

Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

**Farmland Values, Rents, and Trends – 2014
Women in Ag Conference - Kearney**


Allan Vyhalek
UNL Extension, Platte County
402-563-4901
avyhalek2@unl.edu



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.


Topics for today!

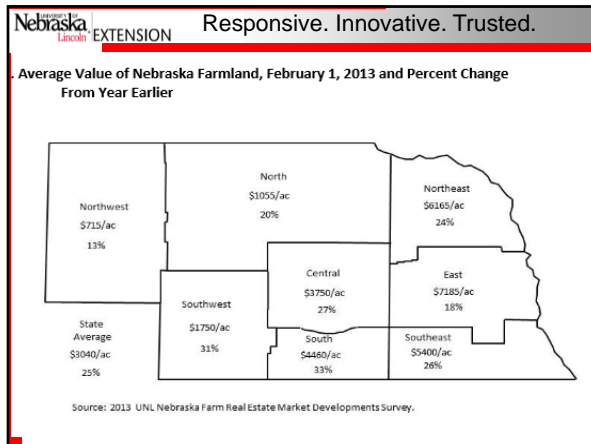
- Current land values
- Rental rates
- Farmland lease considerations
- Pasture leases

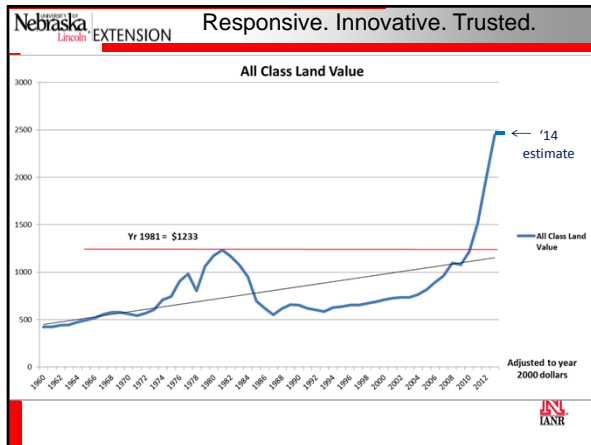


Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Farm and Ranch Land Values







Nebraska Extension Responsive. Innovative. Trusted.

Table 3: 2013 Values and Recent Trends by Land Class in Nebraska*

Land Class	2013 Average Value	Percent Change		
		1-Year Change	3-Year Change	5-Year Change
Dryland Cropland				
No Irrigation Potential	3,010	25	97	106
Irrigation Potential	5,270	21	102	116
Grassland				
Tillable	1,230	22	84	89
Nontillable	695	19	64	54
Hayland				
	1,585	27	96	86
Irrigated Cropland				
Gravity	6,835	27	109	128
Center Pivot ^b	7,590	30	115	140
All Land	3,040	25	102	115


Source: * Annual UNL Nebraska Farm Real Estate Market Developments Surveys.
^b Value of pivot not included in per acre value.

UNL IANR

Nebraska University of EXTENSION Lincoln Responsive. Innovative. Trusted.

Selected Land Values by type


District	East	Northeast	Southeast
Land type			
Dryland – no potential	6730	5995	4925
Dryland – irr. potential	7400	7050	6590
Grazing – tillable	3390	3575	1230
Grazing nontillable	2225	1850	695
Hayland	3325	2625	1585
Gravity Irrigated land	8750	7850	6835
Center pivot Irrigation land	10,025	8715	7590



Nebraska University of EXTENSION Lincoln Responsive. Innovative. Trusted.

Selected Land Values by type


District	Central	Southwest	South
Land type			
Dryland – no potential	2625	1530	3240
Dryland – irr. potential	3945	1655	4175
Grazing – tillable	2075	665	2075
Grazing nontillable	1300	570	1375
Hayland	1850	1160	1800
Gravity Irrigated land	6900	3850	7060
Center pivot Irrigation land	8120	5200	8350



Nebraska University of EXTENSION Lincoln Responsive. Innovative. Trusted.

Selected Land Values by type


District	Northwest	North
Land type		
Dryland – no potential	700	1155
Dryland – irr. potential	730	1920
Grazing – tillable	425	1050
Grazing nontillable	370	500
Hayland	780	1150
Gravity Irrigated land	2875	3100
Center pivot Irrigation land	3115	5225



Nebraska Extension **Responsive. Innovative. Trusted.**

Notes about Land Sales

- First time in history – state sales topped \$3000 per acre
- 49% of sales with cash (state-wide)
- 47% of sales used a mortgage
- 81% of sales went to active Farmer/Rancher
- 2% to out of state buyer (state-wide), but 25% in North
- 38% of land was sold by estates



Nebraska Extension **Responsive. Innovative. Trusted.**

Alternatives for Investing?


