Estimating Irrigation Water Value Using Hedonic Price Analysis: A Case Study in Malheur County, Oregon

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Description / Abstract
Hedonic price analysis is applied to agricultural land sales to reveal the implicit market price of water in irrigation. This provides price information, where otherwise absent, which can facilitate reallocation of water supplies to meet growing demands. The failure to include available information on soil quality, an important determinant of agricultural land value, results in erroneous conclusions. Joint testing of heteroskedasticity and functional form is demonstrated. The value of irrigation water in this location is estimated at $9 for an acre-foot on the least productive land irrigated, and up to $44 per acre-foot on the most productive land.

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