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March 2005

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Cornhusker Economics

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Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln
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Nebraska Farmland Values Continue on Upward Climb

Following a remarkable income year for most of Nebraska agriculture, it probably comes as no great surprise that agricultural land values rose sharply. Preliminary estimates for the year ending February 1, 2005 show the value of Nebraska farmland rising an average of 10.9 percent. This was the largest annual percentage increase of the past 16 years. The increase itself represents a value of more than \$4.4 billion, and pushed the total estimated value of Nebraska's agricultural real estate to nearly \$45 billion.

While every area of the state experienced upward value movements for most, if not all of their land classes, the movement over the past year was highly variable (Figure 1 and Table 1). Regionally, the larger percentage gains occurred in Southeastern and Eastern Nebraska with increases of 16.8 percent and 12.0 percent, respectively. While many factors may have contributed, the fact that these areas experienced record crop yields in 2004 certainly gave the land market upward momentum. More modest gains were being reported in the western and southern areas of the state where multi-year drought and serious water shortages for irrigation were being experienced.

By class of land, non-tillable grazing land experienced the largest percentage increase over the past year, rising nearly 15 percent for the state as a whole. Reporters to our 2005 UNL Nebraska Farm Real Estate Survey saw dramatic value increases in nearly every area of the state. A profitable cattle economy, even in areas of extended drought, was fueling strong demand for pasture land.

Values of dryland cropland with no irrigation potential showed highly variable changes, ranging

Market Report	Yr Ago	4 Wks Ago	3/18/05
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$87.67	\$87.57	\$91.34
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	119.67	130.28	136.24
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	97.25	104.54	114.78
Choice Boxed Beef, 600-750 lb. Carcass	144.15	143.54	156.72
Western Corn Belt Base Hog Price Carcass, Negotiated	66.29	68.76	67.17
Feeder Pigs, National Direct 45 lbs, FOB	49.44	64.45	69.10
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	69.43	68.79	70.30
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	94.00	111.50	110.00
National Carcass Lamb Cutout, FOB	230.62	266.50	273.44
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.86	3.31	3.48
Corn, No. 2, Yellow Omaha, bu	2.93	1.80	1.85
Soybeans, No. 1, Yellow Omaha, bu	10.20	5.38	5.90
Grain Sorghum, No. 2, Yellow Columbus, cwt	5.11	2.50	2.77
Oats, No. 2, Heavy Minneapolis, MN, bu	1.89	1.79	1.82
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	112.50	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	57.50	57.50
* No market.			

from no reported change in the Northwest to more than an 18 percent change in the East. Dryland with irrigation potential also varied widely, with modest to no change in reported value in the West where drought and well-drilling moratoriums are precluding some potential development.

The pattern of irrigated land for the year ending February 1, 2005 continued to show the greater market demand for center pivot irrigated land (rising an average of 10.7 percent in value) in contrast to gravity irrigated land (registering a 5.6 percent gain). Pivot irrigated land in the East has reached an average of nearly \$3,000 per acre (value not including the center pivot system itself).

Besides the income effects of a strong crop and livestock economy during 2004, reporters noted a number of other contributing factors to higher land values. These included limited offerings in some local areas, favorable financing and interest rates, and the on-going demand for farm expansion by a limited number of farmers in virtually every localized real estate market. They also noted with greater frequency the presence of strong non-farmer demand, which is often fueled by the 1031 tax exchange policy (the provision whereby capital gains taxes from a real estate sale can be deferred with reinvestment in real estate).

Despite a strong surge upward for agricultural land values, the preliminary cash rental rates for 2005 were generally not showing similar percentage increases. In fact, for many of the cropland classes across the state, the changes from 2004 levels were fairly modest. A total commodity price turn-around this year as compared with a year ago, plus significant increases in fertilizer, seed and other input costs appear to have muted some of the upward bidding for cropland rental. Reported 2005 pasture land rental rates on an AUM (animal unit month) basis were up most sharply in the Northwest and Central statistical reporting districts, while the Southern areas appeared to be fairly stable. Pasture rents on a per-acre basis are essentially unchanged from year-earlier levels.

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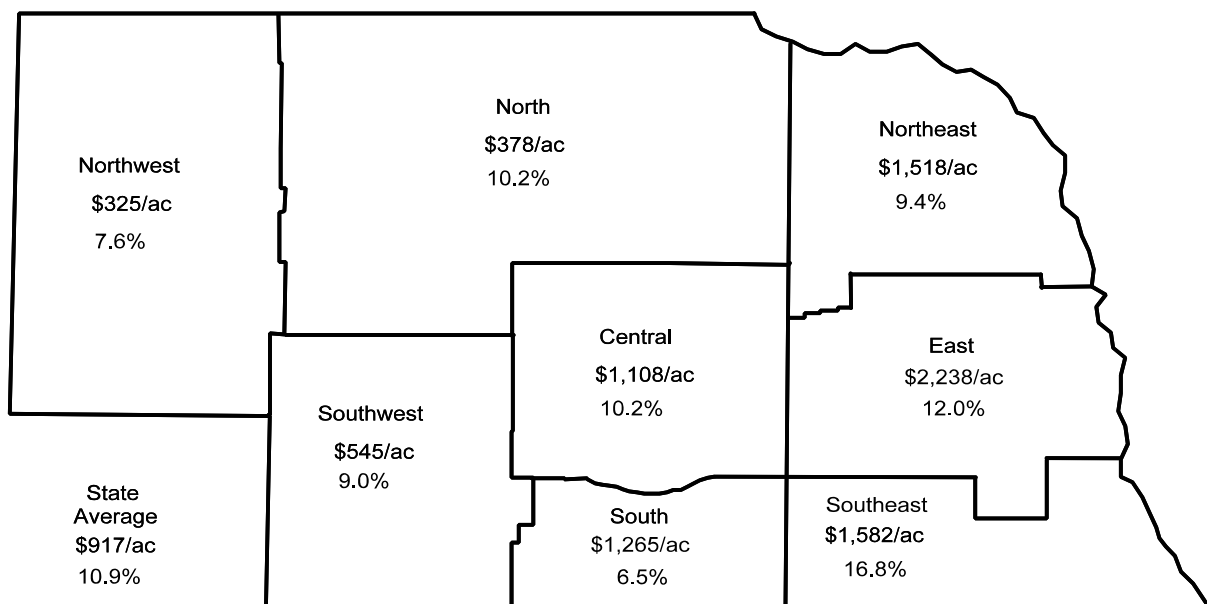


