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2016 Trends in Nebraska Farmland Markets: Farming and Ranching on the Margin

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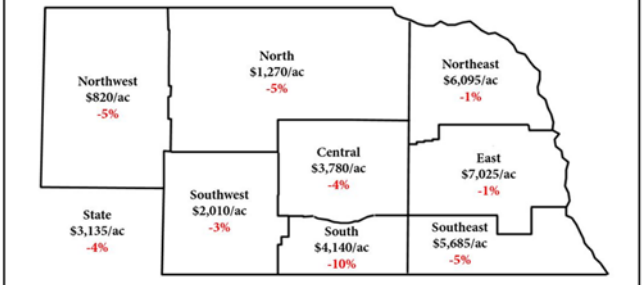
Market Report	Year Ago	4 Wks Ago	3-4-16
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	162.18	132.00	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	279.76	198.24	199.46
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	215.31	165.76	162.53
Choice Boxed Beef, 600-750 lb. Carcass.	248.91	226.24	219.22
Western Corn Belt Base Hog Price Carcass, Negotiated.	63.72	51.55	62.57
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	68.39	69.65	75.01
Slaughter Lambs, wooled and shorn, 135-165 lb. National.	*	143.71	135.89
National Carcass Lamb Cutout FOB.	372.04	359.79	349.73
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	4.72	3.93	3.81
Corn, No. 2, Yellow Nebraska City, bu.	3.66	3.33	3.32
Soybeans, No. 1, Yellow Nebraska City, bu.	9.43	8.21	8.28
Grain Sorghum, No.2, Yellow Dorchester, cwt.	7.07	5.48	5.40
Oats, No. 2, Heavy Minneapolis, Mn, bu.	3.18	2.66	2.37
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	190.00	250.00	190.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	77.50	82.50	77.50
Grass Hay, Large Rounds, Good Nebraska, ton.	95.00	85.00	85.00
Dried Distillers Grains, 10% Moisture Nebraska Average.	175.00	134.50	132.50
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	53.50	51.50	51.50

*** No Market**

Agricultural commodity markets continued their decline in 2015 and 2016 as producers across Nebraska faced lower prices for crops and livestock. Lower values have resulted in tighter margins for servicing rent or debt payments. Preliminary findings from the University of Nebraska–Lincoln Nebraska Farm Real Estate Market Survey 2016 indicate that as of February 1, 2016 the weighted average farmland value declined by about 4 percent over the prior 12-month period to $3,135 per acre (Figure 1 and Table 1). This decline marks the second consecutive year of lower weighted average farmland values in Nebraska.

Figure 1. Average Value of Nebraska Farmland, February 1, 2016 and Percent Change From a Year Earlier. Preliminary



Source: UNL Nebraska Farm Real Estate Market Developments Surveys, 2015 and 2016 .

Rental rates for dryland and irrigated cropland declined about 5 to 10 percent across Nebraska for 2016 (Table 2). Higher rates of decline were noted for Western Nebraska compared to the eastern regions of the state. Grazing land and cow-calf pair rental rates followed suit as cattle prices and future cattle price expectations have retreated from record highs reached in 2014. Rates of decline were higher for regions that had record rent levels in 2015.

Survey participants reported that since February, 2015, the largest price decline by land class of about 17% occurred in the hayland category. The reverberating effects of the 2012 drought and resulting increase in demand for forages to feed cattle led producers to increase their willingness to bid up the price of hayland through 2015. Adequate precipitation since the drought helped the grazing land across Nebraska recover. As hay prices dropped in late 2015 and early 2016, so has the willingness of producers to bid on hayland across Nebraska. Some of the highest rates of decline for hayland were noted in the major cow-calf producing regions of the state including the Northwest and North Districts.

Gravity irrigated and center pivot irrigated cropland reported the next highest rates of decline, about 6 and 4 percent respectively across Nebraska. The sharpest decline in the two irrigated land classes was reported in the Northwest, North, and South Districts at about 10 percent along with slight decreases reported in the Northeast, Central, East, Southwest and Southeast Districts. Dryland cropland with irrigation potential also followed similar trends across Nebraska. Survey participants indicated that financially sound market participants still have the ability to secure long-term financing at favorable fixed interest rates, but meeting annual debt payments on newly purchased property with lower commodity prices remains a challenge.

Dryland cropland without irrigation potential or tillable grazing land noted small price increases in 2016 across Nebraska, but these may be noted as a relatively unchanged market for this land class. The financial resources necessary for purchasing this land class compared to the irrigated land classes typically require lower debt service payments and may be more appealing for those interested in purchasing land. Grazing land without the ability to be tilled indicated a relatively unchanged market as well with a 2 percent decline average across Nebraska. The largest decline in nontillable grazing land occurred in the Eastern and Southern Districts at 7 percent.

Rental rates for agricultural ground in Nebraska peaked in 2014 and 2015 for cropland and grazing land, respectively. As the value of commodities declines, tenants face tightening financial margins. Landlords in Nebraska have faced higher landownership expenses in recent years as property taxes have continued to rise. Survey participants noted the dynamics involved in negotiations on rental rates typically have centered on these concerns.

