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# Agricultural Land Values and Cash Rental Rates Continue to Climb

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| Market Report | Yr Ago | 4 Wks Ago | 3/15/13 |
|---|---|---|---|
| ***Livestock and Products, Weekly Average*** | | | |
| Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . . | $126.30 | $122.94 | $126.86 |
| Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . . | 193.36 | 169.11 | 165.91 |
| Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . . | 157.54 | 140.77 | 138.41 |
| Choice Boxed Beef, 600-750 lb. Carcass. . . . . | 191.24 | 183.07 | 196.75 |
| Western Corn Belt Base Hog Price Carcass, Negotiated. . . . . | 85.52 | 82.29 | 73.45 |
| Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean. . . . . | 83.53 | 80.88 | 78.45 |
| Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct. . . . . | 150.00 | 104.13 | 97.50 |
| National Carcass Lamb Cutout, FOB. . . . . | 376.90 | 285.82 | 286.30 |
| ***Crops, Daily Spot Prices*** | | | |
| Wheat, No. 1, H.W. Imperial, bu. . . . . | 6.28 | 7.28 | 7.01 |
| Corn, No. 2, Yellow Nebraska City, bu. . . . . | 6.66 | 7.16 | 7.45 |
| Soybeans, No. 1, Yellow Nebraska City, bu. . . . . | 13.31 | 14.25 | 14.45 |
| Grain Sorghum, No. 2, Yellow Dorchester, cwt. . . . . | 11.48 | 11.95 | 12.36 |
| Oats, No. 2, Heavy Minneapolis, MN , bu. . . . . | 3.62 | 4.08 | 4.31 |
| ***Feed*** | | | |
| Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . . | 225.00 | * | * |
| Alfalfa, Large Rounds, Good Platte Valley, ton. . . . . | 145.00 | 227.50 | 227.50 |
| Grass Hay, Large Rounds, Good Nebraska, ton. . . . . | 97.50 | 212.50 | 212.50 |
| Dried Distillers Grains, 10% Moisture, Nebraska Average. . . . . | 220.00 | 288.25 | 264.00 |
| Wet Distillers Grains, 65-70% Moisture, Nebraska Average. . . . . | 76.50 | 108.00 | 102.50 |

*No Market

Despite an extreme drought and indicators of weaker agricultural earnings on the horizon, the markets for agricultural land in Nebraska have remained strong into early 2013. Preliminary findings from the 2013 University of Nebraska-Lincoln Nebraska Farm Real Estate Market Developments Survey show the state's all-land average value rose **25 percent** over the 12-month period ending February 1, 2013 (Figure 1 on next page and Table 1 on page 3). Following on the advances for each of the previous two years of 22 percent and 32 percent, respectively, the 2013 all-land value of $3,040 per acre is more than double the value of just three years previously, in early 2010. Few would disagree that this period has clearly been a *land boom.*

Survey reporters across the state reported percentage gains for all the farmland classes for the year ending February 1, 2013. But, the variation across the classes as well as across sub-state regions was extreme. Drought conditions in 2012, no doubt, buoyed up market demand for irrigated cropland; and the irrigated land classes had the largest percentage value gains across the state. Income flows from irrigated land have been phenomenal in recent years, and 2012 was no exception - the combination of favorable irrigated yields while widespread drought across the nation's Corn Belt, fueled high crop commodity prices. In the Southern parts of Nebraska (Southwest, South and Southeast Districts) the percentage value advances for irrigated land were particularly strong over the past year.

For dryland cropland values, the percentage increases over the past year varied greatly across the state. In the Northwest and North Districts, the value gains were below ten percent, while reported values were more than 30 percent higher in the South and Southeast Districts. The land class, dryland cropland with irrigation potential, shows considerable variation as well. The presence of water moratoriums across much of the state precludes irrigation development even if groundwater sources exist.

Despite the heavy toll of drought that cut forage capacity as much as 50 percent or more during the 2012 grazing season, grazing land values still rose. Forage shortfalls for cattlemen may have actually caused a more spirited bidding for additional land, just to maintain their cow herd numbers. Unfortunately, even if the drought ends quickly, it may be several years before grazing capacity may be able to return to pre-drought levels.

Our 2013 survey reporters frequently commented that current land prices being paid seem overly-optimistic. In turn, when asked what they expected land value movements to be for the remainder of 2013, as well as out three to five years, the vast majority saw a market which had topped out with little, if any upward movement in the near future. In fact, a sizable number of reporters thought values could weaken somewhat in the next few years.

