Agri land price index to help modulate policies

Launched by IIM-A and SFarmsIndia, it will help stakeholders take informed call

OUR BUREAU

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In a first for the country, a land price index was launched on Thursday to record and monitor the data of prices of agricultural land in India.

Indian Institute of Management-Ahmedabad (IIM-A), in collaboration with agri-land marketplace SFarmsIndia, has announced the launch of IIMA-SFarmsIndia Agri Land Price Index (ISALPI). The first-of-its-kind land price index will record and present 'quality controlled' data of prices of agricultural land across the country.

The index will help in benchmarking the land prices in rural and semi-urban areas and serve as a reliable source that will signal potential conversion of agricultural land into real estate.

Price movements

Explaining the utility of the index, Prashant Das, project lead and associate professor of Real Estate Finance at IIMA, said, "Investors could use this information to assess the historical risk and return in the past and predict these metrics for the future to decide on their investment positions. Fund managers and producers could use this information to broadly benchmark their own performance.

The researchers could use this information to study how economic events and factors are associated with price movements in a specific asset class. Policy makers (e.g. the Central bank) may use it to modulate their policies, Das said.

Unlike other financial assets, index of land parcel is a difficult task to make. There are visible price differences in different listings caused by factors including the market-wide supply-demand factors. The method adopted for the preparation of ISALPI addresses these disparities and ensures accuracy, the developers said. Currently, ISALPI is based on land listing data from six States — Andhra Pradesh, Karnataka, Maharashtra, Tamil Nadu, Telangana, and Uttar Pradesh. With the arrival of more data from other States, the index is expected to offer superior representation of the national context as well as offer a more granular index at regional levels.

Pricing and relevance

ISALPI has been put together using the regression-based hedonic pricing methods. The Misra Centre for Financial Markets and Economy at IIM-A will host this index on its official website. Speaking of the relevance of the index in the current scenario, Errol D'Souza, Director IIMA said, "With over 200 million hectares, India houses just 2 per cent of the world's cropped land, but feeds over 15 per cent of the world's population. Recently, we have witnessed a surge in entrepreneurial interest in Agri land and allied professions, from agricultural engineering to precision farming, from food technology to supply chain management and green energy. We believe it is the right time to launch such an index for India."

"With ISALPI, we hope to build better data sources for all stakeholders to be able to take informed decisions at national as well as regional levels and support the agribusiness activities," he said.

Kamesh Mupparaju, CEO, SFarmsIndia, said, "SFarmsIndia has a strong focus on data warehousing and mining aimed at bringing cutting-edge agri-realty domain specific AI capabilities to the market."

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