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CORNHUSKER ECONOMICS

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Institute of Agriculture & Natural Resources
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University of Nebraska–Lincoln Extension

Nebraska Farmland Values Soar

The 2012 UNL Nebraska Farm Real Estate Survey confirms what most people close to agriculture already knew – agricultural land values across the state have shot upward in recent months. Preliminary survey results show the state’s all-land average value as of February 1, 2012 to be at \$2,410 per acre, 31 percent above the year-earlier level (Figure 1 and Table 1, on following pages). The annual gain, in both dollar amount and percentage, is the largest ever recorded in the 34-year history of the UNL land market survey series.

Cropland, particularly, showed pronounced value gains in every region of the state over the past year. In several areas of the state, values for some of the cropland classes rose 35 percent or more during the 12-month period. Clearly, a booming cash–grain economy in 2011 translated into spirited bidding for cropland. And at the same time that demand was robust, the amount of land for sale in any given local area was generally minimal. UNL survey reporters frequently commented that the land transfer market has been “so thin” (limited sales activity) that it is difficult to get a good reading on the market. In short, there are many “wannabe buyers” with few “wannabe sellers.”

The grazing land classes showed more modest value gains for the year, but overall for the state still showed a 19 percent increase for non-tillable grazing land. The tillable grazing land class (land considered to be potentially converted to cropland) recorded significantly higher values and larger higher percentage value gains in those areas of the state where no moratoriums are precluding further irrigation expansion.

Reflecting the great resource diversity across the state (land quality, water availability, climate, etc.) the per-acre values of land vary significantly. For example, the average value of center pivot irrigated land (pivot not included in the value) ranges from about \$2,600 per acre in the Northwest District, to nearly \$8,000 per acre in the East

Market Report	Yr Ago	4 Wks Ago	3/2/12
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$112.78	\$123.95	\$129.25
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	151.00	184.46	186.96
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	128.00	156.82	169.96
Choice Boxed Beef, 600-750 lb. Carcass.	172.67	183.34	198.51
Western Corn Belt Base Hog Price Carcass, Negotiated.	81.68	85.93	86.92
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	91.19	84.88	85.10
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	184.50	148.25	*
National Carcass Lamb Cutout, FOB.	370.64	383.49	374.35
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	7.44	6.40	6.36
Corn, No. 2, Yellow Omaha, bu.	6.84	*	*
Soybeans, No. 1, Yellow Omaha, bu.	13.62	*	*
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	11.46	10.98	11.25
Oats, No. 2, Heavy Minneapolis, MN , bu.	3.83	3.39	3.35
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	14.00	250.00	225.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	72.50	145.00	145.00
Grass Hay, Large Rounds, Good Nebraska, ton.	*	100.00	100.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	201.00	196.00	215.25
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	76.00	75.00	75.50
*No Market			



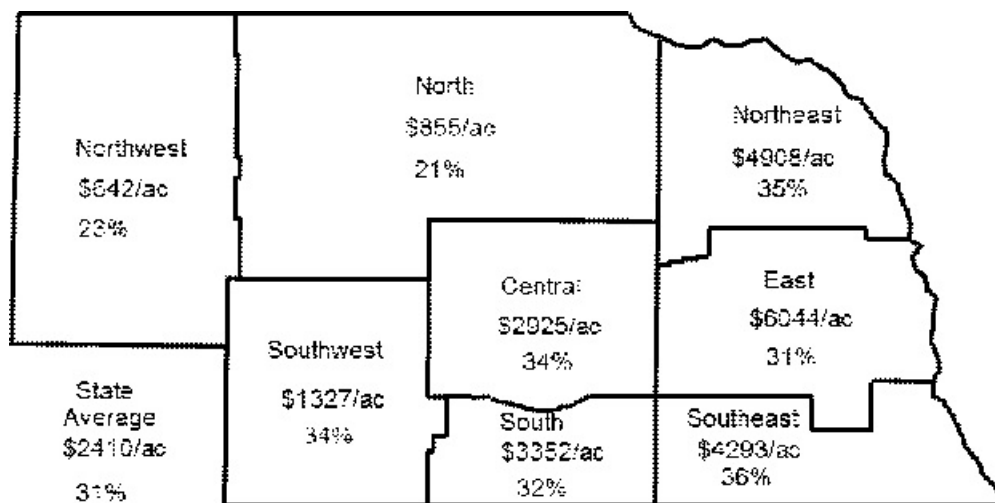
District, with the highest quality irrigated land exceeding \$10,000 per acre. Dryland cropland values show an even greater spread of more than seven-fold from west to east. In addition, the relative mix of cropland and grazing land in the all-land configuration is extremely variable, such that district all-land average values show nearly a ten-fold variation from west to east.

