March 17, 2004

Cornhusker Economics

Cooperative Extension

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

Nebraska's Ag Real Estate Market Heats Up

Market Report	Yr Ago	4 Wks Ago	3/12/04
Livestock and Products, Average Prices for Week Ending			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	$76.07	$77.62	$88.62
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	81.58	91.85	98.33
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	88.20	104.00	110.69
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	116.91	116.32	134.12
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	36.50	43.13	*
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	91.50	130.17	106.19
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	*	113.50	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	191.74	189.38	200.00
Crops, Cash Truck Prices for Date Shown			
Wheat, No. 1, H.W. Omaha, bu	3.47	3.75	3.59
Corn, No. 2, Yellow Omaha, bu	2.24	2.68	2.84
Soybeans, No. 1, Yellow Omaha, bu	5.64	8.25	9.62
Grain Sorghum, No. 2, Yellow Kansas City, cwt	4.10	4.88	5.11
Oats, No. 2, Heavy Minneapolis, MN , bu	1.98	1.67	1.80
Hay, First Day of Week Pile Prices			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	125.00	130.00	130.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	77.50	55.00	55.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	115.00	*	*

* No market.

"Bullish" conditions in the state's agricultural land markets have fueled robust advances in both land values and cash rental rates for most of the state. A combination of favorable factors, including higher crop and livestock prices, low interest rates, and strong demand from both farmers and non-farmer investors has led to solid advances.

According to respondents in the 2004 UNL Nebraska Farm Real Estate Market Survey, average farmland values rose 9.2 percent for the year ending February 1, 2004 (Figure 1 and Table 1). This preliminary estimate represents the largest annual percentage change for the state in 14 years.

Regionally, reported 2004 value changes are probably best understood in the context of the past two years, rather than the last 12 months. As noted in Figure 1, there are clearly different patterns of change for the state's eastern districts than the western and northern districts, which actually experienced declining values during 2002. For example, in the Southwest District, which has probably experienced the state's most severe drought effect, the 2004 average value is unchanged from the 2002 value. In contrast, the three eastern districts each have combined two-year gains in their all-land average of about 13 percent.

By land type, values of most of the cropland classes showed similar percentage gains during the 12-month period ending February 1, 2004. The exception was gravity irrigated land, which tended to show relatively smaller percentage gains across most of the state. Center pivot irrigated land continues to show higher percentage increases than gravity irrigated land, reflecting market preference for the former. Despite dry conditions in 2003, which reduced dryland crop

yields in many areas as well as contributing to higher production costs for irrigated crops, crop commodity price gains were, no doubt, fueling more spirited bidding for cropland.

Grazing land values also show sizable percentage gains for the year. A strong cattle economy prior to the Mad Cow discovery in late-year 2003 probably explains much of the solid gains in grazing land values across the state.

As for 2004 cash rental rates, cropland demand reportedly has been very spirited in most areas, and rates have accordingly moved upward from a year ago. Even in the drought-stressed western areas 2004 rents are steady to higher. Cash rental rates on dryland cropland in the eastern part of the state are up more than 5 percent from 2003 levels. The largest reported increase for dryland cropland, 15.6 percent in the North District, is somewhat of an aberration since dryland rents had fallen in that area the previous year. Average rents for irrigated land showed the largest percentage gains in the North and Northeast Districts. Highest average rents exceeded $150 per acre for the first time in 2004, with the average for center pivot irrigated land in the Eastern District reaching $151 per acre.

According to these preliminary estimates, grazing land rates are also up in 2004, both on a per-acre basis and on a per-animal-unit-month (AUM) basis. AUM rate increases ranged from 4.3 percent in the South District to 9.7 percent in the Northwest District. Per-acre rental rates for alfalfa and other hayland classes are also higher for 2004.

