odisha, Uttar Pradesh and Punjab highlights the significance of fish farming as a key practice in these regions. The south Indian states like Karnataka, Andhra Pradesh and Tamil Nadu have higher proportions of non-cultivated lands. The large number of fruit farm land listings in Andhra Pradesh



Figure 5 reveals the district wise price multiplier based on the assumption that the land parcels are otherwise similar. Districts in Haryana generally exhibit significantly higher price multiples, with Gurugram leading at 3.25x, followed by Karnal at 3x and Rewari at 2.5x. In Uttar Pradesh, Gautam Buddh Nagar stands out with a price multiple of 1.75x, notably higher than other districts in the state. Districts with moderately high price multiples (1.5x) include Junagadh in Gujarat, Sahibzada Ajit Singh Nagar in Punjab, Ranga Reddy in Telangana, and Eluru and NTR in Andhra Pradesh. Conversely, districts with the lowest price multiples (0.25x) include Bankura and Purulia in West Bengal, Virudhunagar in Tamil Nadu, Wardha in Maharashtra, and Pudukkottai and Thoothukudi in Tamil Nadu.

## **DISCLAIMER**

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