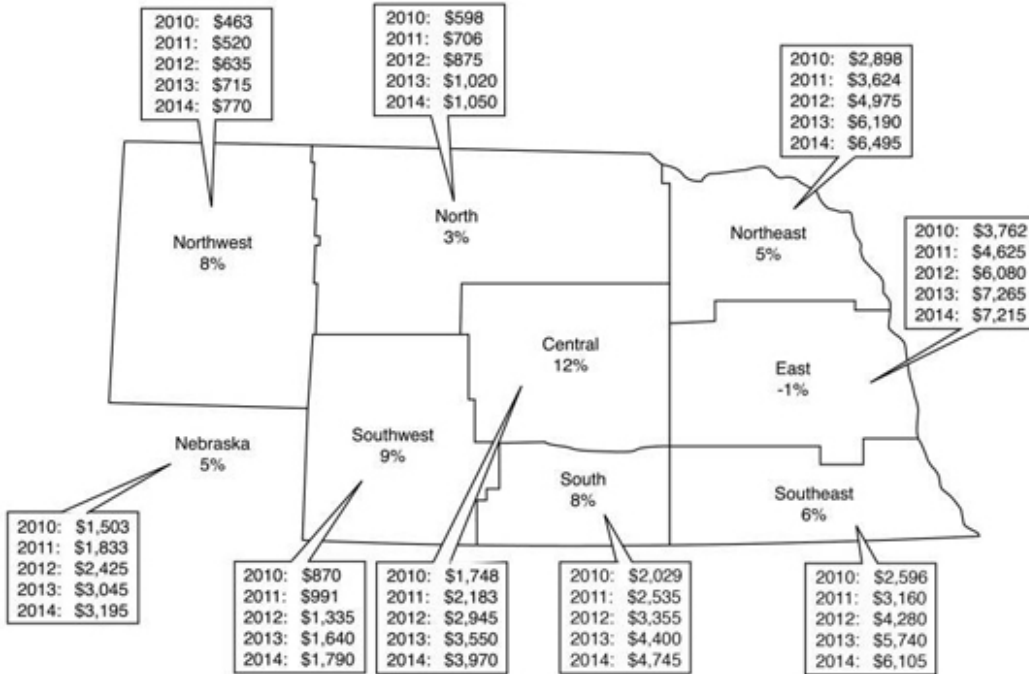


UNL study shows Nebraska farmland values remain steady

Written by Wauneta Breeze

Thursday, 27 March 2014 00:00 - Last Updated Wednesday, 26 March 2014 20:29

Average Value of Nebraska Farmland 2010-2014



This map shows the five-year average value per acre of all Nebraska farm and ranch land by district. Percentages are increases or decreases as of Feb. 1 compared with a year earlier. The box at far left reflects statewide averages for the past five years and the percent of change from last year's average. This information is based on the University of Nebraska-Lincoln's annual Farm Real Estate Market Developments Survey.

(Courtesy graphic)

By Sheri Hink-Wagner

The Wauneta Breeze

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Preliminary findings from a University of Nebraska-Lincoln study show agricultural land markets across the state have stayed relatively steady in the past year, even with the strong increases over the past several years and lower commodity prices seen in 2013.

Overall, the average statewide farmland value rose by about five percent, as of Feb. 1, to \$3,195 per acre, said Jim Jansen, research analyst with UNL's Department of Agricultural Economics, which conducts the Nebraska Farm Real Estate Market Developments survey annually. The findings show an overall increase in agland values of nine percent, to \$1,790 per acre in the southwest Nebraska region.

Page Johnston with Johnston Real Estate in Wauneta was one of those who were asked to complete the UNL survey. He said, "My personal experience in southwest Nebraska as a real estate broker and appraiser reflects the findings of the study."

Survey reporters across the state reported percentage gains for all the farmland classes for the period from Feb. 1, 2013 to Feb. 1, 2014. Current figures are preliminary; a final report will be available this summer.

Farmland values in recent years have increased sharply. The overall increase of 25 percent in 2013 followed increases of 22 and 32 percent in the two previous years, leaving the 2013 all-land value more than double the value in early 2010.

In the last year, the largest increase in Nebraska by land class occurred for non-tillable grazing land, at 7 percent. Non-tillable grazing land includes pasture and rangeland that does not have the current potential to be converted into cropland for small grain or row crop production.