Survey reporters also indicated that 2013 cash rental rates for cropland were up from 2012 levels (Table 2 on page 4). Preliminary estimates for dryland cropland cash rents in Eastern Nebraska averaged about eight percent above a year ago; while rates in the rest of the state rose five percent or less. The increase was much below the annual rises of the past few years, no doubt reflecting the seriousness of soil moisture deficits going into the 2013 crop year.

Across the state, center pivot irrigated cropland cash rental rates for 2013 were reportedly 13 to 15 percent above a year earlier. Reported rates for the high-third quality center pivot cropland were over $400 per acre across the eastern third of the state. The value of water in rain-deficit periods, particularly with the efficiency of the center pivot technology, is clearly being reflected in these rates.

Pasture land rates on a per-acre basis moved upward for 2013 in most regions of the state. Last year's forage production shortfalls, with depleted carry-over stocks into this year has sharpened the market for pasture, even though the potential grazing output will very likely be below normal for the year. On a cow-calf pair per month basis, the rates were up from a year earlier in all regions, with most districts showing gains in the three to six percent range.

A final point: comparing the recent percentage gains in value of agricultural land classes with the associated lower percentage gains in cash rental rates indicate a continuing pattern of lower rent-to-value ratios associated with all farmland classes. At some point, the implied economic returns to land as a percent of value can fall to a point where market participants say "*enough*" and no longer bid values higher. Here in Nebraska, we may be quickly approaching that point.

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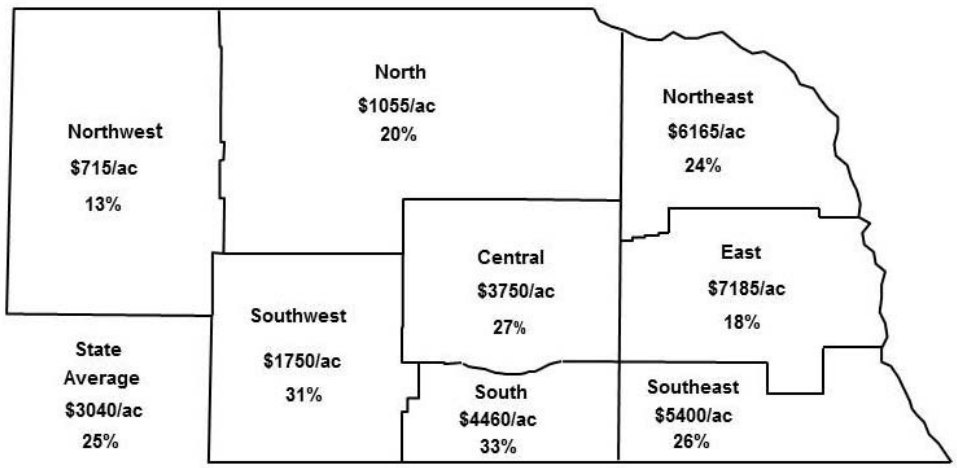
**Figure 1. Average Value of Nebraska Farmland, February 1, 2013 and Percent Change From a Year Earlier. Preliminary**




Source: 2012 and 2013 UNL Nebraska Farm Real Estate Market Developments Surveys.

## Table 1. Average Reported Value of Nebraska Farmland for Different Land Types and Sub-State Regions, February 1, 2013[a] Preliminary

| Type of Land and Year | Agricultural Statistics District | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Northwest | North | Northeast | Central | East | Southwest | South | Southeast | State[c] |
| **Dryland Cropland (No Irrigation Potential)** | | | | | | | | | |
| **$/acre** | 700 | 1,155 | 5,995 | 2,625 | 6,730 | 1,530 | 3,240 | 4,925 | 3,010 |
| **% Change** | 6 | 8 | 26 | 21 | 25 | 22 | 38 | 30 | 25 |
| **Dryland Cropland (Irrigation Potential)** | | | | | | | | | |
| **$/acre** | 730 | 1,920 | 7,050 | 3,945 | 7,400 | 1,655 | 4,175 | 6,590 | 5,270 |
| **% Change** | 7 | 8 | 22 | 17 | 16 | 30 | 35 | 31 | 21 |
| **Grazing Land (Tillable)** | | | | | | | | | |
| **$/acre** | 425 | 1,050 | 3,575 | 2,075 | 3,390 | 665 | 2,075 | 3,195 | 1,230 |
| **% Change** | 4 | 19 | 33 | 24 | 14 | 13 | 38 | 33 | 22 |
| **Grazing Land (Nontillable)** | | | | | | | | | |
| **$/acre** | 370 | 500 | 1,850 | 1,300 | 2,225 | 570 | 1,375 | 1,875 | 695 |
| **% Change** | 12 | 11 | 27 | 29 | 13 | 20 | 30 | 26 | 19 |
| **Hayland** | | | | | | | | | |
| **$/acre** | 780 | 1,150 | 2,625 | 1,850 | 3,325 | 1,160 | 1,800 | 2,065 | 1,585 |
| **% Change** | 26 | 21 | 32 | 30 | 33 | 25 | 24 | 24 | 27 |
| **Gravity Irrigated Cropland** | | | | | | | | | |
| **$/acre** | 2,875 | 3,100 | 7,850 | 6,900 | 8,750 | 3,850 | 7,060 | 7,715 | 6,835 |
| **% Change** | 18 | 18 | 26 | 32 | 18 | 34 | 37 | 33 | 27 |
| **Center Pivot Irrigated Cropland[b]** | | | | | | | | | |
| **$/acre** | 3,115 | 5,225 | 8,715 | 8,120 | 10,025 | 5,200 | 8,350 | 9,400 | 7,590 |
| **% Change** | 23 | 32 | 23 | 31 | 26 | 36 | 38 | 38 | 30 |
| **All Land Average[c]** | | | | | | | | | |
| **$/acre** | 715 | 1,055 | 6,165 | 3,750 | 7,185 | 1,750 | 4,460 | 5,400 | 3,040 |
| **% Change** | 13 | 20 | 24 | 27 | 18 | 31 | 33 | 26 | 25 |

