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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Agricultural Land Values and Rents In a Stable Mode

Market Report	Yr Ago	4 Wks Ago	3/2/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$69.86	\$98.55	\$82.08
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	95.12	89.55	93.00
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	98.02	98.55	97.07
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	105.26	116.74	125.39
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	39.25	40.00	46.75
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	104.05	110.00	123.10
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	76.38	*	87.62
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	170.00	160.00	171.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.79	3.26	3.24
Corn, No. 2, Yellow Omaha, bu	1.95	1.86	1.99
Soybeans, No. 1, Yellow Omaha, bu	4.76	4.48	4.38
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.32	3.54	3.70
Oats, No. 2, Heavy Sioux City, IA, bu	1.33	1.35	1.26
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	87.50	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	90.00	70.00	70.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	*	105.00	110.00

* No market.

In an ocean of economic uncertainty, Nebraska's agricultural real estate market remains on a generally steady course, as revealed by preliminary results from the UNL's 2001 Nebraska Farm Real Estate Market Survey. As of February 1st, the state's all-land average value was \$709 per acre, up 1.6 percent from 12 months earlier (Table 1). However, the choppiness of the economic waters is evident by the variations in the value changes across the various land types and sub-state areas.

Largest differences in percentage changes were observed between the cropland and the grazing/forage land classes. While the state's cropland classes showed relatively small value changes over the year ending February 1, 2001, grazing land and hay land values advanced 5 to 6 percent. A relatively profitable cattle economy over the time period has contributed to these value advances, particularly in the major range areas of the state.

Differences in value changes also showed up across sub-state regions (Figure 1). The Northwest District recorded some value decreases across the cropland classes as well as relatively modest increases of grazing land values. As a result, the all-land average change in that district was slightly negative. In contrast, the North District registered the largest all-land percentage increase, 4.3 percent, reflecting the acreage dominance of the nontillable grazing land class in that area, which was up nearly 7 percent for the year. However, the Northeast District recorded the most consistent percentage gains across the various land classes, averaging 3.5 percent over all. A relatively good crop year in that area, coupled with its



livestock-based economy led to more broad-based upward value movements across all the land classes.

The overall stability of Nebraska's agricultural land market is somewhat surprising in light of the current level of economic stress within the agricultural sector. Low crop prices, pervasive drought in 2000 and surging costs of key inputs have all taken their toll on earnings potential. One reporter stated: "it's enigmatic, a lot of farmers are just hanging on, yet land values have held strong." But, as many other reporters pointed out, the major dollar infusions from federal farm programs have helped to maintain land asset values in the face of these negative economic forces. In 2000, an estimated \$1.4 billion of government payments came to Nebraska producers and land owners, adding up to three-fourths of the state's total net farm income for the year. At this juncture, the supply of land on the market has not increased significantly due to financial pressures, while competition for land on the demand side has not diminished, even though the number of prospective buyers in many local markets seems to be down.

The cash rent side of the agricultural land market also mirrors some relative stability in these preliminary findings from the 2001 survey (Table 2). Reporters are indicating that 2001 per-acre cash rents for cropland are generally close to year-earlier levels. In some areas, the irrigated cropland rent levels did in-

crease modestly. Apparently, demand for rental land is frequently strong enough to curtail any significant downward rent adjustments, despite the fact that cash rent tenants are facing higher input costs (energy and chemicals), as well as the likelihood of reduced federal farm program payments in 2001.

Grazing land rental rates on a dollar per animal unit month (AUM) basis are up five percent or more in half of the regions, while maintaining the high levels reported in 2000 in some of the other areas. Demand for forage across the range areas of the state appears to remain keen, as cattle numbers have been maintained. Moreover, coming off a drought period across a substantial area of Nebraska in 2000 implies the need to run lower stocking rates this year in order to allow range land to recover; thus adding to the demand side for pasture to rent.

The complete report, *Nebraska Farm Real Estate Market Developments: 2000-2001*, will be available in early June from the Department of Agricultural Economics.

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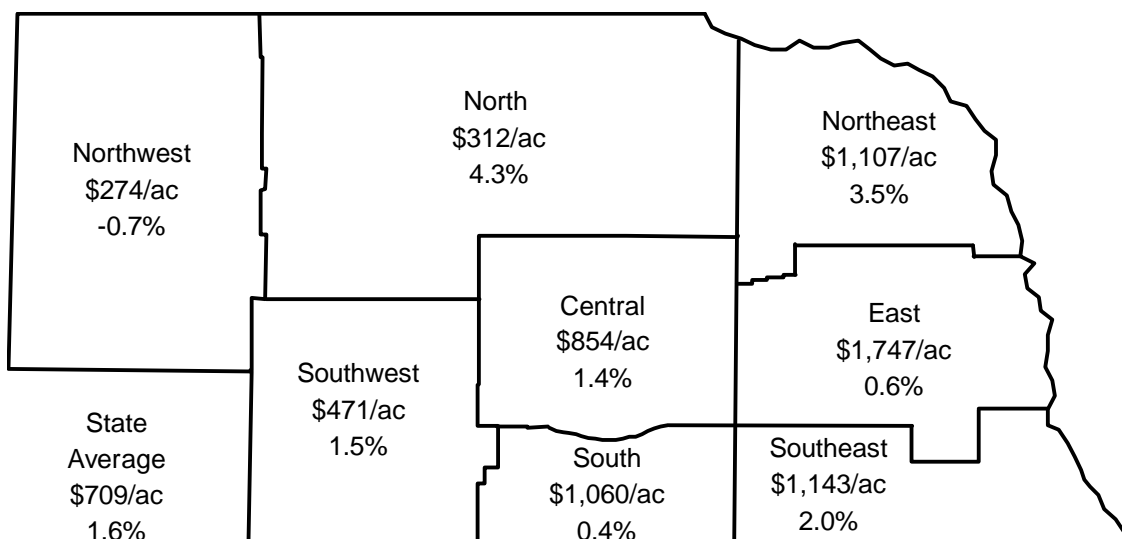


