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Cornhusker Economics

2022 Nebraska Farmland Values and Cash Rental Rates

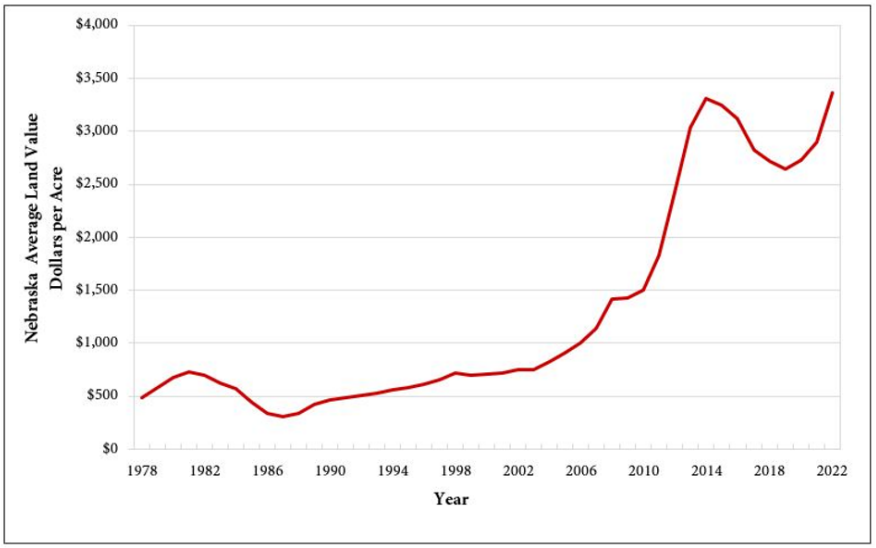
The market value of agricultural land in Nebraska increased by 16% over the prior year to an average of $3,360 per acre, according to the 2022 Nebraska Farm Real Estate Market Survey (Figure 1 and Table 1). This marks the largest increase in the market value of agricultural land in Nebraska since 2014 and is the highest non-inflation-adjusted state-wide land value in the history of the survey.

The University of Nebraska-Lincoln's 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).

As part of the annual survey, land industry professionals reported the rise in Nebraska agricultural land values were attributed to higher commodity prices, interest rates near historic lows, hedging against inflation, and a renewed use in 1031 exchanges. The financial position of many operations improved over the prior year despite rising machinery costs and input expenses. Current interest rate levels created a strong market as investors turned to land as a tangible investment as a hedge against inflation. Proposals to change capital gains taxes also spurred the usage of 1031 exchanges.

Policies put forward to stem the effects of COVID-19 led to federal disaster assistance for the agricultural sector, along with an extended period of low interest rates. The tapering back of disaster assistance was offset by higher crop and livestock income across Nebraska in 2021 (Lubben, 2022). The outlook for 2022 also appears favorable as commodity prices continue to rise, but the impact of higher input costs and intensifying drought across the state are causes for concern

Figure 1. Historic Nebraska Average Land Value 1979-2022[a]



Source: [a] UNL Nebraska Farm Real Estate Market Surveys, 1979 - 2022.

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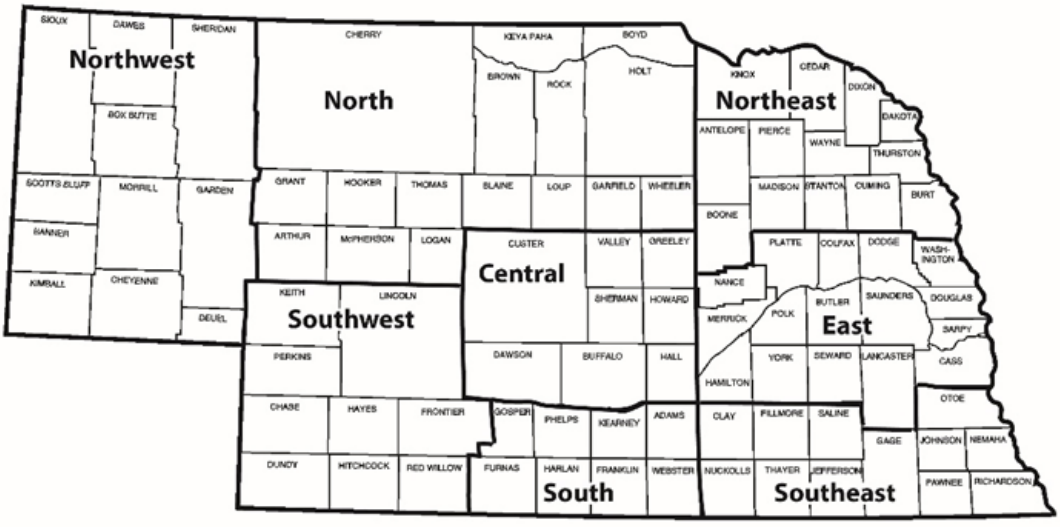
Figure 2. Nebraska Agricultural Statistics Districts



