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CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

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Department of Agricultural Economics
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Nebraska Farmland Values And Cash Rents Rise Sharply

Market Report	Yr Ago	4 Wks Ago	3/14/08
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$98.68	$90.24	$89.78
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	126.02	126.61	121.81
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	109.00	*	102.26
Choice Boxed Beef, 600-750 lb. Carcass	165.50	151.14	145.69
Western Corn Belt Base Hog Price Carcass, Negotiated	58.68	57.85	50.41
Feeder Pigs, National Direct 50 lbs, FOB	70.38	50.34	50.44
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	67.08	62.92	57.73
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct	84.75	88.12	95.38
National Carcass Lamb Cutout, FOB	241.94	256.66	262.09
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	4.43	10.12	11.90
Corn, No. 2, Yellow Omaha, bu.	3.75	4.89	5.25
Soybeans, No. 1, Yellow Omaha, bu.	7.12	12.77	12.53
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	6.13	8.75	9.09
Oats, No. 2, Heavy Minneapolis, MN , bu.	2.89	3.57	3.81
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	*	85.00	85.00
Grass Hay, Large Rounds, Good Northeast Nebraska, ton.	*	*	*

* No market.

The average value of Nebraska farmland rose 23 percent over the past 12 months, the steepest annual percentage gain ever recorded in the 30-year history of the University of Nebraska-Lincoln Nebraska Farm Real Estate Market Survey (Figure 1 and Table 1). Preliminary results place the state's all-land average value at $1,425 per acre as of February 1, 2008. This gain, combined with the gains of the past four years, puts the current all-land average value more than 88 percent higher than the 2003 level. Today's level represents a new historical peak value, not only in nominal terms but also in real (inflation-adjusted) terms — the previous peak in inflation-adjusted dollars was in 1981, just prior to a major asset devaluation during the farm-crisis years of the mid-1980s.

Strong crop commodity prices during 2007, even prior to the recent run-up since the first of the year, sent economic returns to cropland to record levels. That, and market participants' expectation of continued robust earnings, contributed to spirited bidding on land.

The underlying causes of this new plateau are fairly obvious. Corn demand from the rapidly growing ethanol industry in the state (Nebraska ranks #2 in production), fueled prosperous returns across the corn producing areas of the state. This, in combination with rising world demand for essentially all Nebraska-grown commodities, has created a phenomenal income effect across the entire state. And true to economic logic, those income signals get capitalized into agricultural land values relatively quickly.

Preliminary estimates from our 2008 survey show the largest percentage gains in the Northeast Region (28%) followed closely by the Southeast Region (26%). The

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smallest, albeit sizable, of the regional gains was reported in the Northwest (15%), where the impact on land values of commodity price surges have been more recent.

By type of land, value changes clearly reflect the recent income patterns and economic opportunities. For example, nontillable grazing land recorded the smallest state-wide percentage gain for the year (12%), as the cattle economy strains to adjust to higher feed costs. The fact that the state's cattle industry is effectively using the distillers grains by-product from the ethanol industry has partially mitigated the feed cost impact on the fed-cattle component. Still, profits have all but disappeared in the short-run. In the longer run, the economic picture seems brighter. The limited supply of forages, as well as greater substitution of forages for corn in the cattle feeding cycle may be part of the market participants' willingness to bid grazing land values upward.

Similarly, in regions where irrigation water moratoriums on future drilling are already in place, the value advances for the class of dryland cropland with irrigation potential were modest, at best, over the past 12 months. In sharp contrast, this type of land experienced substantial value advances in the North and Northeast Regions of the state, where additional irrigation development still is continuing without restrictions.

The 2008 cash rent levels for cropland have also surged ahead (Table 2). Our preliminary survey estimates for 2008 cash rental rates show increases generally in the 17 to 23 percent range over 2007 levels. And these percentage increases were clearly evident for cropland across the entire state. Just as with values, these cash rent percentage increases were the largest annual increases ever recorded by the UNL annual market survey. Highest cash rent averages were reported for center pivot irrigated cropland in the East and Northeast Regions, where 2008 rents top $200 per acre.

