

# Cornhusker Economics

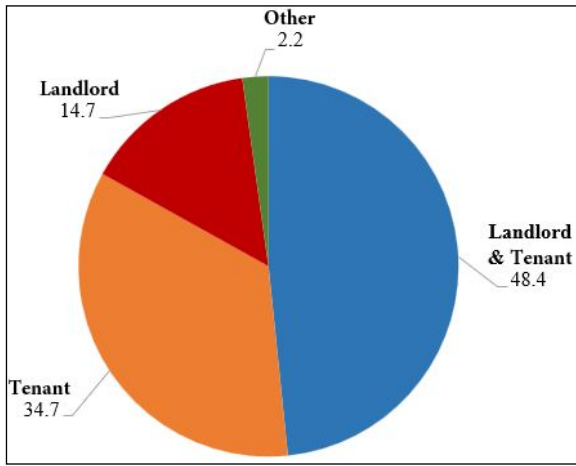
## 2018 Cash Lease Adjustments on Irrigation Equipment for Cropland Rental Arrangements in Nebraska

Market Report	Year Ago	4 Wks Ago	8-10-18
<b>Livestock and Products.</b>			
<b>Weekly Average</b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . .	*	*	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . .	171.63	186.85	177.62
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .	142.39	163.51	162.42
Choice Boxed Beef, 600-750 lb. Carcass. . . . .	201.37	206.48	205.91
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	77.91	72.72	43.68
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. . . . .	94.19	82.47	70.35
Slaughter Lambs, woolled and shorn, 135-165 lb. National. . . . .	336.10	167.49	160.18
National Carcass Lamb Cutout FOB. . . . .	421.40	384.71	370.67
<b>Crops.</b>			
<b>Daily Spot Prices</b>			
Wheat, No. 1, H.W. Imperial, bu. . . . .	3.32	4.35	4.91
Corn, No. 2, Yellow <b>Columbus</b> , bu. . . . .	3.35	3.27	3.40
Soybeans, No. 1, Yellow <b>Columbus</b> , bu. . . . .	8.48	7.60	7.68
Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .	5.58	4.96	5.29
Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .	3.07	2.79	2.91
<b>Feed</b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . .	*	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton. . . . .	82.50	107.50	102.50
Grass Hay, Large Rounds, Good Nebraska, ton. . . . .	85.00	107.50	150.00
Dried Distillers Grains, 10% Moisture Nebraska Average. . . . .	116.00	100.00	122.50
Wet Distillers Grains, 65-70% Moisture Nebraska Average. . . . .	38.50	36.95	40.00
<b>* No Market</b>			

The Nebraska Farm Real Estate Market Highlights Report 2017-2018 provides recent trends on land values and rental rates for landowners, tenants, and stakeholders. Each year the special feature section covers topics on new or emerging issues related to agricultural land in Nebraska. These topics reflect interest expressed by panel members and readership of the Nebraska Farm Real Estate Market Highlights Report. The special feature section in 2018 focuses on cash lease adjustments on irrigation equipment for cropland rental arrangements in Nebraska. Results from this special feature section of the survey are summarized in this article.

Nebraska farmers use irrigation systems across the state on cropland acres for grain and forage production. These systems require large financial outlays for the purchasing and installation of the irrigation equipment. Repairs and maintenance are required for the upkeep on the system each year. Landlords and tenants commonly negotiate the maintenance for irrigation equipment on rented cropland. The entity responsible for annually maintaining and repairing the irrigation systems as part of a cash lease contract is typically either the landlord and tenant, tenant, landlord, or other.

Panel members reported the entity responsible for maintaining an irrigation system as part of a cash lease arrangement in Nebraska for 2018 (Figure 1). Ranked in order of which entity maintains the system includes the landlord and tenant, tenant, landlord, and other at 48.4, 34.7, 14.7, and 2.2 percent. An *other* entity may be an irrigation company or related business providing professional upkeep, maintenance, and installation services for a fee.

