



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

6-21-2000

Who Is Buying Nebraska Farmland?

Bruce B. Johnson

University of Nebraska-Lincoln

David Drozd

University of Nebraska-Lincoln

Follow this and additional works at: http://digitalcommons.unl.edu/agecon_cornhusker



Part of the [Agricultural Economics Commons](#)

Johnson, Bruce B. and Drozd, David, "Who Is Buying Nebraska Farmland?" (2000). *Cornhusker Economics*. 891.
http://digitalcommons.unl.edu/agecon_cornhusker/891

This Article is brought to you for free and open access by the Agricultural Economics Department at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Cornhusker Economics by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

Cornhusker Economics

Cooperative Extension

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

Who Is Buying Nebraska Farmland?

Market Report	Yr Ago	4 Wks Ago	6/16/00
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	\$66.29	\$71.17	\$70.14
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	83.50	95.69	89.00
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	*	96.45	98.23
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	105.73	114.55	114.42
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	36.75	47.50	50.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	31.83	48.17	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	97.30	113.30	134.50
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	80.90	103.00	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	177.00	210.00	210.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.	2.87	2.93	2.96
Corn, No. 2, Yellow Omaha, bu.	1.94	2.10	1.84
Soybeans, No. 1, Yellow Omaha, bu.	4.47	5.25	4.88
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.32	3.75	3.13
Oats, No. 2, Heavy Sioux City, IA, bu.	1.25	1.31	1.17
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	82.50	115.00	103.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	*	47.50	70.00
Prairie, Sm. Square, Good Northeast Nebraska, ton.	*	90.00	70.00
* No market.			

As part of our ongoing monitoring and analysis of Nebraska's agricultural land market, we have tracked for several years the patterns and trends of actual real estate transactions. Each year, our reporters from around the state provide us with detailed information on about 500 transactions which have occurred during the previous 12 months. They report on sales which they deem as arms-length and typical for their locality. Given that only about three percent of the state's agricultural land base changes ownership each year, the tracts reported in our survey represent about 10 percent of the total annual transactions—a size adequate to draw inferences for the market as a whole.

Generally, the patterns of market activity revealed from these reports are fairly consistent from one year to the next, with only modest shifts suggesting a rather stable market process. However, there is one subtle change that has been occurring over the past decade, and that is the incidence of purchases by active farmers.

As noted in Table 1, active farmers/ranchers continued to be the primary buyer group in all areas of the state during 1999. More than two-thirds of the state's transactions (68%), were bought by active farmers/ranchers—clearly reflecting the ongoing process of farm size expansion to agricultural operations. However, when compared over a ten-year period of market activity, this most recent level is markedly below those levels of the early 1990s when typically four of every five purchases were made by this group (see Table 2). Concurrently, the presence of local non-farmers and non-local buyers has grown over the past decade—in the case of the latter, essentially a doubling of the percentage share.

Anecdotal comments from our state-wide reporter panel in this year's survey would support this trend towards more non-farmers on the buying side of the market. Moreover, they indicated a variety of motives for



non-farmers buying of agricultural real estate including: tax avoidance through “1031” tax exchanges, acquisition for recreational or environmental interests, future non-agricultural development plans, diversifying wealth portfolios with real estate, as well as “straight” agricultural real estate investment.

Whatever their motive(s), non-farmers’ presence in the agricultural land markets across the state is being felt, even though they generally do not represent the dominant buyer group in the local market. Because of a different set of interests and demands, these non-farm buyers may value certain parcel attributes far differently from their active farmer/rancher counterparts in the market. For example, parcels with acreage in the Conservation Reserve Program (CRP) may be deemed quite desirable to the non-farm buyer looking for hunting or recreational opportunities; while the active farmer may view land in CRP as essentially “tied up” for up to ten years, and not really available for crop acreage expansion. Likewise, irregular parcels with wooded draws and waterways may be highly desirable as residential building sites to the non-farmer—in sharp contrast to the active farmer buyer who views such land as marginally farmable at best and even “waste land” at worst. In addition, these non-farmer market participants may often be drawing from a considerably larger and more diverse financial resource base than others in the market (Ted Turner, of course, representing the ultimate extreme in this regard). The result is often a less predictable bid process for agricultural real estate and, ultimately, greater market price variability.

There are some important implications to this changing real estate market dynamic. **First**, the agricultural land market may not be as responsive to agricultural income conditions as it once was. Potential buyers who are basing their bid prices upon reasonable expectations of agricultural earnings may find themselves being outbid by others. This may be particularly prevalent in the transitional areas of Nebraska such as the Omaha-Lincoln corridor, a real estate market area we are currently studying in detail. **Second**, the transfer of agricultural real estate is no longer as likely to take place in a localized, semi-insulated market among individuals and families who have known one another for generations. As a consequence, more formal marketing and advertising practices may be utilized that reach far beyond the local market. **Third**, the assessment of agricultural land for property taxation will likely be increasingly distorted if assessors include sales that are priced heavily upon non-agricultural factors. The 2000 Unicameral authorized the establishment of the Nebraska Greenbelt Advisory Committee to study this dilemma and to make policy recommendations.

Bruce Johnson, (402) 472-1794
Professor, Agricultural Economics

David Drozd, (402) 472-8928
Graduate Research Assistant
Agricultural Economics

Table 1. Percent Distribution of 1999 Agricultural Real Estate Transactions by Buyer Type, by Agricultural Statistics District in Nebraska.

Agricultural Statistics District	Type of Buyer				
	Active Farmer/Rancher	Local Non-farmer	Non-local Nebraska Resident	Out-of-State Buyer	Other
----- Percent -----					
Northwest	73	16	7	2	2
North	74	0	10	16	0
Northeast	52	21	17	9	1
Central	65	16	14	1	4
East	69	16	11	2	2
Southwest	88	6	3	3	0
South	75	15	6	2	2
Southeast	67	17	9	7	0
State	68	16	10	5	1

SOURCE: Based on 480 transactions which occurred across Nebraska during 1999 and reported in the 2000UNL Nebraska Farm Real Estate Market Developments Survey.



UNIVERSITY OF NEBRASKA-LINCOLN, COOPERATING WITH THE COUNTIES AND THE U.S. DEPARTMENT OF AGRICULTURE

University of Nebraska Cooperative Extension educational programs abide with the non-discrimination policies of the
University of Nebraska-Lincoln and the United States Department of Agriculture.



Table 2 . Percent Distribution Trends of Agricultural Real Estate Transactions in Nebraska by Buyer Type, 1990-1999.

Year	Type of Buyer			
	Active Farmer/Rancher	Local Non-farmer	Non-Local Buyers	Other
----- Percent Distribution -----				
1990	80	11	7	2
1991	78	12	8	2
1992	80	9	9	2
1993	76	11	12	1
1994	74	13	12	1
1995	75	10	13	2
1996	72	13	12	3
1997	70	12	17	1
1998	72	12	15	1
1999	68	16	15	1

SOURCE: Based on results from various UNL Nebraska Farm Real Estate Market Developments Surveys.

Subscription Renewal Time!!!

It is time to renew your *Cornhusker Economics* for the coming year July 2000 - June 2001. Attached is a renewal form to fill out and return with your check. Please make the check payable to the **University of Nebraska**. If you have any questions, call Nancy Pritchett at (402) 472-1789.