- Passbook savings
- Certificates of Deposit
- Stock Market/Bonds
- Gold (other commodities)



Nebraska Extension **Responsive. Innovative. Trusted.**

Land Value Summary

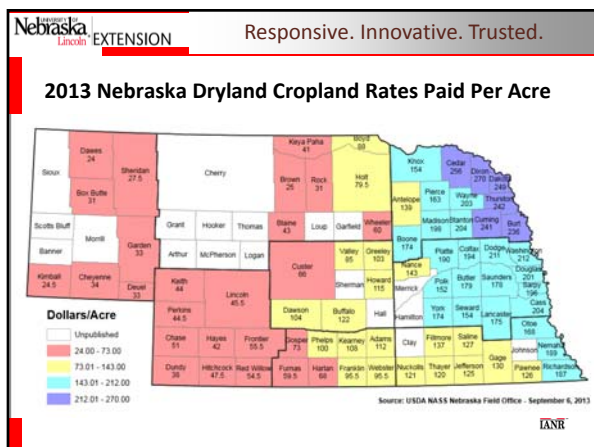
- Prices for time being have at least stabilized
- Still more demand than supply
 - Caused partially because land is being tightly held
 - Where our family grew up has sentimental value
 - Lack of alternative places to put cash
- Land values are predicted to 'deflate the bubble' not 'pop' it



Nebraska Extension Responsive. Innovative. Trusted.

Renting Farmland






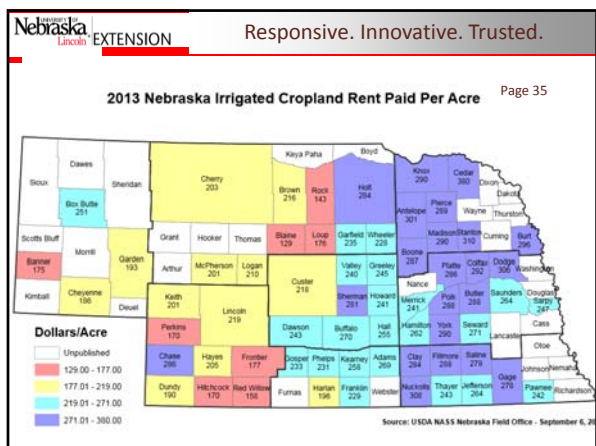
Nebraska Extension Responsive. Innovative. Trusted.

Reported Cash Rental Rates: Dryland Cropland

	Average	% Change from 2012	High	Low
Northwest	b	b	b	b
North	b	b	b	b
Northeast	234	10	315	175
Central	118	7	155	85
East	219	7	281	165
Southwest	59	5	73	46
South	125	8	155	100
Southeast	174	7	230	127

Source: 2013 UNL Nebraska Farm Real Estate Market Developments Survey
b: Insufficient number of reports





Nebraska EXTENSION Responsive. Innovative. Trusted.

**Reported Cash Rental Rates:
Gravity Irrigated Cropland**

	2013 Average	% Change from 2012	High	Low
Northwest	b	b	b	b
North	b	b	b	b
Northeast	319	12	394	280
Central	260	13	352	212
East	320	8	384	249
Southwest	210	14	267	183
South	275	11	323	216
Southeast	299	12	359	242

Source: 2013 UNL Nebraska Farm Real Estate Market Developments Survey
b: Insufficient number of reports

UNL IARR

Nebraska EXTENSION Responsive. Innovative. Trusted.

**Reported Cash Rental Rates:
Center Pivot Irrigated Cropland**

	2013 Average	% Change from 2012	High	Low
Northwest	225	13	265	170
North	265	13	285	208
Northeast	379	15	477	302
Central	287	12	358	240
East	355	13	441	281
Southwest	269	14	325	210
South	313	12	363	259
Southeast	345	13	427	268


Source: 2013 UNL Nebraska Farm Real Estate Market Developments Survey
b: Insufficient number of reports

UNL IARR

Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Cash Rent Summary


- Note Differences in numbers
 - NASS survey
 - UNL Cash Rent survey
 - Coffee Shop
- Cash rents clearly up recently – but don't always trend with land values (10% vs 20+%)
- When does the 'up' trend end?



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Cash Rent Summary


- Looking at corn/soybean prices, rents should stabilize, or start down
 - Probably not the resource to support \$500/acre rent
- Rents are still determined by supply and demand
- Rent \$\$ will be what the tenant is willing to bid and the landlord is willing to accept
- For 2014, don't expect rents to soften much
- Tenants need to sharpen the pencil
- Landlords need to be understanding



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Good Leases – (my observations)


- Good Communications
- TRUST
- Use of good practices
- Put the land resource first



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Farmland Lease Considerations Highlights!


- Entire publication at: www.platte.unl.edu
- Fertility
 - Phosphorus (for both landlord and tenant)
 - Lime (landlord expense?)
- Irrigation Equipment
 - Who owns?
 - Who maintains?
 - How cash rent is adjusted



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Farmland lease provisions – cont.


