AGRICULTURAL ECONOMICS

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Cornhusker Economics

The Impact of COVID-19 and Economic Policies on Nebraska Farm Real Estate in 2021

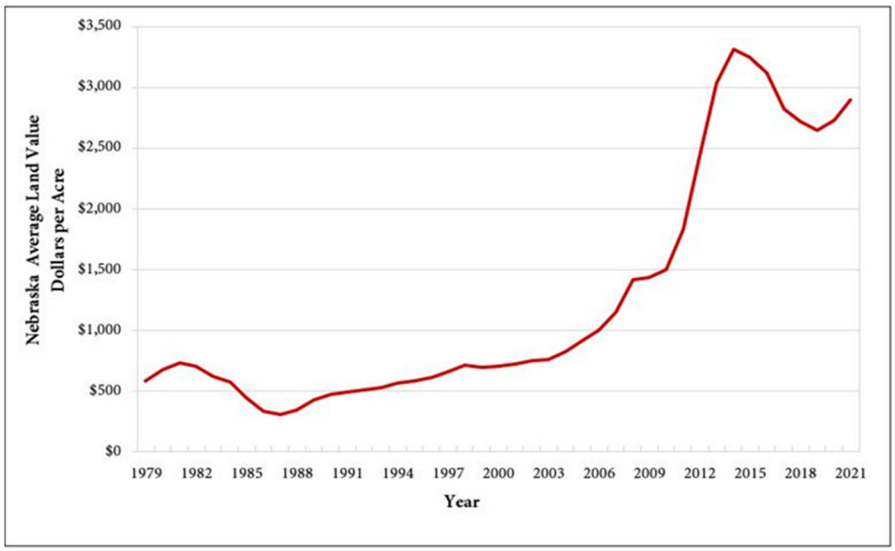
The market value of agricultural land in Nebraska increased by 6% over the prior year to an average of $2,895 per acre according to the 2021 Nebraska Farm Real Estate Market Survey (Figure 1 and Table 1). This improvement marks the second consecutive gain in the market value of agricultural land in Nebraska since 2019.

The University of Nebraska-Lincoln, Department of Agricultural Economics annually surveys land industry professionals across Nebraska including appraisers, farm and ranch managers, agricultural bankers, and related industry professionals. Results from the survey are divided by land class and summarized by the eight Agricultural Statistic Districts of Nebraska (Figure 2).

Land industry professionals responding to the annual survey attributed the rise in Nebraska farm real estate values to current interest rate levels, crop prices, and COVID-19 disaster assistance payments provided to operators across the state. These forces substantially impacted farm and ranch finances across Nebraska. Operators faced an exceptional amount of risk and uncertainty when navigating production decisions during the height of the COVID-19 pandemic. Lower interest rates and disaster assistance payments provided stability to an industry facing an unpreceded economic shutdown and disruptions of supply chains.

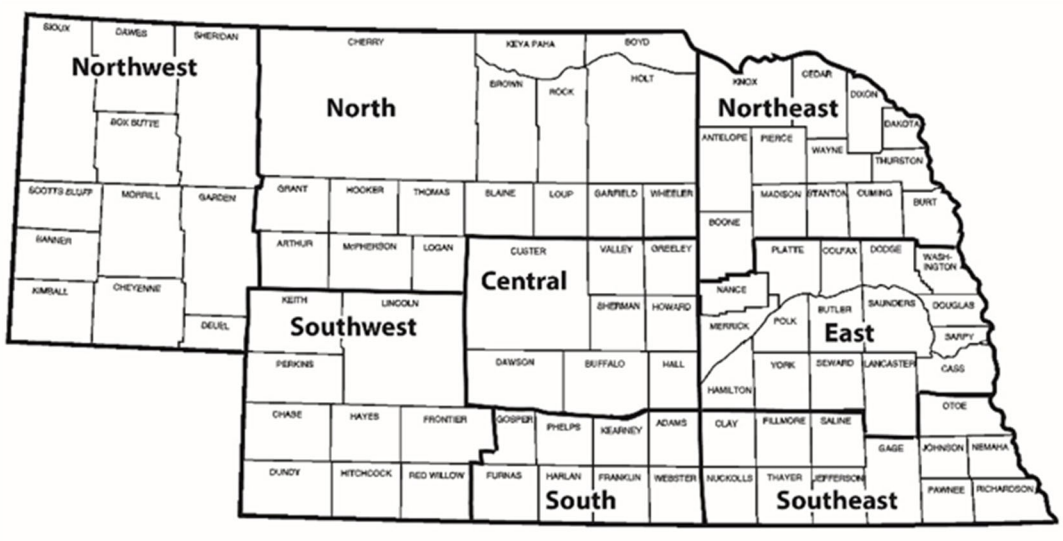
Monetary policies put forward by the United States Federal Reserve lowered short and long-term interest rates to combat the economic slowdown caused by COVID-19. These policies substantially lowered the cost of financing short and long-term debt held by farmers and ranchers across Nebraska. In the fourth quarter of 2020, interest rates for operating and agricultural real estate loans were about 1% lower at agricultural banks across the United States compared to

Figure 1. Historic Nebraska Average Land Value 1979-2021[a]



Source: [a] UNL Nebraska Farm Real Estate Market Surveys, 1979 - 2021.