Figure 1. Average Value of Nebraska Farmland, February 1, 2005 and Percent Change from a Year Ago. (PRELIMINARY)

Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land by Agricultural Statistics District, February 1, 2004 - February 1, 2005.^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 2005	328	447	1373	847	2028	500	864	1393	972
Rptd. in 2004	328	416	1231	758	1717	473	800	1190	862
% Change	0.0	7.5	11.5	11.7	18.1	5.7	8.0	17.1	12.8
Dryland Cropland (Irrigation Potential)									
Rptd. in 2005	450	561	1677	1286	2349	606	1326	1590	1393
Rptd. in 2004	445	534	1554	1137	2093	586	1217	1469	1272
% Change	1.1	5.1	7.9	13.1	12.2	3.4	9.0	8.2	9.5
Grazing Land (Tillable)									
Rptd. in 2005	225	330	894	666	1068	309	646	838	410
Rptd. in 2004	212	307	794	611	926	305	558	716	375
% Change	6.1	7.5	12.6	9.0	15.3	1.3	15.8	17.0	9.3
Grazing Land (Nontillable)									
Rptd. in 2005	191	269	695	543	784	275	483	628	316
Rptd. in 2004	163	230	617	494	655	240	422	550	275
% Change	17.2	17.0	12.6	9.9	19.7	14.6	14.5	14.2	14.9
Hayland									
Rptd. in 2005	383	438	775	600	919	420	614	642	535
Rptd. in 2004	339	433	715	577	815	413	513	611	505
% Change	13.0	1.2	8.4	4.0	12.8	1.7	19.7	5.1	5.9
Gravity Irrigated Cropland									
Rptd. in 2005	958	1183	1980	2142	2671	1367	2024	2156	2066
Rptd. in 2004	925	1125	1867	1961	2401	1297	1969	2087	1957
% Change	3.6	5.2	6.1	9.2	11.2	5.4	2.8	3.3	5.6
Center Pivot Irrigated Cropland^b									
Rptd. in 2005	934	1342	2198	2129	2979	1309	2119	2391	1979
Rptd. in 2004	806	1211	2004	1901	2669	1123	2044	2218	1788
% Change	15.9	10.8	9.7	12.0	11.6	16.6	3.7	7.8	10.7
All Land Average^c									
Rptd. in 2005	325	378	1518	1108	2238	545	1265	1582	917
Rptd. in 2004	302	343	1388	1005	1999	500	1188	1354	827
% Change	7.6	10.2	9.4	10.2	12.0	9.0	6.5	16.8	10.9

^a SOURCE: 2004 and 2005 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 2005 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								
2005	23	37	92	62	97	32	56	79
2004	22	37	91	60	94	33	55	75
% Change	4.5	0.0	1.1	3.3	3.2	-3.0	1.8	5.3
Gravity Irrigated Cropland								
2005	94	104	132	135	139	104	129	134
2004	88	103	129	134	138	100	128	131
% Change	6.8	1.0	2.3	0.7	0.7	4.0	0.8	2.3
Center Pivot Irrigated Cropland								
2005	107	119	141	138	152	120	142	144
2004	97	114	144	139	151	117	139	143
% Change	10.3	4.4	-2.1	-0.7	0.6	2.6	2.2	0.7
Dryland Alfalfa								
2005	b	b	88	59	81	b	b	73
2004	b	b	92	63	85	b	b	74
% Change			-4.3	-6.3	-4.7			-1.4
Irrigated Alfalfa								
2005	b	b	130	119	111	b	b	b
2004	b	b	132	126	128	b	b	b
% Change			-1.5	-5.6	-13.3			
Other Hayland								
2005	b	b	b	41	b	b	36	b
2004	b	b	b	42	b	b	36	b
% Change				-2.4			0.0	
Pasture								
2005	8	13	36	24	31	12	23	28
2004	8	13	36	24	32	12	23	27
% Change	0.0	0.0	0.0	0.0	-3.1	0.0	0.0	3.7
-----Dollars Per Animal Unit Month ^c -----								
2005	23.10	28.70	28.30	28.50	b	26.35	24.50	25.20
2004	21.00	27.65	26.80	26.35	b	26.25	24.00	25.15
% Change	10.0	3.8	5.6	8.2		0.4	2.1	0.2

^a SOURCE: Reporters' estimated average cash rental rates from the 2004 and 2005 UNL Nebraska Farm Real Estate Market Developments Surveys.

^b Insufficient number of reports.

^c Animal Unit Month (AUM) refers to sufficient forage capacity to sustain an animal unit (1,000 lb cow with calf at side or equivalent) for one month during the normal range season.