Nebraska Land Values & Cash Rental Rates 2019-2020

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DISCLAIMER

• Land values and rental rates shown and discussed in this presentation are excerpts from the UNL Nebraska Farm Real Estate Market Survey.

• Information provided in this presentation are averages from these surveys. Actual land values and rental rates may vary depending upon the quality of the parcel and local market forces for an area.

• Many cash rental rates in Nebraska were set prior to the economic shocks caused by COVID-19.
  • The survey collection period for the Nebraska Farm Real Estate Report may partially reflect these rates and not account for possible adjustments.
  • Landlords and tenants might consider amending contractual agreements to account for these shocks.
Nebraska Farm Real Estate Survey

• Annual survey conducted since 1978 of Nebraska agricultural appraisers, professional farm managers, and bankers engaged in the land industry.

• Preliminary results for land values and rental rates published the second week of March.

• Full report published in June.

• Nebraska Farm Real Estate website full access to these resources: http://agecon.unl.edu/realestate
Nebraska Agricultural Statistics Districts
Nebraska Land Values

Land Averages and Annual Percent Changes
Nebraska Agricultural Average
All Land Value – Feb. 1, 2020

Northwest $685/ac
1%

North $1,090/ac
4%

Southwest $1,550/ac
3%

Central $3,180/ac
3%

South $3,620/ac
2%

Northeast $5,370/ac
3%

East $6,495/ac
5%

Southeast $4,865/ac
4%

State $2,725/ac
3%

Northwest $1,090/ac
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Central $3,180/ac
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State $2,725/ac
3%

Nebraska Average Land Value and Corn Price, 1978-2020
Nebraska Avg. Land Value & 10-year Treasury Bond Rate, 1978-2020
Property Valuation
Changes in statewide property valuation percentages, 1981-2018
Property Valuation
Percentage Change in Property Taxes Levied on Ag Land – 2009-2019

Source: Nebraska Farm Bureau, Ag Economics Tidbits, July 13, 2020.
Dryland Cropland (No Irrigation Potential)
Average Value – Feb. 1, 2020

- North: $1,515/ac -2%
- Northwest: $610/ac -5%
- Southwest: $1,415/ac -2%
- South: $2,980/ac 3%
- Southern: $4,435/ac 7%
- Northeast: $5,495/ac 4%
- East: $6,120/ac 6%
- Central: $2,845/ac 3%
- State: $3,165/ac 4%

Grazing Land (Nontillable)
Average Value – Feb. 1, 2020

Center Pivot Irrigated Cropland Average Value – Feb. 1, 2020

Rating of Factors Influencing Agricultural Land Values in 2020

Nebraska Cash Rental Rates

Dryland Cropland Rental Rates
Dryland Cropland
Average Rental Rates – 2020 Season

Dryland Cropland
Rental Rate Ranges – 2020 Season

North
H: $85/ac
A: $52/ac
L: $41/ac

Northwest
H: $39/ac
A: $28/ac
L: $23/ac

Southwest
H: $54/ac
A: $37/ac
L: $30/ac

Central
H: $105/ac
A: $91/ac
L: $74/ac

Southeast
H: $190/ac
A: $165/ac
L: $130/ac

South
H: $110/ac
A: $76/ac
L: $49/ac

Northeast
H: $255/ac
A: $215/ac
L: $170/ac

East
H: $235/ac
A: $205/ac
L: $165/ac

Nebraska Cash Rental Rates

Irrigated Cropland Rental Rates
Center Pivot Irrigated Cropland
Average Rental Rates – 2020 Season

Northwest $140/ac -3%
North $195/ac 5%
Southwest $185/ac 5%
Central $230/ac 7%
South $220/ac 7%
Northeast $290/ac 4%
East $280/ac -2%
Southeast $265/ac 6%

Center Pivot Irrigated Cropland Rental Rate Ranges – 2020 Season

By Region

Northwest
H: $175/ac
A: $140/ac
L: $105/ac

North
H: $235/ac
A: $195/ac
L: $165/ac

Southwest
H: $215/ac
A: $185/ac
L: $160/ac

Central
H: $265/ac
A: $230/ac
L: $190/ac

South
H: $255/ac
A: $220/ac
L: $180/ac

Northeast
H: $325/ac
A: $290/ac
L: $245/ac

East
H: $320/ac
A: $280/ac
L: $245/ac

Southeast
H: $300/ac
A: $265/ac
L: $225/ac

Nebraska Cash Rental Rates
Pasture and Cow-Calf Pairs
Rental Rates
Pasture per Acre
Average Rental Rates – 2020 Season