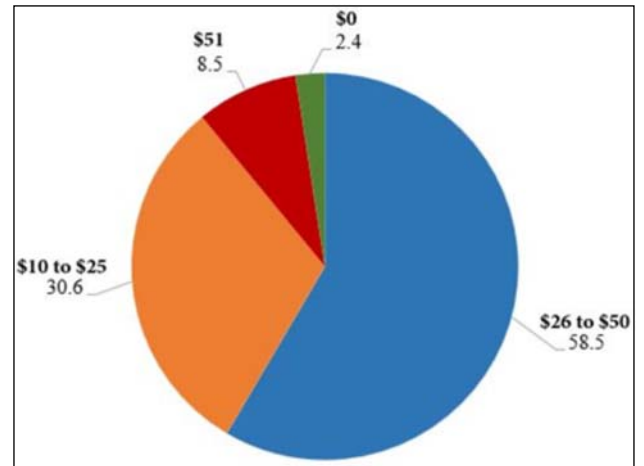


Source: UNL Nebraska Farm Real Estate Market Survey, 2018.

**Figure 1. Entity Responsible for Maintaining Irrigation System as Part of Cash Lease Arrangement in Nebraska.**

In cases where tenants are solely responsible for maintaining the system, a discount on the cash rent paid for the irrigated cropland might be made to account for the investment of time and repairs. In certain instances, panel members indicated that the landlord may still be responsible for repairs after a tenant has met a certain monetary deductible for repairs on the system. The skill, interest, and time of the landlord and tenant engaged in an irrigated cropland lease arrangement have a strong influence on the negotiations for which entity maintains the system necessary for delivery of the water across the parcel of ground.

A tenant might pay for the replacement of a pivot on irrigated cropland after an older system becomes depreciated out or functionally obsolescent and the landlord does not have the financial ability or desire to update equipment. In these cases, a discount may be applied to the irrigated rent when the tenant provides the center pivot. According to



Source: UNL Nebraska Farm Real Estate Market Survey, 2018.

**Figure 2. Discount on Cash Rent per Acre When Tenant Owns Pivot for Irrigation System in Nebraska**

panel members, the discounts of \$26 to \$50 and \$10 to \$25 per acre account for 58.5 and 30.6 percent of the discounts on cash rent when the tenant owns the center pivot (Figure 2). About 8.5 percent of discounts are greater than \$51 per acre and 2.4 percent account for a discount of \$0 per acre.

The other major irrigation system component a tenant might bring to a cash lease agreement could be the power unit for pumping the water. Common power units used on irrigated cropland in Nebraska include either a diesel engine, propane or natural gas engine, or electric motor. In these cases, a discount may be applied to the irrigated rent when the tenant provides the power unit for the irrigation system. In Table 1 about 70 percent of the discount per acre rates for the three power units were divided between \$1 to \$9 and \$10 to \$20. About 20 percent of irrigated cropland did not receive a discount and a very small percent have a

**Table 1. Discount on Cash Rent per Acre When Tenant Owns Power Unit for Irrigation System in Nebraska**

Power Unit	Discount per Acre			
	\$0	\$1 to \$9	\$10 to \$20	\$20+
----- Percent of Respondents -----				
<b>System Type</b>				
<b>Diesel Engine</b>	23	34	35	8
<b>Propane or Natural Gas Engine</b>	23	43	31	3
<b>Electric Motor</b>	20	42	26	12

Source: UNL Nebraska Farm Real Estate Market Survey, 2018.

discount greater than \$20 per acre. Panel members reported newer diesel, propane, or natural gas engines might have higher discount rates due to the expenses associated with complying with the emissions standards on these power unit exhausts.

Survey results shown and discussed in this report are findings from the University of Nebraska–Lincoln 2018 Nebraska Farm Real Estate Market Survey. Complete results from the survey may be found at the Nebraska Farm Real Estate website: <http://agecon.unl.edu/realestate>

Please address questions regarding the 2018 Nebraska Farm Real Estate Survey to Jim Jansen at 402-261-7572 or [jjansen4@unl.edu](mailto:jjansen4@unl.edu).

## References

Jansen, J. A. & J. Stokes. (2018, June). Nebraska Farm Real Estate Market Highlights Survey and Report. *Nebraska Farm Real Estate Market Developments Highlights 2017-2018*, 196, 1-56. Department of Agricultural Economics, University of Nebraska–Lincoln.

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