(Kauffman & Kreitman, 2022). The resulting income, liquidity, and credit positions remain favorable across many operations.

Higher income, coupled with historically low interest rates, led to the robust real estate sales markets. Interest rates for operating, intermediate, and real estate debt in 2021 averaged approximately 100 basis — or 1% — lower than the historic average from 2015 to 2019. The average real estate debt for land loans averaged about 4.5% across states located in the Tenth District of the Federal Reserve Bank of Kansas City (Scott & Kreitman, 2022). Real estate purchasers capitalized on these favorable financing terms.

Uncertainty posed by investment taxation and inflation bolstered the use of 1031 exchanges when moving capital between assets. Investors and operators acquired land as a hedge against changes to policy and economic uncertainty. Overseas conflict leading to input shortages and higher expenses remains a challenge for navigating 2022. Favorable financial positions, lending terms, and stability of land as an investment, created a competitive real estate marketing across Nebraska, according to survey participants.

Cropland represented the highest market value increase for Nebraska for 2022 when compared to the prior year (Table 1). The estimated market value of dryland cropland with irrigation potential rose by 19% across the state. Districts in the Northeast, East, and Southeast increased by about 18% to 24%. The other five districts averaged increases ranging from 7% to 15%. Dryland cropland without irrigation potential followed similar trends as the Northwest, Northeast, Central, and East, reporting increases ranging from 15% to 21%, and the other regions improving from about 8% to 14%.

Center pivot irrigated cropland averaged 17% higher year over year, with the Northwest, Northeast, Southwest, and Southeast leading the state between 18% and 24%. The North and East reported gains of 14% and 15%, while the Central and South rose between 12% to 13%. Higher commodity prices also translated into gravity irrigated cropland averaging 16% higher in 2022. The Northeast and South gains were between 19% and 22% for this land class. Dry conditions across the state, along with higher commodity prices, contributed to continued strong demand for the irrigated land classes.

Gains in the hayland and grazing land markets range from 10% to 13%. Grazing land tillable once again led the three land classes at 13% as operators seek additional acres to develop with higher commodity prices. The major grazing and hayland districts — Northwest, North, Central, and Southwest — reported increases from about 10% to 15%. Policies guiding the development of grazing or hayland into cropland have limited the ability to initially participate in purchasing federally subsided crop insurance or participating in USDA farm programs.

Cropland cash rental rates trended higher in 2022 over the prior year (Table 2). Survey participants indicated crop prices as the major factor leading to the growth in rental rates. Higher planting time crop insurance price guarantees led to larger revenue guarantees. Producers have the ability to insure a greater level of revenue but face higher premiums and input expenses. Overseas conflict has disrupted trade patterns for commodities and critical crop inputs. The use of flexible leases in 2022 may better mitigate this risk and derive cash rental rates better reflecting economic forces.

Dryland and irrigated cropland cash rental rates in 2022 trended up, averaging about 10% to 15% higher than the prior growing season. Irrigated cash rental rates assume that the landlord owns the entire irriga-

