

Current Trends in Nebraska Land Values, Cash Rents and Lease Considerations for 2024

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DISCLAIMER

- Land values and rental rates shown and discussed in this presentation are from the UNL Nebraska Farm Real Estate Market Survey.
- Information provided in this presentation are averages from these surveys. Actual land values and rental rates may vary depending upon the quality of the parcel and local market forces for an area.

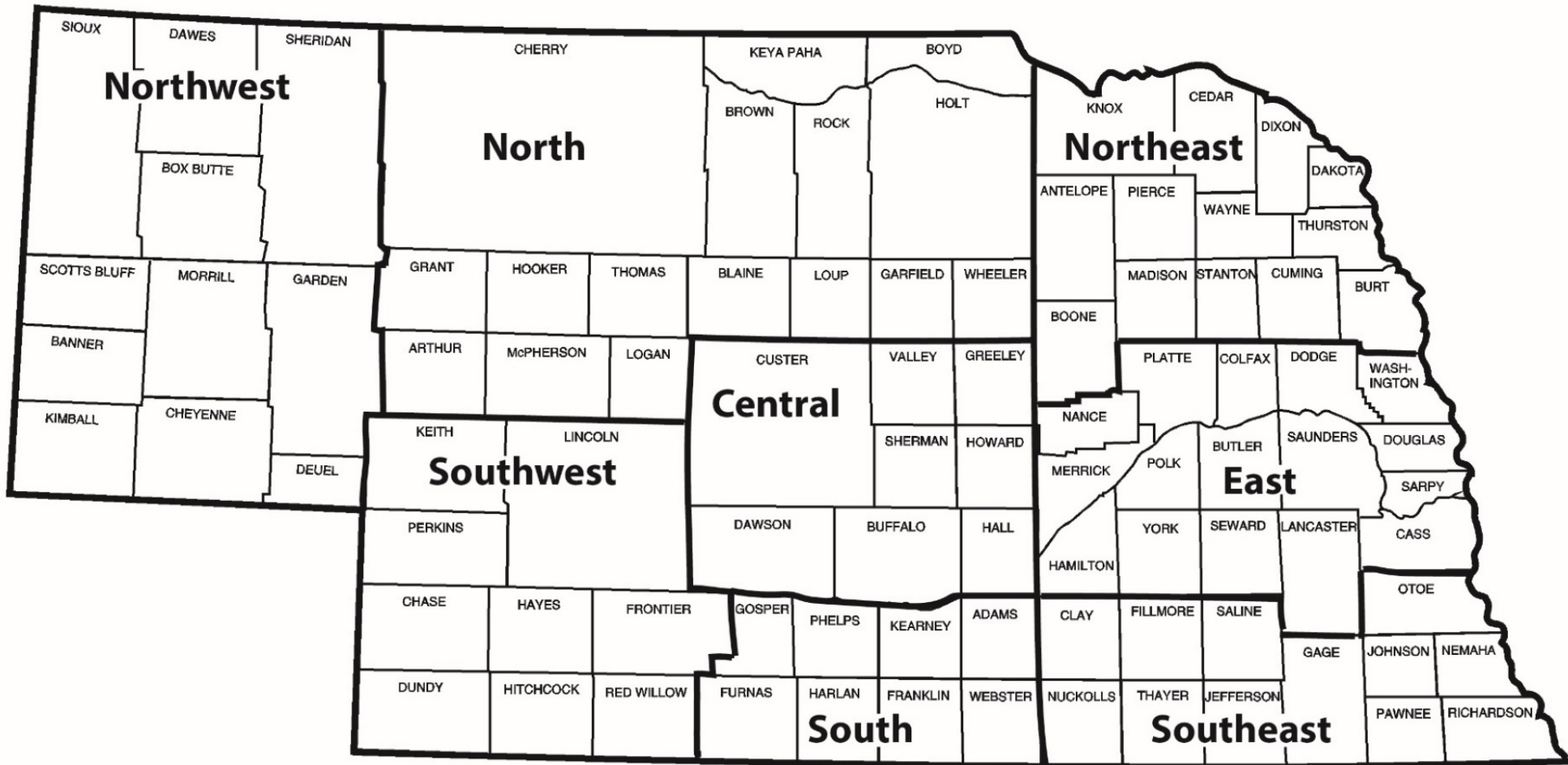


Nebraska Farm Real Estate Survey

- Annual survey conducted since 1978 of Nebraska agricultural appraisers, professional farm managers, and bankers engaged in the land industry.
 - Preliminary results for land values and rental rates published in mid-March.
 - Full report published in June.
- Nebraska Farm Real Estate website full access to these resources:
<http://cap.unl.edu/realestate>