As for pasture, 2008 rates were also up over previous-year levels — both on a per-acre rate and on a cow-calf pair monthly basis. A relatively tight forage condition seems to be the underlying factor. However, in most areas of the state, the percentage increases for pasture rates were below those recorded for cropland.

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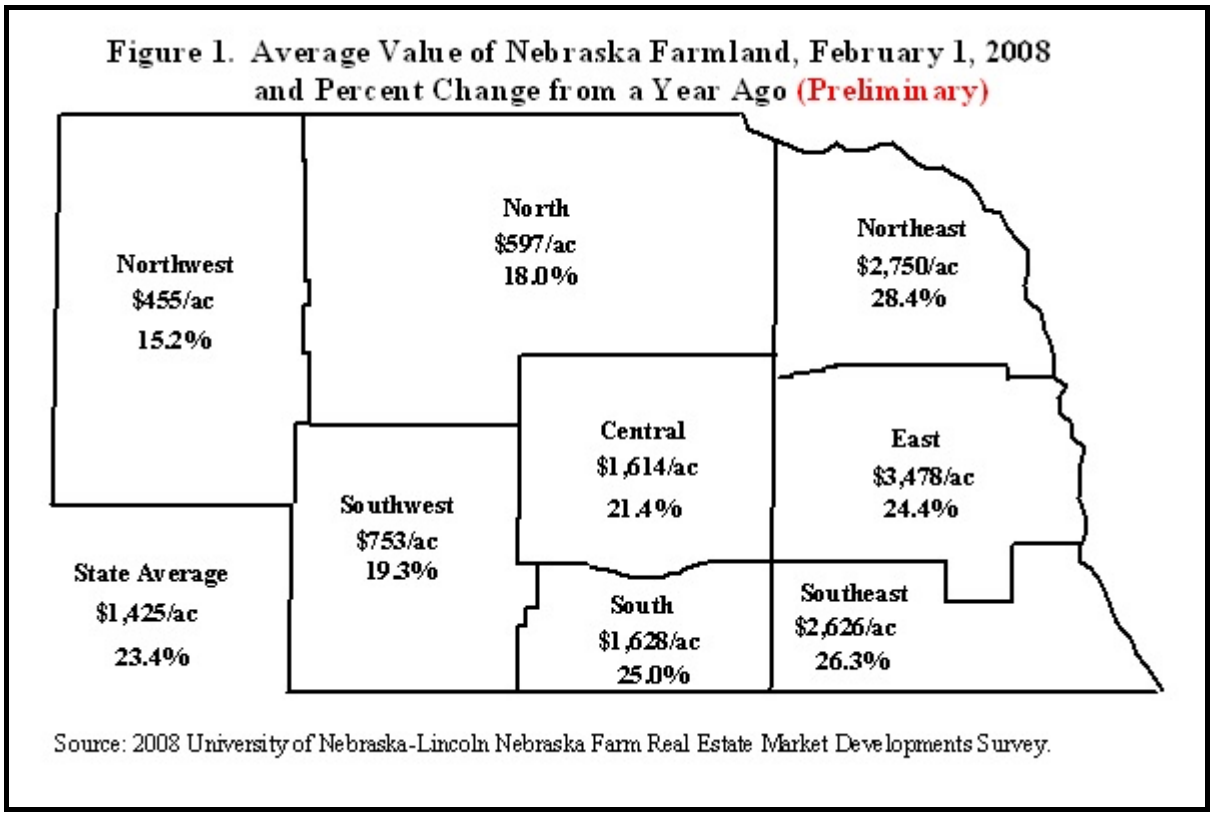

Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land by Agricultural Statistics District, February 1, 2007 - February 1, 2008.[a] (Preliminary)