Table 1. Average Reported Value of Nebraska Farmland for Different Land Types and Sub-State Regions, February 1, 2022[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	745	1,830	6,965	3,540	7,525	1,560	3,485	5,515	3,900
% change	17	11	21	15	16	8	14	12	15
Dryland Cropland (Irrigation Potential)									
$/acre	855	2,245	7,485	3,855	8,470	1,775	4,145	6,695	5,235
% change	12	7	20	9	24	10	15	18	19
Grazing Land (Tillable)									
$/acre	625	1,370	3,645	2,160	3,915	1,055	2,290	3,265	1,475
% change	16	15	12	10	16	11	15	9	13
Grazing Land (Nontillable)									
$/acre	510	745	2,470	1,685	2,720	825	1,575	2,510	950
% change	15	7	16	13	6	9	8	17	10
Hayland									
$/acre	830	1,370	3,475	2,225	3,470	1,535	2,085	3,125	1,895
% change	7	14	8	12	13	17	9	11	12
Gravity Irrigated Cropland									
$/acre	2,520	4,205	8,960	7,015	9,440	4,155	6,865	7,630	7,055
% change	13	11	22	14	17	10	19	14	16
Center Pivot Irrigated Cropland[b]									
$/acre	3,065	4,890	10,135	8,105	10,920	4,900	7,780	9,985	7,735
% change	19	14	24	12	15	18	13	19	17
All Land Average[c]									
$/acre	825	1,290	6,950	3,810	8,110	1,805	4,375	6,070	3,360
% change	15	11	21	12	19	13	15	16	16

Source: [a] UNL Nebraska Farm Real Estate Market Surveys, 2021 and 2022.

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

[c] Weighted averages.

tion system. These rates would be adjusted down to reflect the tenant providing a component to the irrigation system. Extensive drought and heightened input expenses such as fertilizer and crop chemicals were reported as concerns expressed by survey participants for the upcoming growing season. Flexible leases accounting for actual crop revenue and expenses may be a feature to consider in negotiated rental leases.

Grazing land and cow-calf pairs rental rates trended steady to higher across Nebraska in 2022 (Table 2). These rates increased about 6% to 8% over the prior year. Drought poses a threat to grazing land without additional rainfall over the upcoming growing season. Negotiating early removal provisions should be accounted for as part of the cash rental rate subject to drought conditions.

The degree of service provided by the landlord or tenant influences the cow-calf pair rental rates paid as part of the lease. Factors to consider in the lease include the responsibility of fencing upkeep, control of brush or noxious weeds, and payment of utility bills associated with livestock wells. High third and low third quality cash rental rates in Table 2 account for some of these negotiated lease provisions.

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 2022 and available online via the Nebraska Farm Real Estate website: *http://cap.unl.edu/realestate*

Table 2. Reported Cash Rental Rates for Various Types of Nebraska Farmland and Pasture: 2022 Averages, Percent Change from 2021 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	33	65	245	120	235	49	100	190
% Change	11	15	9	22	7	18	20	12
High Third Quality	45	98	290	145	275	67	130	235
Low Third Quality	27	50	195	105	185	39	78	160
Gravity Irrigated Cropland								
Average	130	195	300	245	285	180	245	260
% Change	13	8	7	14	10	6	17	9
High Third Quality	165	230	355	275	320	205	275	315
Low Third Quality	105	170	245	190	250	160	210	230
Center Pivot Irrigated Cropland[b]								
Average	175	230	340	275	330	225	280	315
% Change	16	9	11	17	14	15	19	13
High Third Quality	210	280	390	335	365	270	330	345
Low Third Quality	140	195	285	225	290	180	245	265
Pasture								
Average	14	30	69	41	55	25	40	53
% Change	7	11	4	9	6	12	5	8
High Third Quality	19	43	89	56	71	32	49	64
Low Third Quality	11	17	52	33	44	19	30	41
	Dollars Per Month							
Cow-Calf Pair Monthly Rates[c]								
Average	43.15	67.05	65.80	61.45	58.35	56.70	51.20	57.40
% Change	9	6	8	4	6	10	3	5
High Third Quality	48.50	73.65	76.25	71.40	68.25	60.90	63.85	67.35
Low Third Quality	35.85	56.10	52.35	47.95	49.30	48.75	40.15	44.95

Source: [a] Reporters' estimated cash rental rates (both averages and ranges) from the UNL Nebraska Farm Real Estate Market Developments Survey, 2021 and 2022.
[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 2022 Nebraska Farm Real Estate Survey to Jim Jansen at (402) 261-7572 or jjansen4@unl.edu.

References

Kauffman, N., & Kreitman, T. (2022, February 24). *Farm Real Estate Values Continue Rapid Climb*, retrieved March 3, 2022, from the Kansas City FED

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