[a] SOURCE: 2012 and 2013 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 and Pasture: 2013 Averages, Percent Change from 2012 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. . . . . | 40 | 57 | 230 | 116 | 220 | 58 | 122 | 177 |
| % Change . . . . . | 3 | 4 | 8 | 5 | 8 | 4 | 5 | 9 |
| High Third Quality. . . . | 54 | 72 | 315 | 150 | 282 | 73 | 150 | 228 |
| Low Third Quality. . . . | 29 | 40 | 175 | 84 | 163 | 44 | 85 | 132 |
| **Gravity Irrigated Cropland** | | | | | | | | |
| Average. . .. . . . . | b | b | 315 | 253 | 325 | 210 | 275 | 299 |
| % Change. . . . . | b | b | 11 | 10 | 9 | 14 | 11 | 12 |
| High Third Quality. . .. . | b | b | 375 | 345 | 390 | 267 | 345 | 350 |
| Low Third Quality. . . .. | b | b | 275 | 203 | 253 | 167 | 220 | 251 |
| **Center Pivot Irrigated Cropland[c]** | | | | | | | | |
| Average. . . . . | 225 | 265 | 378 | 291 | 360 | 268 | 315 | 347 |
| % Change. . . . . | 13 | 13 | 15 | 14 | 14 | 14 | 13 | 14 |
| High Third Quality. . . . | 265 | 285 | 488 | 363 | 439 | 335 | 395 | 427 |
| Low Third Quality. . . .. | 170 | 208 | 297 | 235 | 280 | 212 | 255 | 274 |
| **Pasture** | | | | | | | | |
| Average. . . . . | 13 | 16 | 53 | 35 | 49 | 17 | 38 | 42 |
| % Change. . . . . | 0 | 0 | 4 | 6 | 16 | 6 | 6 | 8 |
| High Third Quality. . . . | 17 | 20 | 66 | 43 | 63 | 24 | 40 | 53 |
| Low Third Quality. . .. . | 9 | 12 | 37 | 28 | 39 | 14 | 29 | 30 |
| | ---------- Dollars Per Month ---------- | | | | | | | |
| **Cow-Calf Pair Rates[d]** | | | | | | | | |
| Average. . . . . | 30.50 | 39.00 | 43.35 | 39.45 | 40.65 | 39.60 | 40.00 | 39.40 |
| % Change. . . . . | -1 | 1 | 8 | 4 | 6 | 7 | 4 | 3 |
| High Third [e]. . . . . | 36.85 | 50.00 | 55.60 | 48.65 | 47.85 | 47.50 | 45.75 | 49.20 |
| Low Third [e]. . . . . | 24.65 | 30.00 | 36.85 | 30.15 | 33.35 | 33.00 | 32.50 | 31.40 |

[a] Source: Reporters' estimated cash rental rates (both averages and ranges) from the 2012 UNL Nebraska Farm Real Estate Market Developments Survey.
[b] Insufficient number of reports.
[c] Cash rents on center pivot land assumes landowners own total irrigation system.
[d] A cow-calf pair is typically considered to be 1.25 to 1.30 animal units (animal unit being 1,000 lb. animal). However, this can vary depending on weight of cow and age of calf.
[e] Cow-calf pair rates will vary by services provided by the landowner.