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2018 Trends in Nebraska Farmland Values and Rental Rates

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Market Report	Year Ago	4 Wks Ago	3-9-18
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	125.46	*	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	163.14	192.36	185.34
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	133.88	152.48	153.15
Choice Boxed Beef, 600-750 lb. Carcass	214.12	208.46	223.63
Western Corn Belt Base Hog Price Carcass, Negotiated	67.65	69.04	60.50
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean	81.28	75.83	74.23
Slaughter Lambs, wooled and shorn, 135-165 lb. National	NA	131.14	138.15
National Carcass Lamb Cutout FOB	334.13	372.34	NA
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	3.04	4.14	4.43
Corn, No. 2, Yellow **Columbus**, bu.	3.16	3.42	3.59
Soybeans, No. 1, Yellow **Columbus,** bu.	9.04	9.21	9.45
Grain Sorghum, No.2, Yellow Dorchester, cwt.	4.88	5.63	5.91
Oats, No. 2, Heavy Minneapolis, Mn, bu.	5.91	3.03	2.92
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	136.25	166.25	150.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	65.00	90.00	97.50
Grass Hay, Large Rounds, Good Nebraska, ton.	65.00	82.50	*
Dried Distillers Grains, 10% Moisture Nebraska Average.	93.50	147.00	151.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	39.75	48.25	51.00

*** No Market**

The average market value of farmland in Nebraska declined by three percent over the prior year to $2,745 per acre according to the 2018 Nebraska Farm Real Estate Market Survey (Figure 1 and Table 1). This marks the fourth consecutive year of downward pressure. Market values have dropped 17 percent since reaching a high of $3,315 in 2014.

The University of Nebraska-Lincoln Department of Agricultural Economics annually surveys Nebraska land professionals including appraisers, farm and ranch managers, and agricultural bankers. Results from the survey are divided by land class and summarized by the eight Agricultural Statistic Districts of Nebraska.

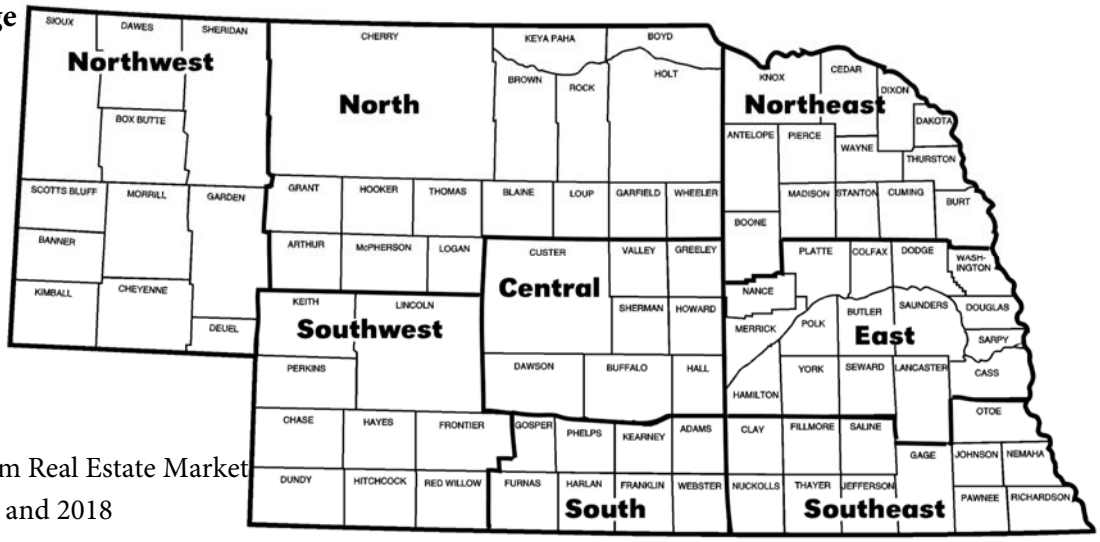
Tillable grazing land values declined by six percent, the largest percentage decline of the seven land classes. Sharp drops of 11 and 10 percent, respectively, in the Northeast and Central Districts contributed to the overall reduction in tillable grazing land values. Hayland in the Central and Southwest districts also experienced 10 percent declines in value. Survey participants pointed to low commodity prices over the prior year and current property tax policies as the reason for declining Nebraska farm real estate values.

Values for dryland and irrigated cropland across Nebraska declined one to seven percent. Several districts exist where regional land values increased two to six percent, but these instances were small indicating a fairly unchanged land market for the region.

Future prospects for cropland in Nebraska remain interlaced with the earning potential for the major commodities grown across the state, input expenses, and monetary policies influencing the cost of borrowing for future land purchases. Regulation policies guiding the use of water for irrigation were also noted

Figure 1. Average Value of Nebraska Farmland, February 1, 2018 and Percent Change from a Year Earlier[a] Preliminary

Region	Value	Change
Northwest	$720	-5%
North	$1,095	-6%
Northeast	$5,420	-2%
Central	$3,280	-3%
East	$6,260	-2%
Southwest	$1,700	-3%
South	$3,775	-3%
Southeast	$4,810	-1%
State	$2,745	-3%



[a]Source: UNL Nebraska Farm Real Estate Market Development Surveys, 2017 and 2018

as a potential driver for the changes in the future value of irrigated cropland in certain areas of the state according to survey participants.

Land classes serving the cow-calf industry, including grazing land and hayland, experienced a wide range in declines between one and 10 percent across the state. In several districts, tillable grazing land and hayland reported small gains of two to six percent for tillable grazing land or hayland.

