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Stable but Variable Characterizes Nebraska Agricultural Land Values

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Cornhusker

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Department of Agricultural Economics
University of Nebraska – Lincoln

Stable but Variable Characterizes Nebraska Agricultural Land Values

Market Report	Yr Ago	4 Wks Ago	3/21/03
<i>Livestock and Products, Average Prices for Week Ending</i>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$71.40	\$78.08	\$78.35
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	88.24	*	86.68
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	96.44	88.98	92.40
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	110.24	118.21	118.19
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	35.75	33.50	*
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	38.50	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	99.20	95.73	95.79
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	*	*	97.25
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	142.75	176.02	194.17
<i>Crops, Cash Truck Prices for Date Shown</i>			
Wheat, No. 1, H.W. Omaha, bu	3.03	3.78	3.45
Corn, No. 2, Yellow Omaha, bu	1.86	2.25	2.27
Soybeans, No. 1, Yellow Omaha, bu	4.43	5.62	5.67
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.52	4.23	4.13
Oats, No. 2, Heavy Minneapolis, MN, bu	2.38	2.30	2.03
<i>Hay, First Day of Week Pile Prices</i>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	110.00	150.00	127.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	65.00	82.50	77.50
Prairie, Sm. Square, Good Northeast Nebraska, ton	92.50	115.00	115.00

* No market.

The results of UNL's 2003 Nebraska Farm Real Estate Market Survey indicate a slight decline in overall land values compared to 2002 (-.4 percent). However, variability within the state and among land types indicates more complexity and less uniformity in changes than in previous years. In the past 16 years overall land values declined only twice (1999 and 2003). Thus, the slight decline in 2003 values is not strong evidence of a leveling off in the generally increasing trend in land values, yet large declines of land values in some areas raise concern over what economic forces are at work.

The positive forces affecting land values are 1) low interest rates, 2) demand from nonfarm investors who find reduced returns on investments in the nonfarm sector, 3) income tax advantages of the 1031 Tax Exchange Provisions, 4) a new Federal commodity program, and 5) generally higher crop prices. Negative forces involve 1) the continuing drought and particularly its severity in 2002, 2) the timing of farm program sign-ups delaying payments until 2003, and 3) a generally weakened nonfarm economy. Most of these factors are not localized, however drought differences are and it best explains land value changes among regions in Nebraska (Table 1). Drought not only impacts dryland cropping but also impacts irrigation land values due to increased pumping costs and water limitations.

The Central district had the greatest increase in land values (4 percent). This was driven by increases in all land categories. The Northeast and East districts had identical



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increases (2.8 percent). The Northeast increase resulted from an increased center pivot irrigation land value as well as grazing and hayland value increases. For the East, increased dryland values along with hayland value increases led to an increased overall land value.

Large overall declines in land values are seen for the North and Southwest districts (-7.5 percent and a -8.4 percent, respectively). For the North large declines in dryland values caused the overall decline, while large irrigated land value declines occurred in the Southwest district. Clearly these regions have been strongly impacted by drought, whether evidenced in reduced dryland crop yields or from irrigation water limitations and increased pumping costs.

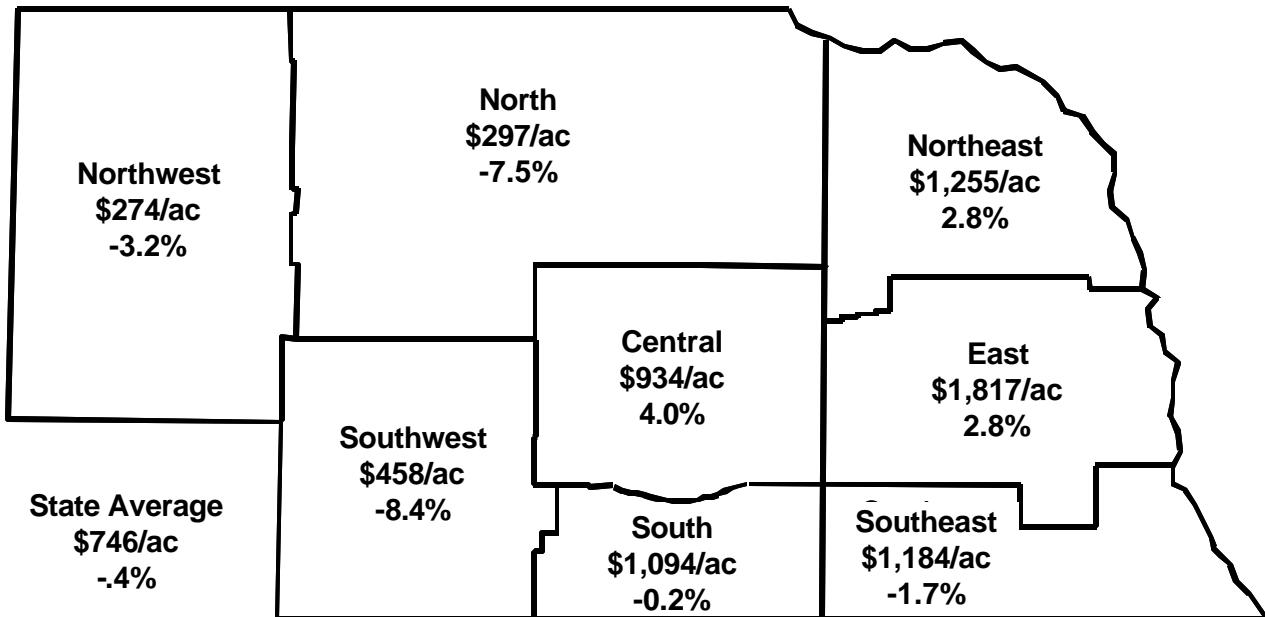
When comparing land value changes for different land types, dryland and irrigated cropland values changed very little. Grazing land demonstrated declines in value, but hayland values increased. Again, however, these broad changes differ widely by region.