- Are bins included?
 - Get electricity on it's own meter
- Sub-leasing allowed?
 - (story about sisters)
 - Hunting?
- Get all leases in writing!!
 - It's not your grandparent's handshake anymore
 - Terminating handshake or verbal leases



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Quick calculation of farmland leases


- Roughly 30% of the gross income should go to landlord
 - Comes from 30-70 split of crop share lease
- 200 bu. Corn times \$4.25 per bushel is \$900 gross per acre
- \$900 gross times 30% equals \$270 per acre rent
 - Assumes the following
 - Yield is APH
 - Price is Fall '14
 - % can vary by crop and location in Nebraska



Nebraska University of
Lincoln **EXTENSION** Responsive. Innovative. Trusted.


Consider Flexible Leases

- Extension Circular 862 – EC862 - by Tim Lemmons
- Flex based on anything you want to –but typically:
 - By price
 - By yield
 - Combination of price and yield
- For true flex leases – have a floor and a ceiling – flex in the middle
- Also have ‘bonus’ rents in some situations



Nebraska University of
Lincoln **EXTENSION** Responsive. Innovative. Trusted.

Pasture Leasing




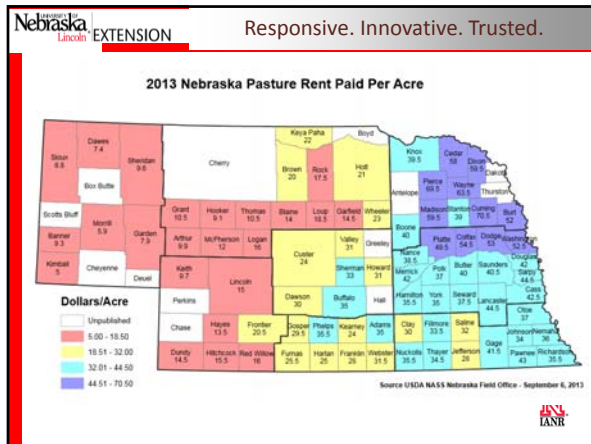
Nebraska University of
Lincoln **EXTENSION** Responsive. Innovative. Trusted.

Reported Cash Rental Rates 2013: Pasture

	Average	% Change from 2012	High	Low
Northwest	13	0	17	9
North	16	0	20	12
Northeast	53	4	67	38
Central	35	6	45	26
East	49	16	64	38
Southwest	17	6	24	14
South	37	3	43	54
Southeast	42	8	54	28

Source: 2013 UNL Nebraska Farm Real Estate Market Developments Survey





Nebraska EXTENSION Responsive. Innovative. Trusted.

Cow-Calf and Stocker Rates

Type	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
----- Dollars Per Month -----								
Cow-Calf Pair Rates¹								
Average	30.50	39.00	42.35	40.75	41.30	39.20	39.00	39.40
Range: High..	36.85	50.00	55.00	49.95	52.00	51.00	44.75	49.20
Low	24.65	30.00	36.70	30.15	34.00	33.00	31.00	31.40
Stocker (500-600 lb.) Rates:								
Average	18.50	b	25.00	24.75	b	24.20	b	b
Range: High..	22.25	b	30.00	29.50	b	30.00	b	b
Low	14.00	b	21.00	19.00	b	19.00	b	b

SOURCE: ¹Reporters' estimated cash rental rates (both averages and ranges) from the 2013 UNI, Nebraska Farm Real Estate Market Developments Survey.

²Insufficient number of reports.

³A 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.

IANR

- Nebraska EXTENSION Responsive. Innovative. Trusted.
- ### Pasture Leases
- Runs from May 1 to October 1 (5-month period)
 - Includes the legal description of the land
 - Shows in and out dates
 - Describes penalties for early in or late out
 - Describes when payments are due and how
 - How are typical leases established/terminated?
 - Verbal
 - Written
- IANR

Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Pasture Lease Considerations

- Stocking rate by head, AUM, pairs, frame, weight, color.....
- Termination provisions
- Contingency provisions
 - Owner's death
 - Tenant's death
 - Sale
 - Disaster occurrences
 - Drought or grass loss
 - Fire – or other



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Other Leasing Items to Include


- Sub-lets
 - Hunting rights
 - Haying
 - Recreation
- Responsibilities
 - Weeds
 - Maintenance
 - Repairs
 - Checking on cattle – water, mineral , insects...



Nebraska University of Lincoln EXTENSION Responsive. Innovative. Trusted.

Summary:

- Land Values have leveled out
- Rents are still relatively high
- Good leases and lease communications are key
- Consider flexing leases – if it fits
- Pasture leases are holding their own



Nebraska
Lincoln EXTENSION Responsive. Innovative. Trusted.

Questions



Extension is a Division of the Institute of Agriculture and Natural Resources at the University of Nebraska–Lincoln cooperating with the Counties and the United States Department of Agriculture.

University of Nebraska–Lincoln Extension educational programs abide with the nondiscrimination policies of the University of Nebraska–Lincoln and the United States Department of Agriculture.