Nebraska Agricultural Statistics Districts

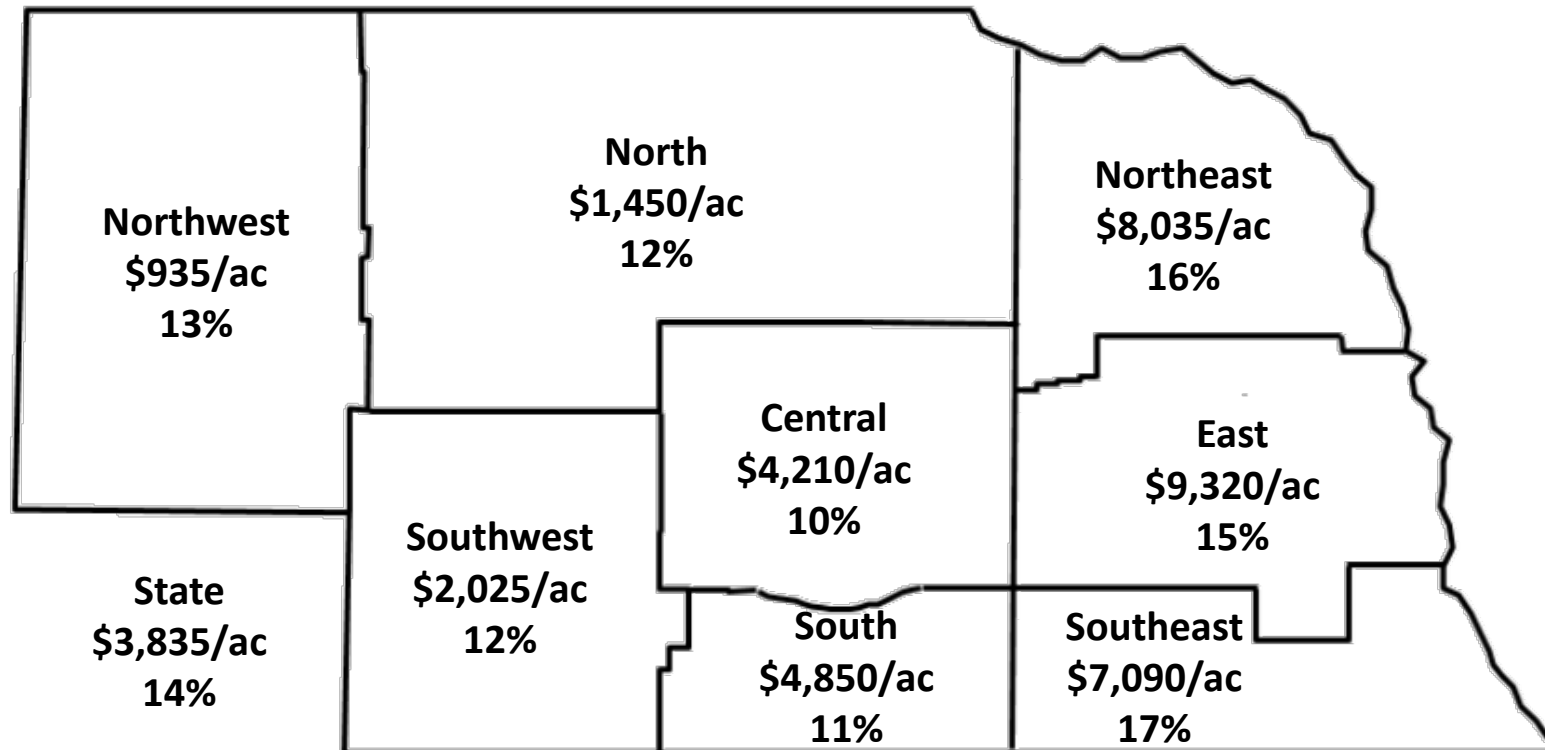


Nebraska Land Values

Land Averages and Annual Percent Changes

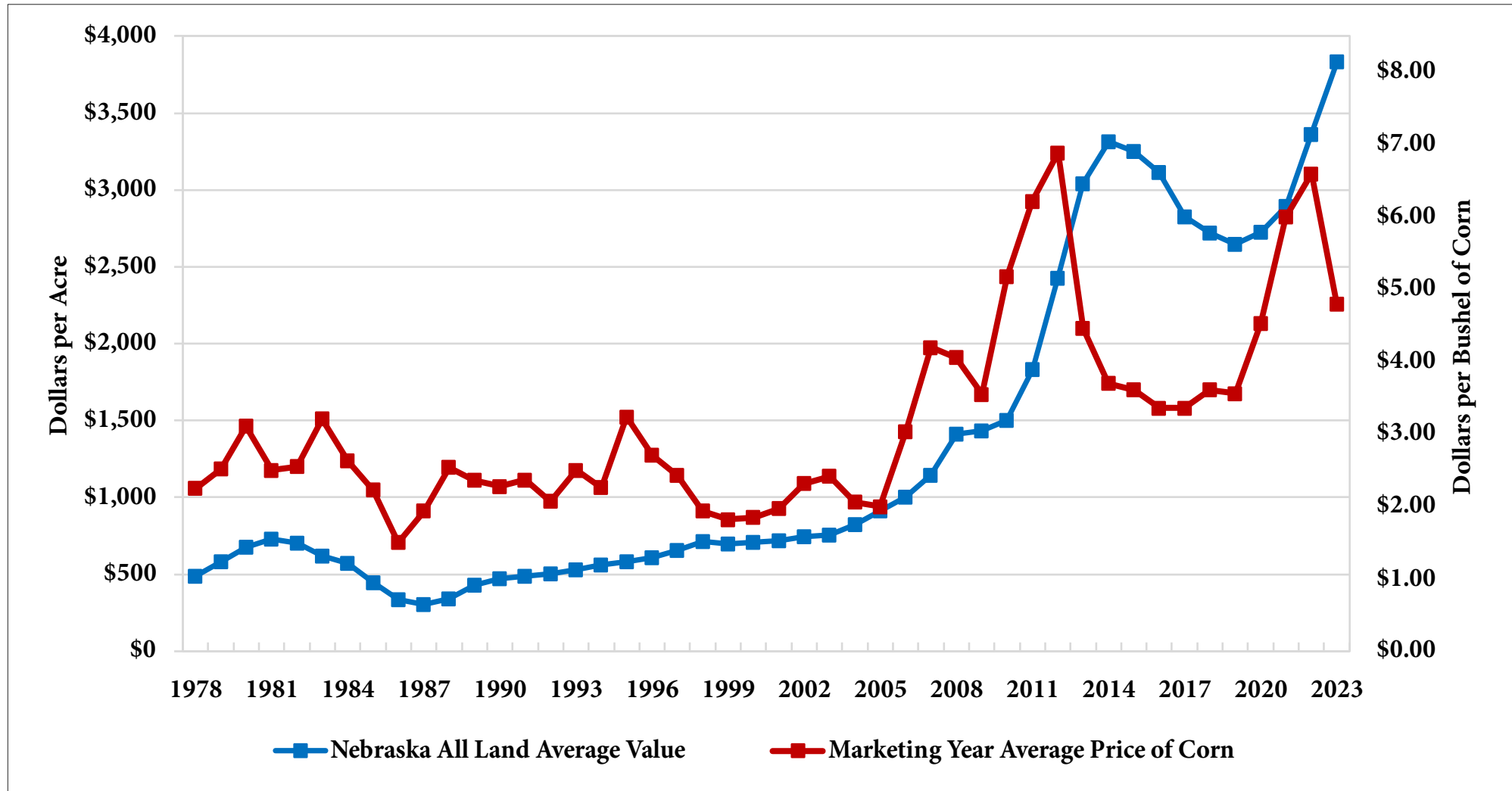


Nebraska Agricultural Average All Land Value – Feb. 1, 2023

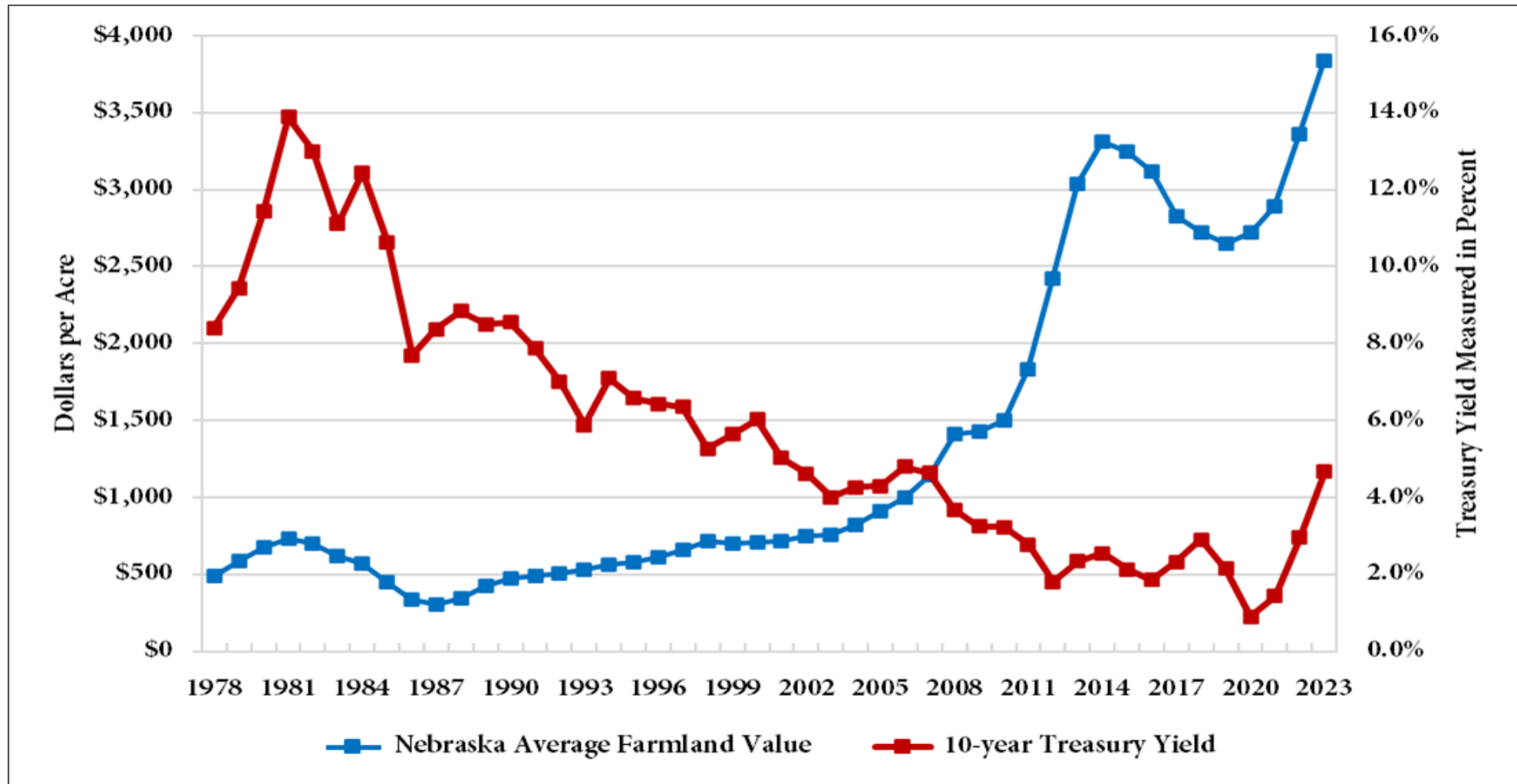


Source: UNL Nebraska Farm Real Estate Market Surveys, 2022 and 2023.

Nebraska Average Land Value and Corn Price, 1978-2023



Nebraska Avg. Land Value & 10-year Treasury Bond Rate, 1978-2023



Refundable Nebraska Income Tax Credit for Property Taxes Paid to Schools

Source: Office of the NE Governor - <https://governor.nebraska.gov/>

- For tax year 2022, the property tax credit rebate on taxes paid to K-12 public schools will grow from 25% to 30%. Nebraska property taxpayers will also be eligible for a new 30% rebate on property taxes paid to community colleges.
- Tax Commissioner Tony Fulton reminded Nebraskans of the need to claim their refundable income tax credit on property taxes. These credits can be claimed retroactively going back three years.
- For information on how to claim the refundable income tax credit, go to revenue.nebraska.gov/about/nebraska-property-tax-credit.