UNL survey reporters also reported higher cash rental rates for 2012 for all the land classes. But the percentage advances of cash rents over the previous year were considerably below the value advances (Table 2 on following page). For cropland, our preliminary cash rental rates reported for 2012 generally were up from 15 to 20 percent across most of the state. For contracts that are kept current every year, the 2011 to 2012 change would likely be more in the 10 to 15 percent range. While UNL reporters often commented that some contracted 2012 cropland rents were extremely high in their localities, they noted that they were the exceptions to a more deliberate pattern to rental negotiations. While high income earnings for cash-grain producers in 2011 have had some forward momentum into 2012, both landowners and tenants are aware that 2012 is not likely to be as profitable.

Pasture and grazing land rates are also reportedly higher in 2012. For most of the state, favorable rainfall patterns and good forage production in Nebraska have been quite a contrast to the pervasive drought conditions in the Southern Plains that have led to cow herd reductions. That, in combination with a recent return to profitable levels for the cattle industry, is behind much of the increase in 2012 rents, both on a per-acre and cow-calf pair basis.

A final note: these recent percentage value gains to Nebraska farmland beg the question, “Are they really sustainable?” If one assumes that farm incomes remain at 2011 earnings levels or higher, then one may answer with a *guarded yes*. However, more likely is an immediate future that is economically volatile for production agriculture – triggered by weather patterns, the strength of the dollar, interest rates, international financial fallouts and political unrest both here and abroad. That said, there is no question that some retreat of these value advances could easily happen in the next few years. Call it a *reality reset*. And it may be just what is needed as market participants are able to more accurately assess the underlying market fundamentals.

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Source: 2012 UNL Nebraska Farm Real Estate Market Developments Survey

Figure 1. Average Value of Nebraska Farmland, February 1, 2012 and Percent Change from Year Earlier.
PRELIMINARY

Table 1. Average Reported Value of Nebraska Farmland for Different Land Types and Sub-State Regions, February 1, 2012^a PRELIMINARY

Type of Land and Year	Agricultural Statistics District								
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State ^c
Dryland Cropland (No Irrigation Potential)									
\$/acre	670	1050	4680	2180	5360	1240	2250	3845	2480
% Change	23	31	36	36	34	42	29	31	34
Dryland Cropland (Irrigation Potential)									
\$/acre	690	1625	5730	3485	6390	1290	2945	5140	4363
% Change	25	35	36	48	34	43	41	41	37
Grazing Land (Tillable)									
\$/acre	415	880	2640	1675	3160	570	1500	2400	1015
% Change	22	19	26	46	34	16	36	34	27
Grazing Land (Nontillable)									
\$/acre	330	440	1565	1005	1960	460	1080	1485	583
% Change	18	13	29	24	28	11	34	24	19
Hayland									
\$/acre	600	850	2025	1425	2525	950	1450	1600	1208
% Change	9	8	36	30	37	36	34	28	24
Gravity Irrigated Cropland									
\$/acre	2500	2430	6250	5160	7155	2865	5170	5710	5283
% Change	26	19	39	31	25	45	31	33	30
Center Pivot Irrigated Cropland^b									
\$/acre	2615	3905	6910	6065	7920	3815	5900	6820	5777
% Change	32	32	35	34	28	38	32	36	33
All Land Average^c									
\$/acre	642	855	4908	2925	6044	1327	3352	4293	2410
% Change	23	21	35	34	31	34	32	36	31

^a SOURCE: 2011 and 2012 UNL Nebraska Farm Real Estate Market Developments Survey.

^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: 2012 Averages, Percent Change from 2011 and 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.....	b	b	212	109	200	57	115	160
% Change.....	b	b	18%	16%	12%	19%	20%	13%
High.....	b	b	275	134	251	71	140	203
Low.....	b	b	165	77	148	46	80	126
Gravity Irrigated Cropland:								
Average.....	b	b	285	232	287	b	245	265
% Change.....	b	b	15%	18%	11%	b	16%	12%
High.....	b	b	333	291	333	b	309	317
Low.....	b	b	250	195	232	b	201	206
Center Pivot Irrigated Cropland^c								
Average.....	200	229	325	257	313	236	276	301
% Change.....	17%	17%	16%	16%	15%	22%	18%	17%
High.....	235	264	400	305	377	285	343	361
Low.....	155	180	264	209	257	205	220	240
Pasture:								
Average.....	13	16	51	33	41	15	36	39
% Change.....	18%	14%	9%	10%	11%	7%	13%	15%
High.....	17	21	62	40	50	21	42	49
Low.....	9	14	36	27	32	13	30	29
----- Dollars Per Month -----								
Cow-Calf Pair Rates^d								
Average.....	31.00	38.80	40.00	36.60	38.25	37.00	b	38.80
% Change.....	11%	14%	12%	10%	7%	9%	b	18%
High.....	35.50	44.25	47.60	44.00	43.00	43.00	b	50.00
Low.....	25.00	32.75	31.70	27.90	30.40	32.00	b	26.25

^a SOURCE: Reporters' estimated cash rental rates (both averages and ranges) from the 2012 UNL Nebraska Farm Real Estate Market Developments Survey.

^b Insufficient number of reports.

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

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