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2017 Trends in Nebraska Farmland Markets: Declining Agricultural Land Values and Rental Rates

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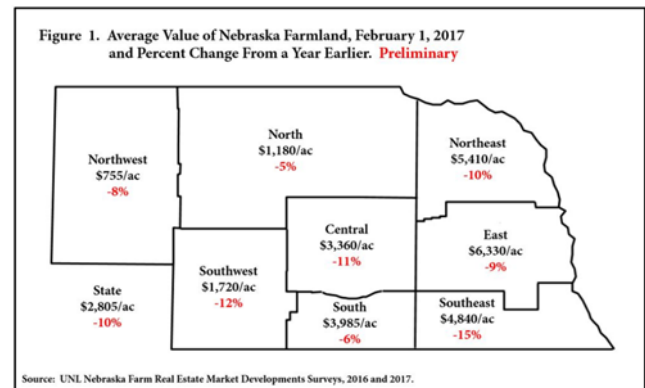
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Cornhusker Economics

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Market Report	Year Ago	4 Wks Ago	3-13-17
Livestock and Products.			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	132.00	119.36	125.46
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	198.24	162.03	163.14
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	165.76	133.83	133.88
Choice Boxed Beef, 600-750 lb. Carcass.	226.24	189.39	214.12
Western Corn Belt Base Hog Price Carcass, Negotiated	51.55	72.52	67.65
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	69.65	87.74	81.28
Slaughter Lambs, woolled and shorn, 135-165 lb. National.	143.71	140.06	NA
National Carcass Lamb Cutout FOB.	359.79	339.86	334.13
Crops.			
Daily Spot Prices			
Wheat, No. 1, H.W.			
Imperial, bu.	3.93	3.30	3.04
Corn, No. 2, Yellow			
Columbus , bu.	3.33	3.32	3.16
Soybeans, No. 1, Yellow			
Columbus , bu.	8.21	9.57	9.04
Grain Sorghum, No.2, Yellow			
Dorchester, cwt.	5.48	5.19	4.88
Oats, No. 2, Heavy			
Minneapolis, Mn, bu.	2.66	2.95	5.91
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185			
Northeast Nebraska, ton.	250.00	NA	136.25
Alfalfa, Large Rounds, Good			
Platte Valley, ton.	82.50	65.00	65.00
Grass Hay, Large Rounds, Good			
Nebraska, ton.	85.00	65.00	65.00
Dried Distillers Grains, 10% Moisture			
Nebraska Average.	134.50	103.50	93.50
Wet Distillers Grains, 65-70% Moisture			
Nebraska Average.	51.50	43.75	39.75
* No Market			

Preliminary findings from the 2017 Nebraska Farm Real Estate Market Survey conducted by the University of Nebraska–Lincoln, indicate that as of February 1, 2017 the weighted average farmland value declined by about 10 percent over the prior 12-month period to \$2,805 per acre (Figure 1 and Table 1). This decline marks the third year of consecutive downward pressure totaling to approximately 15 percent for the weighted average farmland value in Nebraska which peaked in 2014 at \$3,315 per acre.



According to survey participants, since February 2016 the largest price declines by land classes in Nebraska occurred in the dryland cropland with irrigation potential at 13 percent followed by tillable grazing land at 12 percent. During periods of higher commodity prices producers gain the economic incentive to develop these land classes to produce higher yields through irrigation or production of crops. The current sustained period of lower commodity prices and the anticipation of these lower values indicated by survey participants as major forces leading to the declines. Regulatory policies guiding further development of dryland cropland with irrigation potential were also noted as a negative force on this land class.

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Dryland cropland without irrigation potential and nontillable grazing land reported the next highest rate of decline at about 10 percent across Nebraska. The sharpest rates of decline for dryland cropland without irrigation potential were noted in the Central, Southwest, and South Districts at about 15 percent. These Districts tend to be some of the major winter wheat producing regions of the state and this small grain experienced exceptionally low commodity prices during 2016. Suppressed prices for wheat might have led to reverberating effects through the local land markets. The high rates of decline, ranging from 13 to 18 percent, reported for the Central, East, and Southwest Districts were for nontillable grazing land or part of the major land base serving the cow-calf industry. Hayland also noted similar rates of decline for the Northwest and Central Districts.

Across Nebraska gravity irrigated and center pivot irrigated cropland reported rates of decline ranging between 6 and 4 percent, respectively. Center pivot irrigated cropland in the Northwest, Southwest, and Southeast dropped 13 to 16 percent, whereas the other Districts recorded declines around 5 to 7 percent. Gravity irrigated cropland in the Northwest and Southeast Districts followed similar double digit deteriorations. Survey participants expressed the availability of water for irrigation and policies guiding the utilization of this resource as potentially negative forces in the market value of these two land classes into the future. Technological advancements in the application of irrigation water might be able to enhance the utilization of these resources and offset potential challenges.

Rental rates for agricultural land in Nebraska declined for another year as commodity prices for the major commodities raised across the state experienced an additional year of lower prices (Table 2). Agricultural land ownership expenses remain high as property tax levels continued to rise on average across the state. Negotiating an equitable rental rate remains a challenge for landlords and tenants. For the second year in a row, survey participants noted this dynamic in negotiating rental rates centered on these concerns.

Irrigated cropland rental rates on average declined between 5 and 10 percent across Nebraska. The eastern regions of Nebraska including the Northeast, East, and Southeast Districts along with the Southwest District recorded the highest rate of decline ranging from 9 to 12 percent for center pivot irrigated cropland. In prior survey years, the eastern regions of the state recorded the most substantial increases along with the highest rental rates. These rates were hard to maintain with lower grain prices. The average for the low and high third quality of land also reported a substantial drop in the eastern third of the state (See Table 2).