Figure 1. Average Value of Nebraska Farmland, February 1, 2001 and Percent Change From a Year Earlier.

Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land by Agricultural Statistics District, Feb. 1, 2000 - Feb. 1, 2001.^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 2001	319	403	996	645	1,493	433	725	954	760
Rptd. in 2000	331	400	970	648	1,464	434	708	958	752
% Change	-3.6	0.8	2.7	-0.4	2.0	-0.2	2.4	-0.4	1.1
Dryland Cropland (Irrigation Potential)									
Rptd. in 2001	409	500	1,256	981	1,807	572	1,126	1,234	1,100
Rptd. in 2000	418	492	1,220	957	1,800	546	1,112	1,187	1,080
% Change	-2.2	1.6	3.0	2.5	0.4	4.8	1.3	4.0	1.9
Grazing Land (Tillable)									
Rptd. in 2001	171	288	670	505	750	291	524	578	335
Rptd. in 2000	173	275	581	471	731	256	464	588	315
% Change	-1.2	4.7	15.3	7.2	2.6	13.7	12.9	-1.7	6.3
Grazing Land (Nontillable)									
Rptd. in 2001	142	220	475	386	532	200	353	479	243
Rptd. in 2000	137	206	432	365	510	193	333	478	230
% Change	3.6	6.8	10.0	5.8	4.3	3.6	6.0	0.2	5.7
Hayland									
Rptd. in 2001	306	381	563	458	677	364	450	502	398
Rptd. in 2000	313	358	539	444	618	350	398	463	379
% Change	-2.2	6.4	4.5	3.2	9.5	4.0	13.1	8.4	4.7
Gravity Irrigated Cropland									
Rptd. in 2001	900	1,033	1,715	1,729	2,273	1,279	1,810	1,843	1,750
Rptd. in 2000	907	1,025	1,696	1,754	2,279	1,325	1,856	1,831	1,765
% Change	-0.8	0.8	1.1	-1.4	-0.3	-3.5	-2.5	0.7	-0.8
Center Pivot Irrigated Cropland^b									
Rptd. in 2001	742	965	1,653	1,602	2,420	1,152	1,778	1,898	1,459
Rptd. in 2000	750	981	1,609	1,579	2,424	1,192	1,795	1,810	1,455
% Change	-1.1	-1.6	2.7	1.5	-0.2	-3.4	-0.9	4.9	0.3
All Land Average^c									
Rptd. in 2001	274	312	1,107	854	1,747	471	1,060	1,143	709
Rptd. in 2000	276	299	1,070	842	1,737	464	1,056	1,121	698
% Change	-0.7	4.3	3.5	1.4	0.6	1.5	0.4	2.0	1.6

^a SOURCE: 2000 and 2001 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 2001 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								
2001	20	38	78	53	86	29	51	64
2000	20	38	79	53	86	29	49	66
% Change	0.0	0.0	-1.3	0.0	0.0	0.0	4.1	-3.0
Gravity Irrigated Cropland								
2001	85	b	122	128	132	105	126	126
2000	82	b	118	123	133	100	128	120
% Change	3.7		3.4	4.1	-0.8	5.0	-1.6	5.0
Center Pivot Irrigated Cropland								
2001	93	106	129	129	144	113	134	134
2000	93	105	125	124	144	111	135	129
% Change	0.0	1.0	3.2	4.0	0.0	1.8	-0.7	3.9
Dryland Alfalfa								
2001	b	b	79	53	76	b	b	b
2000	b	b	80	56	82	b	b	b
% Change			-1.2	-5.4	-7.3			
Irrigated Alfalfa								
2001	b	b	116	107	106	b	b	b
2000	b	b	105	107	114	b	b	b
% Change			10.5	0.0	-8.0			
Other Hayland								
2001	b	b	50	37	45	b	b	b
2000	b	b	48	35	43	b	b	b
% Change			4.2	5.7	4.7			
Pasture								
2001	7	13	33	23	30	11	20	21
2000	7	13	32	22	29	11	20	21
% Change	0.0	0.0	3.1	4.5	3.4	0.0	0.0	0.0
----- Dollars Per Animal Unit Month ^c -----								
2001	19.15	24.40	23.80	24.40	23.25	24.60	23.25	22.45
2000	18.25	23.15	23.80	23.80	22.50	24.50	21.50	21.35
% Change	4.9	5.4	0.0	2.5	3.3	0.4	8.1	5.2

^a SOURCE: Reporters' estimated average cash rental rates from the 2000 and 2001 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.