For information purposes only. Seek guidance from a tax professional or the Department of Revenue for specific questions on the tax credit.



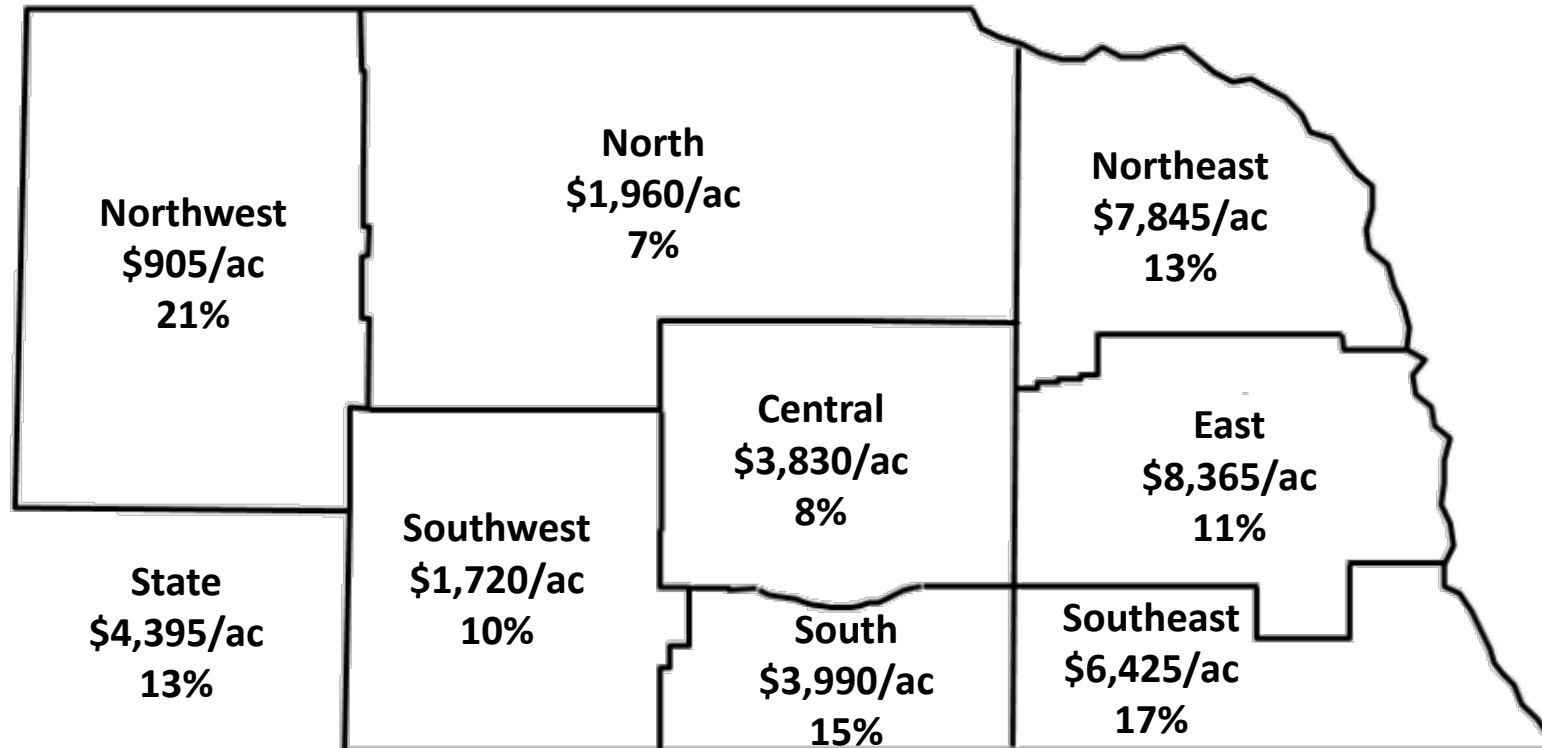
Governor Pillen Signs Historic Tax Cuts Package