Pasture and cow-calf pair rental rates fell 5 to 15 percent across Nebraska depending upon the region of the state. The strongest rate of declines was in the regions of the state noting the highest grazing land or cow-calf rental rates over the past several years. These regions include the Northeast, East, and Southeast Districts where on average rental rates dropped 10 to 15 percent. The other major grazing regions of Nebraska noted falling rental rates closer to 5 percent. Several other considerations, besides the productivity of the grazing land, factor into the rental rates paid across Nebraska according to survey participants. These factors may include things such as who maintains fencing around the property or has the responsibility of weed control. Depending upon the capacity of each individual involved as part of the rental agreement, the level of services either party provides as part of the contract might vary and influence the rental rate negotiated.

Survey results shown and discussed in this report are preliminary findings from the University of Nebraska–Lincoln 2017 Nebraska Farm Real Estate Market Survey. Land values and rental rates presented in this report are averages of survey participants' responses by district. Actual land values and rental rates may vary depending upon the quality of the parcel and local market for an area. Also, preliminary land values and rental rates are subject to change as additional surveys are returned. Final results from the survey will be published in June 2017 and will be available online via the Nebraska Farm Real Estate website: <http://agecon.unl.edu/realestate>

Land appraisers, farm managers, or agricultural finance professionals from Nebraska interested in participating in future Nebraska Farm Real Estate Market Surveys are invited to contact the Department of Agricultural Economics at the University of Nebraska–Lincoln. Interested parties can directly contact Linda Tesch by phone: (402) 472-3401 or email: lteschl@unl.edu.

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Table 1. Average Reported Value of Nebraska Farmland for Different Land Types and Sub-State Regions, February 1, 2017^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)									
\$/acre	715	1,560	5,405	2,750	5,775	1,660	3,080	4,225	3,130
% change	-4	-5	-6	-15	-9	-15	-14	-13	-10
Dryland Cropland (Irrigation Potential)									
\$/acre	765	2,105	5,845	3,140	6,340	1,610	4,125	5,355	4,180
% change	-3	-2	-13	-18	-12	-11	-4	-17	-13
Grazing Land (Tillable)									
\$/acre	535	1,180	3,265	2,150	3,585	940	2,095	2,825	1,320
% change	-5	-11	-17	-13	-18	-12	-6	-12	-12
Grazing Land (Nontillable)									
\$/acre	440	710	2,225	1,585	2,325	800	1,485	2,110	880
% change	-8	-4	-10	-18	-17	-13	-12	-4	-10
Hayland									
\$/acre	785	1,410	3,185	2,150	3,090	1,535	2,200	2,680	1,820
% change	-12	-3	-7	-17	-3	-10	-6	-4	-7
Gravity Irrigated Cropland									
\$/acre	2,650	3,740	7,000	6,240	7,800	4,155	6,095	6,410	6,120
% change	-11	-6	-3	-5	-4	-5	-3	-13	-6
Center Pivot Irrigated Cropland^b									
\$/acre	2,870	4,180	7,395	6,975	8,555	4,610	6,725	7,720	6,290
% change	-13	-4	-6	-7	-9	-14	-7	-16	-9
All Land Average^c									
\$/acre	755	1,180	5,410	3,360	6,330	1,720	3,985	4,840	2,805
% change	-8	-5	-10	-11	-9	-12	-6	-15	-10

Source: ^a UNL Nebraska Farm Real Estate Market Surveys, 2016 and 2017.

^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 and Pasture: 2017
Averages, Percent Change from 2016 and Quality Ranges by Agricultural Statistics District^a
Preliminary

Type of Land	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
----- Dollars Per Acre -----								
Dryland Cropland								
Average	29	56	215	89	190	40	74	155
% Change	-9	-7	-4	-7	-5	-5	-8	-6
High Third Quality.....	40	68	260	115	225	59	120	200
Low Third Quality	22	46	175	72	155	27	58	130
Gravity Irrigated Cropland								
Average	120	165	250	220	265	170	205	235
% Change	-4	-6	-9	-4	-7	-6	-5	-6
High Third Quality.....	145	190	290	255	320	210	255	275
Low Third Quality	100	140	210	190	235	130	170	200
Center Pivot Irrigated Cropland^b								
Average	155	210	305	230	290	200	225	265
% Change	-9	-5	-12	-4	-9	-11	-6	-9
High Third Quality.....	195	235	350	275	335	255	275	315
Low Third Quality	125	160	245	215	250	180	195	225
Pasture								
Average	11	25	62	34	53	22	35	49
% Change	-8	-4	-17	-6	-14	-8	-5	-10
High Third Quality.....	21	38	75	48	73	32	46	68
Low Third Quality	7	16	41	30	38	19	23	33
----- Dollars Per Pair -----								
Cow-Calf Pair Rates^c								
Average	35.15	61.20	53.15	55.15	51.20	53.70	47.30	48.78
% Change	-3	-4	-11	-5	-9	-6	-4	-6
High Third Quality.....	47.95	75.90	68.30	67.65	70.45	61.80	58.35	65.45
Low Third Quality	25.65	47.50	42.80	42.25	44.55	41.65	39.15	41.45

Source: ^a Reporters' estimated cash rental rates (both averages and ranges) from the UNL Nebraska Farm Real Estate Market Survey, 2016 and 2017.

^b Cash rents on center pivot land assumes landowners own total irrigation system.

^c A cow-calf pair is typically considered to be 1.25 to 1.30 animal units (animal unit being 1,000 lb. animal) for a five month grazing season. However, this can vary depending on weight of cow and age of calf.