According to survey participants, demand for beef and availability of forages during periods of drought were two of the major drivers for the future value of land classes serving the cow-calf industry. Recent increases in exports of beef from Nebraska to China remain critical for the value of cattle raised in the state. Also, extended periods of drought might increase the price and availability of forages influencing the potential market value of hayland.

On average, rental rates for dryland and irrigated cropland along with grazing land for pasture or cow-calf pairs trended down about two to seven percent across Nebraska for 2018 (Table 2).

Irrigated cropland rental rates on average declined between two and five percent across Nebraska with a small increase noted in the North District. For dryland cropland the Central, Southwest, South, and Southeast Districts experienced small rates of increase.

Survey participants indicated that property taxes are one of the landowner's most critical concerns during rental negotiations. Landlords face the prospects of low returns on their land after accounting for property taxes. Tenants face tight cash flows with current commodity prices, input expenses, and rental payments. Negotiating an equitable rental rate remains a challenge for landlords and tenants.

Division of annual maintenance and upkeep expenses associated with irrigation equipment remains a major consideration during rental negotiations between landlords and tenants. Tenants willing to provide maintenance services on irrigation equipment need to bring these expenses up in negotiations to equitably account for their contribution to the leases.

Pasture and cow-calf pair rental rates were mixed depending upon the district of the state. Most districts experienced declines of two to seven percent, while others saw grazing rates increases of two to three percent.

Several other considerations, besides the productivity of the grazing land, factor into the rental rates paid across Nebraska according to survey participants. These include annual maintenance of fence, weed control, removal of unwanted brush or cedar trees, and watering systems for livestock when applicable. Depending upon the landlord or tenant, either the landlord or tenant may be willing to provide these services.

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 2018 and will be available online via the Nebraska Farm Real Estate website: http://agecon.unl.edu/realestate

Please address questions regarding preliminary estimates from the 2018 Nebraska Farm Real Estate Survey to Jim Jansen at (402) 261-7572 or jjansen4@unl.edu.

Table 1. Average Reported Value of Nebraska Farmland for Different Land Types and Sub-State Regions, February 1, 2018[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	685	1,520	5,505	2,750	5,675	1,595	2,980	4,225	3,105
% change	-4	-3	2	-1	-2	-7	-2	-1	-1
Dryland Cropland (Irrigation Potential)									
$/acre	730	1,990	5,845	3,120	6,340	1,610	3,625	5,355	4,135
% change	-5	-6	-2	-3	-2	-6	-3	-1	-2
Grazing Land (Tillable)									
$/acre	515	1,080	3,265	1,945	3,485	940	2,095	2,825	1,260
% change	-3	-8	-11	-10	-7	-4	3	2	-6
Grazing Land (Nontillable)									
$/acre	435	655	2,125	1,585	2,325	800	1,485	2,070	880
% change	-6	-7	-5	-6	-7	-2	-1	3	-5
Hayland									
$/acre	755	1,255	3,185	1,950	3,290	1,335	2,050	2,620	1,720
% change	-5	-8	-3	-10	6	-10	-5	-2	-5
Gravity Irrigated Cropland									
$/acre	2,370	3,700	6,700	6,040	7,400	4,055	5,895	6,110	5,855
% change	-8	-4	-3	-5	-3	-2	-2	-8	-4
Center Pivot Irrigated Cropland[b]									
$/acre	2,670	4,010	7,395	6,975	8,555	4,610	6,420	7,720	6,225
% change	-5	-3	-1	1	-2	2	-4	-1	-1
All Land Average[c]									
$/acre	720	1,095	5,420	3,280	6,260	1,700	3,775	4,810	2,745
% change	-5	-6	-2	-3	-2	-3	-3	-1	-3

Source: [a] UNL Nebraska Farm Real Estate Market Surveys, 2017 and 2018.

[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: 2018 Averages, Percent Change from 2017 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	28	53	210	89	190	41	76	160
% Change	-3	-4	-2	1	-3	5	6	3
High Third Quality	41	88	255	110	230	58	105	205
Low Third Quality	21	27	175	72	155	35	53	125
Gravity Irrigated Cropland								
Average	115	170	250	205	255	165	200	225
% Change	-4	3	-2	-7	-2	-3	-2	-4
High Third Quality	140	200	285	235	300	200	245	265
Low Third Quality	97	135	220	170	220	140	180	210
Center Pivot Irrigated Cropland[b]								
Average	150	200	290	225	280	190	215	260
% Change	-3	-2	-5	-2	-3	-5	-4	-2
High Third Quality	195	235	330	260	320	215	255	310
Low Third Quality	115	150	240	190	245	165	190	215
Pasture								
Average	10	26	61	33	49	21	36	47
% Change	-5	2	-2	-3	-7	-6	3	-4
High Third Quality	18	36	83	47	75	28	47	66
Low Third Quality	7	18	48	29	37	17	32	38
	Dollars Per Pair							
Cow-Calf Pair Rates[c]								
Average	35.75	59.35	52.45	52.10	48.15	49.95	46.20	47.50
% Change	2	-3	-1	-2	-6	-3	-2	-2
High Third Quality	47.55	71.10	64.55	65.40	65.65	63.15	59.70	57.15
Low Third Quality	29.80	47.80	43.65	42.50	40.85	41.85	39.55	38.70

Source: [a] Reporters' estimated cash rental rates (both averages and ranges) from the UNL Nebraska Farm Real Estate Market Survey, 2017 and 2018.
[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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