Type of Land and Year	Agricultural Statistics District								
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State[c]
	Dollars Per Acre								
Dryland Cropland (No Irrigation Potential)									
Rptd. in 2008	465	707	2482	1347	3203	693	1214	2391	1583
Rptd. in 2007	383	558	1917	1056	2608	559	932	1840	1249
% Change	21.4	26.7	29.5	27.6	22.8	24.0	30.3	29.9	26.7
Dryland Cropland (Irrigation Potential)									
Rptd. in 2008	505	1035	3147	1894	3691	750	1301	2700	2216
Rptd. in 2007	490	808	2407	1561	2900	702	1126	2150	1771
% Change	3.1	28.1	30.7	21.3	27.3	6.8	15.5	25.6	25.1
Grazing Land (Tillable)									
Rptd. in 2008	316	567	1578	1018	1927	417	887	1380	648
Rptd. in 2007	282	475	1343	848	1493	387	684	1083	542
% Change	12.1	19.4	17.5	20.0	29.1	7.8	29.7	27.4	19.6
Grazing Land (Nontillable)									
Rptd. in 2008	287	386	975	765	1219	344	658	883	449
Rptd. in 2007	250	358	900	668	1033	310	553	749	401
% Change	14.8	7.8	8.3	14.5	18.0	11.0	19.0	17.9	12.0
Hayland									
Rptd. in 2008	570	688	1280	998	1525	660	859	1006	852
Rptd. in 2007	500	568	1005	791	1255	530	717	875	699
% Change	14.0	21.1	27.4	26.2	21.5	24.5	19.8	15.0	21.8
Gravity Irrigated Cropland									
Rptd. in 2008	1475	1633	3550	2934	4080	1550	2689	3477	3007
Rptd. in 2007	1195	1305	2795	2431	3323	1275	2199	2719	2444
% Change	23.4	25.1	27.0	20.7	22.8	21.6	22.3	27.9	23.0
Center Pivot Irrigated Cropland[b]									
Rptd. in 2008	1400	2221	3964	3082	4464	2071	3034	3818	3116
Rptd. in 2007	1112	1733	3077	2521	3646	1575	2254	3055	2463
% Change	25.9	28.2	28.8	22.3	22.4	31.5	34.6	25.0	26.5
All Land Average[c]									
Rptd. in 2008	455	597	2750	1614	3478	753	1628	2626	1425
Rptd. in 2007	395	506	2142	1329	2795	631	1302	2079	1155
% Change	15.2	18.0	28.4	21.4	24.4	19.3	25.0	26.3	23.4

[a] SOURCE: 2007 and 2008 UNL Nebraska Farm Real Estate Market Developments Surveys.
[b] Value of pivot not included in per acre value.
[c] Weighted averages

Table 2. Reported Cash Rental Rates for Various Types of Nebraska Farmland by Agricultural Statistics District for 2008 and Comparison with Year Earlier Levels.[a] (Preliminary)

Type of Land and Year	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
	Dollars Per Acre							
Dryland Cropland								
2008	33	50	134	86	135	40	69	113
2007	27	42	109	71	113	34	56	93
% Change	22.2	19.0	22.9	21.1	19.5	17.6	23.2	21.5
Gravity Irrigated Cropland								
2008	126	142	188	173	189	116	168	185
2007	103	115	155	150	158	103	139	153
% Change	22.3	23.5	21.3	15.3	19.6	12.6	20.9	20.9
Center Pivot Irrigated Cropland								
2008	140	159	208	185	211	159	183	198
2007	118	135	174	156	175	128	155	168
% Change	18.6	17.7	19.5	18.6	20.6	24.2	18.1	17.9
Pasture								
2008	10	15	39	30	36	13	27	35
2007	9	14	36	25	32	12	22	30
% Change	11.1	7.1	8.3	20.0	12.5	8.3	22.7	16.7
Cow-Calf Pair Rates								
	Dollars Per Month[b]							
2008	26.25	33.65	31.90	33.30	31.60	31.40	27.75	29.85
2007	25.00	29.50	28.80	27.75	b	25.70	25.00	25.20
% Change	5.0	14.1	10.8	20.0	b	22.1	11.0	18.5

[a] SOURCE: Reporters' estimated average cash rental rates from the 2007 and 2008 UNL Nebraska Farm Real Estate Market Developments Surveys.
[b] Insufficient number of reports.