Record high livestock prices translated into strong increases seen throughout the state for pasture and rangeland. The increases in non-tillable grazing land varied greatly among the

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districts, with a low of 4 percent reported in the Northwest District to a high of 32 percent in the South District, but the Northeast, Central, East and Southeast districts all averaged around 15 percent. Statistics for the southwest Nebraska region were not calculated due to an insufficient number of reports to release the value in the preliminary findings.

Expectations among survey participants also indicated high future cattle prices to be a strong factor fueling the increase in non-tillable grazing land.

Increases in dryland cropland values also varied across the state depending upon the location and potential for irrigation. Generally, changes of less than 10 percent occurred in the eastern third of Nebraska for dryland cropland with or without irrigation potential. The Eastern District had a decline of 5 percent in the value of dryland cropland with no irrigation potential, but this should be noted as more of a negligible change given the strong increase in this district over the prior several years, Jansen said.

The western two-thirds of the state had the strongest increases in dryland cropland values, with increases averaging around 20 percent.

The preliminary report indicated a 39 percent increase (\$2,120 per acre) in dryland cropland values in southwest Nebraska. Johnston provided some insights into the steady agland values in southwest Nebraska. He felt the prices remained steady even in light of diminishing commodity prices and the fact that alternative investments such as the stock market and CDs are still less attractive to potential investors.

Johnston said he felt the combination of low interest rates and a volatile stock market made land purchases an attractive investment to buyers. He added that most land purchasers are those who currently live in the area and already own and operate land. He explained, "Farmers have had good years. So, as well as operators they are also investors."

Increases in the value of dryland cropland of the western two-thirds of Nebraska are comparable to those of the eastern third of Nebraska reported by survey participants during the past several years.

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Trends observed for the value of tillable grazing land are comparable to those of dryland cropland for the western two-thirds and eastern third of Nebraska, Jansen said. The hayland class proves to be a critical component of forage production in the state for cattle producers. Increases in the value of hayland generally averaged around 10 percent across the districts in 2014, whereas in 2013 the increases ranged from 25 to 30 percent, spurred by the devastating effects of the 2012 drought. Future changes in the value of this land class likely will be tied to the value of forages and cattle production in Nebraska.

Observed changes in the value of gravity irrigated and center pivot irrigated cropland ranged from 2 percent decreases to almost 20 percent increases. The preliminary report shows an 18 percent increase for gravity irrigated land in the southwest region with values listed at \$4,560 per acre. The value of center pivot irrigated croplands in the region increased by seven percent at \$5,545 per acre. The preliminary findings showed weighting these ranges across the districts equated to an overall increase of about 4 percent for each of the two irrigation land classes.

For the prior two survey years in 2012 and 2013 the land value averages had an annual increase of about 30 percent. The smaller increases in the value of irrigated cropland in 2014 suggests the market is holding steady given current expectations and commodity prices.

Those who completed the survey were asked to speculate what they saw in the future for agland prices. Johnston said, "There are too many variables that are unpredictable to predict with any accuracy where prices will go."

Surveyed 2014 cash rental rates for cropland on average declined with lower commodity prices while pasture and cow-calf pair rental rates significantly increased due to higher beef cattle prices, the lingering effects of the drought, and the conversion of some marginal land to crop production.

Lower anticipated grain prices in 2014 have led to lower average cash rental rates for dryland, gravity irrigated, and center pivot irrigated cropland as profit margins begin to tighten, Jansen said.

The preliminary report can be found at agecon.unl.edu/cornhuskereconomics.

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Survey results are preliminary findings from the University of Nebraska-Lincoln 2014 Nebraska Farm Real Estate Market Survey. Land values and rental rates presented in this report are averages of survey participants' responses by district.

Actual land values and rental rates may vary depending upon the quality of the parcel and local market for an area. Also, preliminary land values and rental rates are subject to change as additional surveys are returned. Final results from the survey will be published in early June 2014 and will be available electronically via the Nebraska Farm Real Estate website at <http://agecon.unl.edu/realestate.html>.

Land appraisers, farm managers, or agricultural finance professionals from Nebraska interested in participating in future Nebraska Farm Real Estate Market Surveys are invited to contact the Department of Agricultural Economics at the University of Nebraska-Lincoln. Interested parties can directly contact the Agricultural Economics Department by phone at 402-472-3401 or by email agecon@unl.edu.

Editor's note: Reports from IANR news service contributed to this story.