Irrigated cropland rental rates on average declined about 5 percent across Nebraska. Regions that recorded the largest drops of 10 percent include the North District for gravity irrigated cropland and the Southwest district for center pivot irrigated cropland. The rates of decline were slightly lower in the eastern third of the state as the Northeast, East, and Southeast Districts recorded trends ranging down from 2 to 5 percent. Producers face a higher rate of decline in their expected crop revenue given the fall in commodity prices.

Pasture and cow-calf pair rental rates which set records in 2015 declined around 5 to 10 percent across Nebraska. The average monthly rental rate for a 5-month grazing season averaged about $55 per month or $275 for the grazing season. Survey respondents noted the differences in the rental rate ranges reported across the state may be attributed to the level of service that the landlord provides to the tenant as part of the lease. In areas where higher rates were paid, the landlord may take care of maintaining fence lines, controlling noxious weeds, or watching the tenant's cattle if the lessee does not live near the property. The norm among landlords and tenants for the renting of grazing land and the level of services either party provides in the rental arrangement varies substantially depending upon area and the capacity of each individual involved.

Survey results shown and discussed in this report are preliminary findings from the University of Nebraska–Lincoln 2016 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 the first week of June 2016 and will be available electronically 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 Jane Witte by phone: (402) 472-1913 or email: janewitte@unl.edu.

Table 1. Average Reported Value of Nebraska Farmland for Different Land Types and Sub-State Regions, February 1, 2016[a] Preliminary

Type of Land	Agricultural Statistics District								
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State[c]
	Dollars Per Acre								
Dryland Cropland (No Irrigation Potential)									
$/acre	745	1,700	5,895	3,235	6,425	1,975	3,575	4,845	3,510
% change	2	8	4	4	7	6	7	-4	4
Dryland Cropland (Irrigation Potential)									
$/acre	780	2,150	6,860	3,750	7,165	1,805	3,940	6,450	4,780
% change	-10	-6	-3	-8	-2	-7	-13	-7	-5
Grazing Land (Tillable)									
$/acre	585	1,425	3,970	2,595	4,510	1,070	2,260	3,200	1,550
% change	9	2	7	-1	7	-6	-4	5	2
Grazing Land (Nontillable)									
$/acre	485	740	2,535	1,935	2,805	915	1,690	2,305	980
% change	-1	-1	-2	-5	-7	-3	-7	1	-2
Hayland									
$/acre	870	1,460	3,490	2,400	3,180	1,700	2,340	2,780	1,945
% change	-22	-23	-4	-17	-22	-13	-21	-10	-17
Gravity Irrigated Cropland									
$/acre	2,970	4,010	7,250	6,655	8,155	4,390	6,230	7,375	6,505
% change	-8	-3	-1	-4	-3	-1	-12	-8	-6
Center Pivot Irrigated Cropland[b]									
$/acre	3,220	4,350	7,995	7,440	9,480	5,670	7,030	9,185	6,990
% change	-11	-10	-2	-5	-1	-2	-15	-3	-4
All Land Average[c]									
$/acre	820	1,270	6,095	3,780	7,025	2,010	4,140	5,685	3,135
% change	-5	-5	-1	-4	-1	-3	-10	-5	-4

Source: [a] UNL Nebraska Farm Real Estate Market Surveys, 2015 and 2016.
[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: 2015 Averages, Percent Change from 2014 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	32	60	225	100	200	42	80	165
% Change	-9	-8	-4	-5	-2	-7	-6	-3
High Third Quality	48	70	285	130	245	58	120	225
Low Third Quality	23	50	190	80	160	29	65	125
Gravity Irrigated Cropland								
Average	125	175	275	230	285	180	215	250
% Change	-7	-10	-4	-2	-5	-3	-2	-2
High Third Quality	175	185	325	270	340	235	260	305
Low Third Quality	100	120	220	205	245	135	180	215
Center Pivot Irrigated Cropland[b]								
Average	170	220	345	240	320	225	240	295
% Change	-3	-6	-5	-2	-3	-10	-6	-2
High Third Quality	260	270	405	295	375	265	280	355
Low Third Quality	160	205	275	205	270	210	195	250
Pasture								
Average	12	26	74	39	60	24	40	54
% Change	-11	-13	-18	-3	-7	-4	-1	-2
High Third Quality	22	37	91	53	76	34	56	77
Low Third Quality	9	20	44	34	44	22	27	38
	Dollars Per Pair							
Cow-Calf Pair Rates[c]								
Average	36.85	63.85	59.20	58.30	56.00	58.35	49.25	52.00
% Change	-10	-3	-5	-9	-13	-4	-14	-12
High Third Quality	49.85	77.70	74.95	68.80	70.85	67.50	58.20	66.00
Low Third Quality	26.00	52.85	51.10	44.05	45.85	49.15	30.00	38.35

Source: [a] Reporters' estimated cash rental rates (both averages and ranges) from the UNL Nebraska Farm Real Estate Market Survey, 2015.

[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.

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