Cash rental rates (Table 2) generally follow the changes in land values. Overall, dryland rents increased, irrigated land rates declined, and pasture rates declined. Dramatic declines in dryland and pasture rents are observed for the North district. For a number of other regions pasture rents also declined significantly (particularly the Northwest, East and Southwest).

In summary, little uniformity is observed for land value and cash rent changes for the 2002-2003 time period. Drought clearly has tempered the historical upward trend in Nebraska land values. Because its severity varies among regions in the state, land value changes by region have similarly changed.

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Figure 1. Average Value of Nebraska Farmland, February 1, 2003 and Percent Change From a Year Earlier. (PRELIMINARY)



**Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land
by Agricultural Statistics District, Feb. 1, 2002 - Feb. 1, 2003^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 2003	319	353	1080	707	1577	453	731	1043	778
Rptd. in 2002	325	407	1095	680	1523	460	743	1024	779
% Change	-1.8	-13.3	-1.4	4.0	3.5	-1.5	-1.6	1.9	-0.1
Dryland Cropland (Irrigation Potential)									
Rptd. in 2003	396	475	1383	1073	1891	558	1114	1251	1138
Rptd. in 2002	418	514	1355	1020	1814	581	1145	1318	1135
% Change	-5.3	-7.6	2.1	5.2	4.2	-4.0	-2.7	-5.1	0.3
Grazing Land (Tillable)									
Rptd. in 2003	180	265	739	562	743	300	544	617	336
Rptd. in 2002	182	299	706	523	796	325	537	629	347
% Change	-1.1	-11.4	4.7	7.5	-6.7	-7.7	1.3	-1.9	-3.2
Grazing Land (Nontillable)									
Rptd. in 2003	145	201	549	436	578	218	385	490	243
Rptd. in 2002	151	218	515	419	584	213	378	499	249
% Change	2.1	-7.8	6.6	4.1	-1.0	2.3	1.9	-1.8	-2.4
Hayland									
Rptd in 2003	315	370	647	554	755	375	508	575	457
Rptd. in 2002	313	388	611	502	694	373	483	529	446
% Change	0.6	-4.6	5.9	10.4	8.8	0.5	5.2	8.7	2.5
Gravity Irrigated Cropland									
Rptd. in 2003	890	1075	1760	1848	2347	1065	1844	1908	1817
Rptd. in 2002	914	1080	1759	1825	2298	1350	1827	1928	1821
% Change	-2.6	-0.5	0.0	1.3	2.1	-21.1	0.9	-1.0	-0.2
Center Pivot Irrigated Cropland^b									
Rptd. in 2003	750	1045	1880	1768	2421	985	1830	1968	1621
Rptd. in 2002	775	1043	1775	1693	2401	1167	1830	1959	1622
% Change	-3.2	0.2	5.9	4.4	0.8	-15.6	0.0	0.5	-0.1
All Land Average^c									
Rptd. in 2003	274	297	1255	934	1817	458	1094	1184	746
Rptd. in 2002	283	321	1221	898	1768	500	1096	1204	749
% Change	-3.2	-7.5	2.8	4.0	2.8	-8.4	-0.2	-1.7	-0.4

^a SOURCE: 2002 and 2003 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, 2002 and 2003^a (PRELIMINARY)

Type of Land and Year	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
----- Dollars Per Acre -----								
Dryland Cropland								
2003	21	31	84	56	85	29	51	71
2002	21	38	84	54	87	31	53	69
% Change	0.0	-18.4	0.0	3.7	-2.3	-6.5	-3.8	2.9
Gravity Irrigated Cropland								
2003	86	98	121	129	135	96	125	129
2002	84	102	124	128	135	103	128	131
% Change	2.4	-3.9	-2.5	0.8	0.0	-5.9	-2.3	-1.5
Center Pivot Irrigated Cropland								
2003	98	104	133	134	144	115	135	136
2002	96	108	133	131	146	116	133	138
% Change	2.1	-3.7	0.0	2.3	-1.4	-0.9	1.5	-1.4
Dryland Alfalfa								
2003	b	b	84	60	74	b	51	71
2002	b	b	87	56	81	b	56	b
% Change	b	b	-3.4	7.1	-8.6	b	-8.9	b
Irrigated Alfalfa								
2003	b	b	129	121	124	b	123	b
2002	b	b	124	113	123	b	116	b
% Change	b	b	4.0	7.1	0.8	b	6.0	b
Other Hayland								
2003	b	b	46	36	53	b	b	b
2002	b	b	50	38	50	b	b	b
% Change	b	b	-8.0	-5.3	6.0	b	b	b
Pasture								
2003	7	11	33	23	27	11	21	23
2002	8	13	34	24	31	12	21	24
% Change	-12.5	-15.4	-2.9	-4.2	-12.9	-8.3	0.0	-4.2
----- Dollars Per Animal Unit Month ^c -----								
2003	19.15	26.40	24.80	24.50	24.50	23.65	23.00	23.00
2002	20.35	26.35	23.80	25.10	24.30	25.00	23.30	24.40
% Change	-5.9	0.2	4.2	-2.4	0.8	-5.4	1.5	-5.7

^a SOURCE: Reporters' estimated average cash rental rates from the 2002 and 2003 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.