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Figure 1. Average Value of Nebraska Farmland, February 1, 2004 and Percent Change From 2003 and 2002. PRELIMINARY

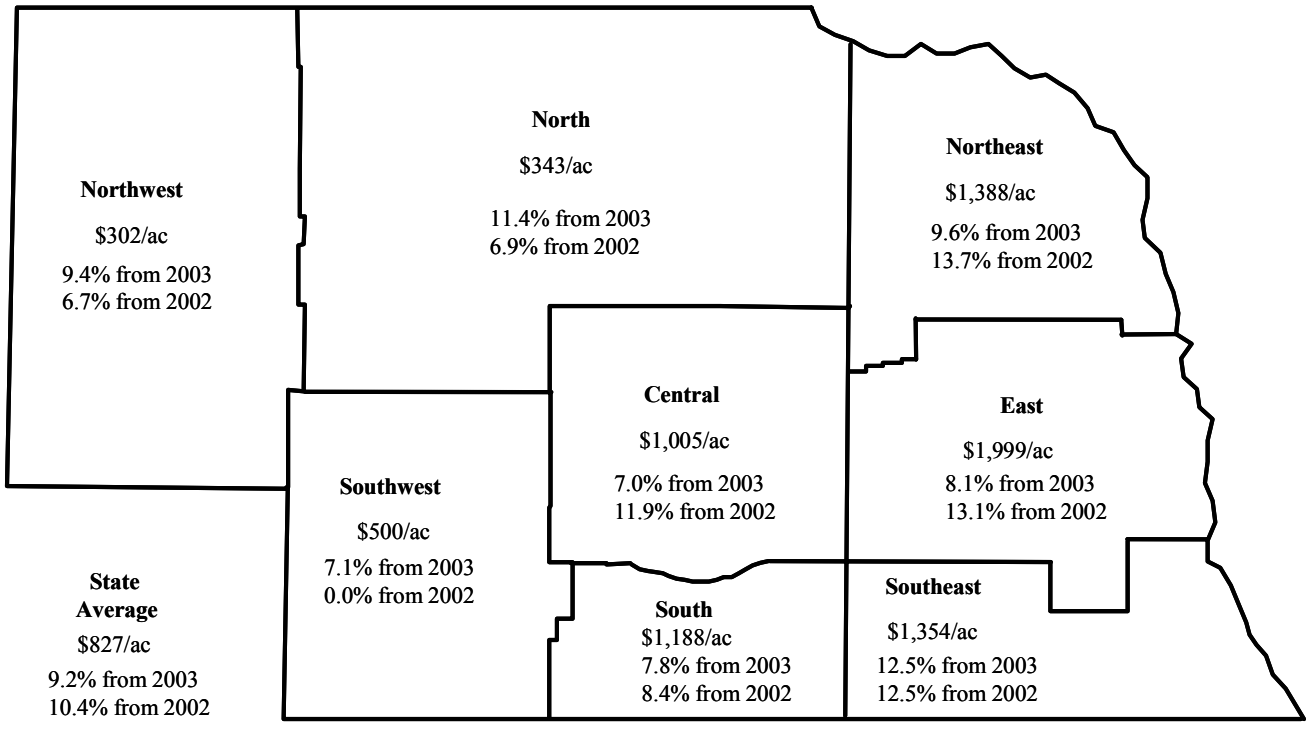

Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land by Agricultural Statistics District, Feb. 1, 2003 - Feb. 1, 2004.[a] PRELIMINARY