- North: $26/ac, 6%
- Northwest: $12/ac, 9%
- Southwest: $20/ac, 5%
- Central: $35/ac, 11%
- South: $37/ac, 10%
- Southeast: $48/ac, 4%
- Northeast: $63/ac, 8%
- East: $51/ac, 9%
- South: $37/ac, 10%

Pasture per Acre
Rental Rate Ranges – 2020 Season

North
H: $43/ac
A: $26/ac
L: $14/ac

Northwest
H: $18/ac
A: $12/ac
L: $9/ac

Southwest
H: $28/ac
A: $20/ac
L: $18/ac

Central
H: $44/ac
A: $35/ac
L: $31/ac

Northeast
H: $78/ac
A: $63/ac
L: $46/ac

East
H: $67/ac
A: $51/ac
L: $39/ac

South
H: $45/ac
A: $37/ac
L: $26/ac

Southeast
H: $62/ac
A: $48/ac
L: $36/ac

By Region
High Grade (H)
Average (A)
Low Grade (L)

# Cow-Calf Pairs

## Rental Rate Ranges – 2020 Monthly

<table>
<thead>
<tr>
<th>Region</th>
<th>High Grade (H)</th>
<th>Average (A)</th>
<th>Low Grade (L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>$69.30/pair</td>
<td>$61.45/pair</td>
<td>$50.85/pair</td>
</tr>
<tr>
<td>Northwest</td>
<td>$44.75/pair</td>
<td>$37.90/pair</td>
<td>$33.70/pair</td>
</tr>
<tr>
<td>Southwest</td>
<td>$65.10/pair</td>
<td>$54.70/pair</td>
<td>$39.50/pair</td>
</tr>
<tr>
<td>Central</td>
<td>$65.10/pair</td>
<td>$54.70/pair</td>
<td>$39.50/pair</td>
</tr>
<tr>
<td>Southeast</td>
<td>$58.25/pair</td>
<td>$50.45/pair</td>
<td>$36.55/pair</td>
</tr>
<tr>
<td>South</td>
<td>$56.70/pair</td>
<td>$47.10/pair</td>
<td>$38.40/pair</td>
</tr>
<tr>
<td>Northeast</td>
<td>$72.95/pair</td>
<td>$57.80/pair</td>
<td>$45.35/pair</td>
</tr>
<tr>
<td>East</td>
<td>$65.10/pair</td>
<td>$54.70/pair</td>
<td>$39.50/pair</td>
</tr>
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<td>$36.55/pair</td>
</tr>
</tbody>
</table>

By Region

<table>
<thead>
<tr>
<th>Grade</th>
<th>High Grade (H)</th>
<th>Average (A)</th>
<th>Low Grade (L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Grade</td>
<td>$56.70/pair</td>
<td>$47.10/pair</td>
<td>$38.40/pair</td>
</tr>
<tr>
<td>Average</td>
<td>$54.70/pair</td>
<td>$49.90/pair</td>
<td>$42.00/pair</td>
</tr>
<tr>
<td>Low Grade</td>
<td>$50.45/pair</td>
<td>$49.90/pair</td>
<td>$42.00/pair</td>
</tr>
</tbody>
</table>

## Source

Agricultural Land Leases
Trends in Lease Arrangements for 2020
Methods for Setting Cash Rental Rates

• Methods for estimating a cash rental rate in 2020:
  • Adjusting survey data
  • Cash equivalent from crop share
  • Return on investment
Estimating Cash Rental Rates by Adjusting Survey Data

• Land rental rate survey data:
  • Evaluate available cash rental survey data to establish a baseline in the landlord and tenant negotiation process.

• Average yields:

<table>
<thead>
<tr>
<th>County</th>
<th>Value</th>
<th>Farm</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Rental Rate</td>
<td>$135/ac.</td>
<td>County Rent/Bushel</td>
<td>$1.13/bu.</td>
</tr>
<tr>
<td>Corn Yield</td>
<td>120 bu./ac.</td>
<td>APH Yield</td>
<td>x 105 bu./ac.</td>
</tr>
<tr>
<td>County Rent/Bushel</td>
<td>$1.13/bu.</td>
<td>Farm Level Rent</td>
<td>$118.13/ac.</td>
</tr>
</tbody>
</table>
Cash Equivalent From Crop Share

- Rent paid to landlord by tenant based off owner’s share of net returns per acre.
  - Example 50/50 split:

<table>
<thead>
<tr>
<th>Value</th>
<th>Corn - March 2020</th>
<th>Corn - July 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield (50% share)</td>
<td>80 bu./ac.</td>
<td>80 bu./ac.</td>
</tr>
<tr>
<td>Price/bushel</td>
<td>x $3.50/bu.</td>
<td>x $3.10/bu.</td>
</tr>
<tr>
<td>Income</td>
<td>$280/ac.</td>
<td>$235/ac.</td>
</tr>
<tr>
<td>Owner Expenses</td>
<td>$155/ac.</td>
<td>-$155/ac.</td>
</tr>
<tr>
<td>Net Return to Owner (Effective Rent)</td>
<td>$125/ac.</td>
<td>$93/ac.</td>
</tr>
</tbody>
</table>
Return on Investment

• Multiply the estimated current market value by the expected rate of return to determine the rental rate per acre.

<table>
<thead>
<tr>
<th>Farm</th>
<th>Dryland Cropland</th>
<th>Irrigated Cropland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Value</td>
<td>$5,000/ac.</td>
<td>$8,500/ac.</td>
</tr>
<tr>
<td>Rate of Return</td>
<td>x 2.4-2.8%</td>
<td>x 2.5-2.9%</td>
</tr>
<tr>
<td>Rental Rate per Acre</td>
<td>$120-$140/ac.</td>
<td>$213-$247/ac.</td>
</tr>
</tbody>
</table>

*Estimated net rates of return by land type are available in Table 5 of the Nebraska Farm Real Estate Market Highlights Report 2019-2020.*
Discount on Cash Rent per Acre When Tenant Owns Pivot for Irrigation System in Nebraska

Discount on Cash Rent per Acre When Tenant Owns Power Unit for Irrigation System in Nebraska

<table>
<thead>
<tr>
<th>Power Unit</th>
<th>Discount per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>System Type</td>
<td>Percent of Respondents</td>
</tr>
<tr>
<td>Diesel Engine</td>
<td></td>
</tr>
<tr>
<td>Propane or Natural Gas Engine</td>
<td></td>
</tr>
<tr>
<td>Electric Motor</td>
<td></td>
</tr>
</tbody>
</table>

Survey Response on Whether 2019 Land Leases Contained Provisions to Account for Damages from Flooding

# Adjustments Made to Cash Rent on Cropland Having Extensive Prevented Plant for 2019

<table>
<thead>
<tr>
<th>Adjustment to Cash Rent</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Adjustments</td>
<td>36.4</td>
</tr>
<tr>
<td>Reduced Rent</td>
<td>39.1</td>
</tr>
<tr>
<td>No Rent</td>
<td>10.3</td>
</tr>
<tr>
<td>Other</td>
<td>14.2</td>
</tr>
</tbody>
</table>

Survey Response on Whether 2020 Lease Provisions Were Added or Revised to Account for Flooding

Fillable PDF Leases – AgLease101.org

Click Document Library

Lease Publications

Fillable PDF Forms

Leases Publications:
- Fixed and Flexible Cash Rental Arrangements For Your Farm (NCFMEC-01)
- Crop Share Rental Arrangements For Your Farm (NCFMEC-02)
- Pasture Rental Arrangements For Your Farm (NCFMEC-03)
- Rental Agreements For Farm Buildings and Livestock Facilities (NCFMEC-04)
- Purchasing and Leasing Farm Equipment (NCFMEC-05)
- Beef Cow Rental Arrangements For Your Farm (NCFMEC-08)
- Farm Building Rental Rate Survey (NCFMEC-07)

Leases Forms:
- Cash Farm Lease (NCFMEC-01A)
- Crop-Share Farm Lease (NCFMEC-02A)
- Pasture Lease (NCFMEC-03A)
- Farm Building or Livestock Facility Lease (NCFMEC-04A)
- Farm Machinery Lease for Non-commercial Transactions (NCFMEC-05A)
- Livestock Rental Lease (NCFMEC-06A)
Upcoming Webinar: *Ag Land Mgt. Quarterly*
August 17, 2020 at 12:00 PM CDT

• Topics
  • 2020 Nebraska Farm Real Estate Survey and Report Estimates
    • Agricultural land values & cash rental rates
    • Special feature report on addressing disaster in leases
  • Landlord & Tenant Communication
    • Communicating crop progress on leased land
    • Terminating verbal leases and approaching deadline
  • Ask an Expert
    • Review of submitted questions
    • Upcoming land management workshops and publications
Questions?

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