Figure 2. Nebraska Agricultural Statistics Districts



the prior year (KC FED 2021). Agricultural producers and investors purchasing additional land capitalized historically low interest rates into real estate values.

Crop and livestock prices suffered from economic events surrounding COVID-19 which led to financial uncertainty and volatility for many operations across the state. The USDA-Farm Service Agency implemented two rounds of the Coronavirus Food Assistance Program (CFAP) to provide pandemic disaster assistance to operations across the country. This assistance provided needed stability and financial liquidity to many operators. In addition to the CFAP, Nebraska operators collected approximately $2.4 billion in different forms of disaster assistance and safety net payments during 2020 (Lubben 2021).

A late rally in crop prices allowed for many of these commodities to recover from pandemic lows and position unsold grain at higher values. Historically low interest rates to finance long-term debt coupled with disaster assistance and a late rally in crop prices created a competitive position for agricultural land purchases. Activity in land markets across Nebraska responded to these economic forces in 2020 according to survey participants.

Cropland reported the highest market value increase for Nebraska in 2020 when compared to the prior year (Table 1). The estimated market value of center pivot irrigated cropland rose by about 8% across the state with the Northeast, Central, and Southeast Districts reporting the highest increases ranging between 9% and 10%. Gravity irrigated cropland also followed similar trends with the Northeast and Southeast Districts reporting increases around 8% and other regions improving in value from about 4% to 6%.

Dryland cropland without irrigation potential reported an increase of about 7% with the North, Central, and Southeast Districts leading the state averaging between 8% and 11%. Other regions range from a low 2% in the Southwest to 5% in the Northeast. Dryland cropland with irrigation potential showed a renewed interest with higher commodity prices. This land class indicated a 6% increase for the state with Northwest, Northeast, and Central regions reporting climbing values ranging from 8% to 11%. Other regions, such as the East, Southwest or South reported lower gains between 3% and 5%, because of limited ability to develop additional irrigated acres due to water availability.

Improvements in grazing land and hayland market values range around 3% to 5%. Tillable grazing land led the three land classes at 5% as higher crop prices incentivized the development of additional acres. The North, East, and South Districts, on average, increased in range from 5% to 8% for the three regions. Developing grazing land acres into cropland requires management practices adhering to conservation practices for a producer to maintain eligibility in USDA farm programs or purchasing of federally subsidized crop insurance.

Cropland and grazing land rental rates in 2021 were higher than those reported in the prior year (Table 2). Reports by survey participants indicate higher crop prices are a driving force for the higher rates. Crop insurance planting time price guarantees for major commodities planted in Nebraska are higher over the prior year allowing for a larger revenue guarantee. A notable spread exists between old crop and new crop prices. Old crop prices currently carry a premium over new crop prices. Exports and weather patterns across the grain belt in 2021 might be major driving forces for new crop prices.

Overall, dryland and irrigated cropland reported steady to higher cash rent averages across the state. These rates averaged about 5% to 7% higher over the 2020 growing season. Rates reported as part of the survey assume the

Table 1. Average Reported Value of Nebraska Farmland for Different Land Types and Sub-State Regions, February 1, 2021[a] Preliminary

Type of Land	Agricultural Statistics District								
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State[c]
	Dollars Per Acre								
Dryland Cropland (No Irrigation Potential)									
$/acre	635	1,650	5,765	3,080	6,485	1,440	3,070	4,935	3,380
% change	4	9	5	8	6	2	3	11	7
Dryland Cropland (Irrigation Potential)									
$/acre	760	2,115	6,200	3,575	6,835	1,620	3,605	5,655	4,390
% change	9	7	8	11	4	5	3	6	6
Grazing Land (Tillable)									
$/acre	540	1,180	3,245	1,965	3,380	950	1,990	2,985	1,300
% change	4	7	1	5	6	3	8	2	5
Grazing Land (Nontillable)									
$/acre	445	690	2,120	1,490	2,575	755	1,465	2,135	860
% change	3	5	4	2	7	1	6	4	4
Hayland									
$/acre	775	1,200	3,230	1,980	3,070	1,310	1,925	2,800	1,695
% change	8	3	5	3	4	2	1	3	3
Gravity Irrigated Cropland									
$/acre	2,245	3,790	7,325	6,180	8,110	3,775	5,735	6,710	6,095
% change	5	4	9	6	5	6	5	8	6
Center Pivot Irrigated Cropland[b]									
$/acre	2,560	4,285	8,145	7,270	9,545	4,170	6,885	8,380	6,610
% change	4	8	10	9	7	5	6	9	8
All Land Average[c]									
$/acre	715	1,160	5,755	3,395	6,850	1,600	3,805	5,230	2,895
% change	4	6	7	7	5	3	5	8	6

Source: [a] UNL Nebraska Farm Real Estate Market Surveys, 2020 and 2021.