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 2004	328	416	1,231	758	1,717	473	800	1,190	862
Rptd. in 2003	319	360	1,107	710	1,585	453	748	1,059	788
% Change	2.8	15.6	11.2	6.8	8.3	4.4	7.0	12.4	9.4
Dryland Cropland (Irrigation Potential)									
Rptd. in 2004	445	534	1,554	1,137	2,093	586	1,217	1,469	1,272
Rptd. in 2003	396	480	1,410	1,095	1,930	558	1,118	1,290	1,159
% Change	12.4	11.3	10.2	3.8	8.4	5.0	8.9	13.9	9.7
Grazing Land (Tillable)									
Rptd. in 2004	212	307	794	611	926	305	558	716	375
Rptd. in 2003	180	280	750	562	801	290	534	640	341
% Change	17.8	9.6	5.9	8.7	15.6	5.2	4.5	11.9	10.0
Grazing Land (Nontillable)									
Rptd. in 2004	163	230	619	494	655	240	422	550	275
Rptd. in 2003	149	210	559	446	590	219	389	490	250
% Change	9.4	9.5	10.7	10.8	11.0	9.6	8.5	10.2	10.0
Hayland									
Rptd. in 2004	339	433	715	577	815	413	513	611	505
Rptd. in 2003	319	380	660	557	765	375	508	575	464
% Change	6.3	13.9	8.3	3.6	6.5	10.1	1.0	6.3	8.8
Gravity Irrigated Cropland									
Rptd. in 2004	925	1,125	1,867	1,961	2,531	1,297	1,969	2,087	1,957
Rptd. in 2003	890	1,075	1,760	1,835	2,401	1,213	1,863	1,899	1,840
% Change	3.9	4.7	6.1	6.9	5.4	6.9	5.7	9.9	6.4
Center Pivot Irrigated Cropland[b]									
Rptd. in 2004	806	1,211	2,004	1,901	2,669	1,123	2,044	2,218	1,788
Rptd. in 2003	750	1,075	1,840	1,785	2,460	1,033	1,846	1,981	1,636
% Change	7.5	12.7	8.9	6.5	8.5	8.7	10.7	12.0	9.3
All Land Average[c]									
Rptd. in 2004	302	343	1,388	1,005	1,999	500	1,188	1,354	827
Rptd. in 2003	276	308	1,266	939	1,850	467	1,102	1,204	757
% Change	9.4	11.4	9.6	7.0	8.1	7.1	7.8	12.5	9.2

[a] SOURCE: 2003 and 2004 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 for 2004 and Comparison with Year Earlier Levels.[a] PRELIMINARY

Type of Land and Year	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
	Dollars Per Acre							
Dryland Cropland								
2004	22	37	91	60	94	33	55	75
2003	22	32	86	59	89	32	52	71
% Change	0.0	15.6	5.8	1.7	5.6	3.1	5.8	5.6
Gravity Irrigated Cropland								
2004	88	103	129	134	138	100	128	131
2003	86	98	120	129	135	97	125	128
% Change	2.3	5.1	7.5	3.9	2.2	3.1	2.4	2.3
Center Pivot Irrigated Cropland								
2004	97	114	144	139	151	117	139	143
2003	97	105	137	134	145	115	135	138
% Change	0.0	8.6	5.1	3.7	4.1	1.7	3.0	3.6
Dryland Alfalfa								
2004	26	b	92	63	85	b	53	74
2003	25	b	84	62	77	b	53	68
% Change	4.0		9.5	1.6	10.4		0.0	8.8
Irrigated Alfalfa								
2004	b	b	132	126	128	b	123	126
2003	b	b	125	121	124	b	117	b
% Change			5.6	4.1	3.2		5.1	
Other Hayland								
2004	b	30	b	42	57	b	36	42
2003	b	26	b	36	53	b	33	b
% Change		15.4		16.7	7.5		9.1	
Pasture								
2004	8	13	36	24	32	12	23	27
2003	7	11	33	23	28	11	22	24
% Change	14.3	18.2	9.1	4.3	14.3	9.1	4.5	12.5
	Dollars Per Animal Unit Month[c]							
2004	21.00	27.65	26.80	26.35	26.00	26.25	24.00	25.15
2003	19.15	26.15	25.10	24.90	24.45	24.60	23.00	23.15
% Change	9.7	5.7	6.8	5.8	6.3	6.7	4.3	8.6

[a] SOURCE: Reporters' estimated average cash rental rates from the 2003 and 2004 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.