[b] Value of pivot not included in per acre value.

[c] Weighted averages.

landlord owns the entire system and may be adjusted down when a tenant provides a component to the system. Concern expressed by survey participants for the renting of crop and grazing land relates to the potential of extensive drought across Nebraska during the 2021 growing season. Flexible lease provisions based on crop yield, price, or revenue may be an advisable feature to consider when accounting for production uncertainty this upcoming year.

Pasture and cow-calf pair rental rates generally trended up across Nebraska in 2021 ranging from about 3% to 7% higher (Table 2). Drought conditions in western Nebraska pose a higher degree of risk in grazing land leases when the cattle must be removed early due to a lack of forages. Consideration may need to be given in developing an equitable early withdrawal provision subject to drought conditions.

Factors impacting the cow-calf pair rental rates according to the survey participants include the degree of service provided by the landlord or tenant as part of the lease. Considerations for these leases include the party responsible for upkeep on fencing, control of noxious weeds or brush, and payment of utility bills (used for livestock well). As shown in Table 2, the high third quality for cash rent may reflect cases where the landlord provides some of these services.

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 June 2021 and available online via the Nebraska Farm Real Estate website: http://agecon.unl.edu/realestate

Table 2. Reported Cash Rental Rates for Various Types of Nebraska Farmland and Pasture: 2021 Averages, Percent Change from 2020 and Quality Ranges by Agricultural Statistics District[a]

Preliminary

Type of Land	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
	Dollars Per Acre							
Dryland Cropland								
Average	30	57	225	98	220	42	83	170
% Change	9	11	5	8	7	12	10	3
High Third Quality	42	91	265	120	240	54	120	195
Low Third Quality	24	47	180	89	175	35	57	135
Gravity Irrigated Cropland								
Average	115	180	280	215	260	170	210	240
% Change	10	6	8	5	2	6	2	4
High Third Quality	145	210	320	255	280	195	245	285
Low Third Quality	90	140	225	175	230	140	175	210
Center Pivot Irrigated Cropland[b]								
Average	150	210	305	235	290	195	235	280
% Change	7	8	5	2	4	5	7	6
High Third Quality	170	255	340	270	330	235	265	310
Low Third Quality	130	180	260	190	250	165	190	240
Pasture								
Average	13	28	66	37	53	22	38	49
% Change	10	8	4	6	3	7	4	1
High Third Quality	18	41	84	45	72	30	46	59
Low Third Quality	11	15	49	32	40	16	28	40
	Dollars Per Month							
Cow-Calf Pair Monthly Rates[c]								
Average	39.60	63.15	60.75	58.85	55.20	51.60	49.80	54.80
% Change	4	3	5	8	7	3	6	9
High Third Quality	48.75	69.45	72.10	68.70	65.90	59.70	61.20	64.20
Low Third Quality	32.90	52.70	47.85	42.15	45.50	43.35	39.80	38.45

Source: [a] Reporters' estimated cash rental rates (both averages and ranges) from the UNL Nebraska Farm Real Estate Market Survey, 2020 and 2021.

[b] Cash rents on center pivot land assumes landowners own total irrigation system.

[c] A cow-calf pair is typically considered to be 1.25 to 1.30 animal units (animal unit being 1,000 lb. animal) for a five month grazing season. However, this can vary depending on weight of cow and age of calf.

Please address questions regarding preliminary estimates from the 2021 Nebraska Farm Real Estate Survey to Jim Jansen at (402) 261-7572 or jjansen4@unl.edu.

References

Lubben, B. (2021, March) *Nebraska Farm Financial Income Forecasts (Forthcoming)*, retrieved from the UNL Bureau of Business Research: https://business.unl.edu/research/bureau-of-business-research/bureau-reports/

Kansas City FED (2021, March 3). *Ag Bankers Signal Strong Recovery in Farm Finances*, retrieved March. 5, 2021, from the Kansas City FED: https://www.kansascityfed.org/agriculture/agfinance-updates/Ag-bankers-signal-strong-recovery-in-farm-finances/

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