Source: Office of the NE Governor - <https://governor.nebraska.gov/>

- Increases the amount of relief granted under the Property Tax Credit Act
- Establishes a 3 percent annual cap on how much school districts can increase property tax requests, with some exceptions
- Eliminates the 5 percent cap on the school district tax credit's allowable growth percentage under the Nebraska Property Tax Incentive Act
- Curtails levying authority and provides state aid to community colleges

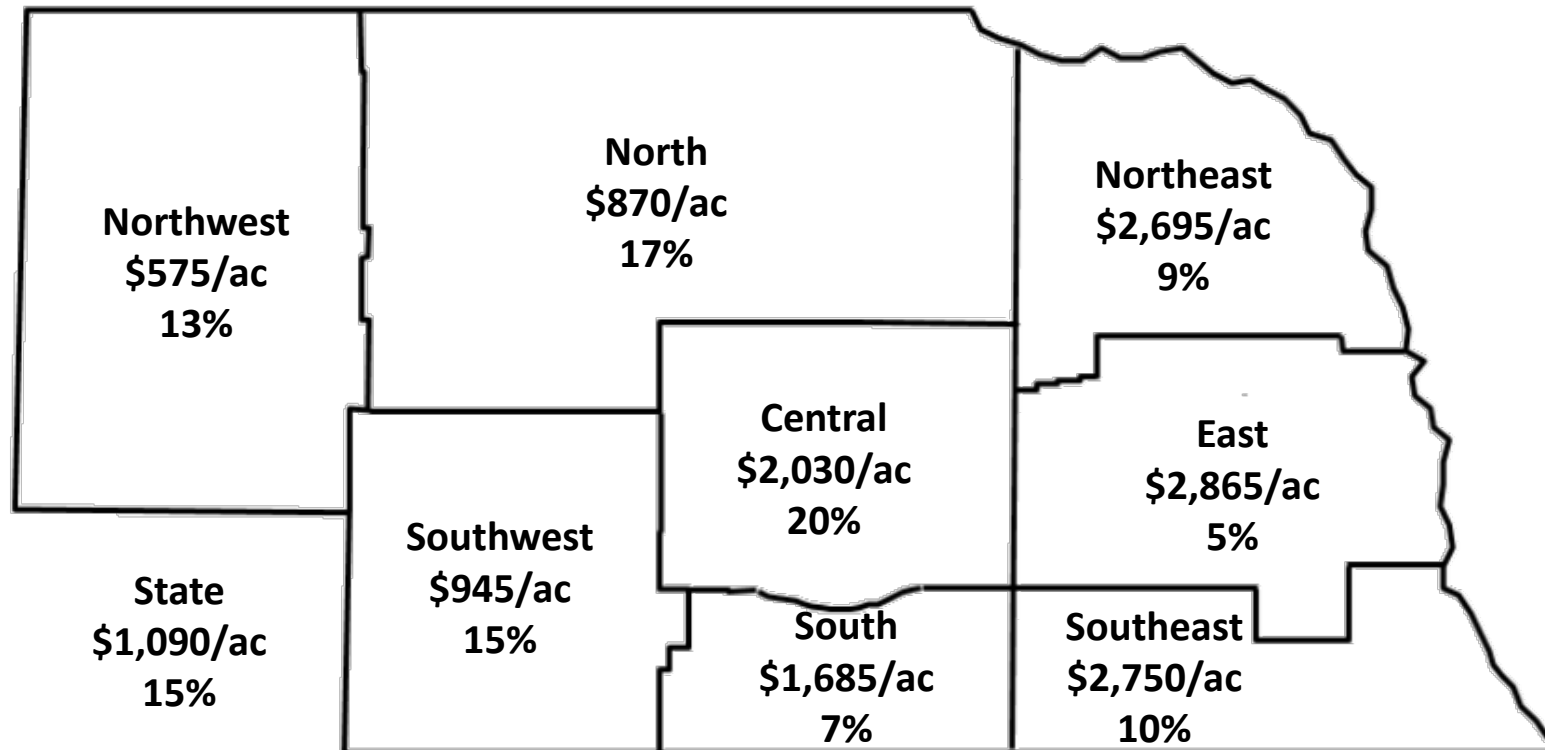


Dryland Cropland (No Irrigation Potential) Average Value – Feb. 1, 2023



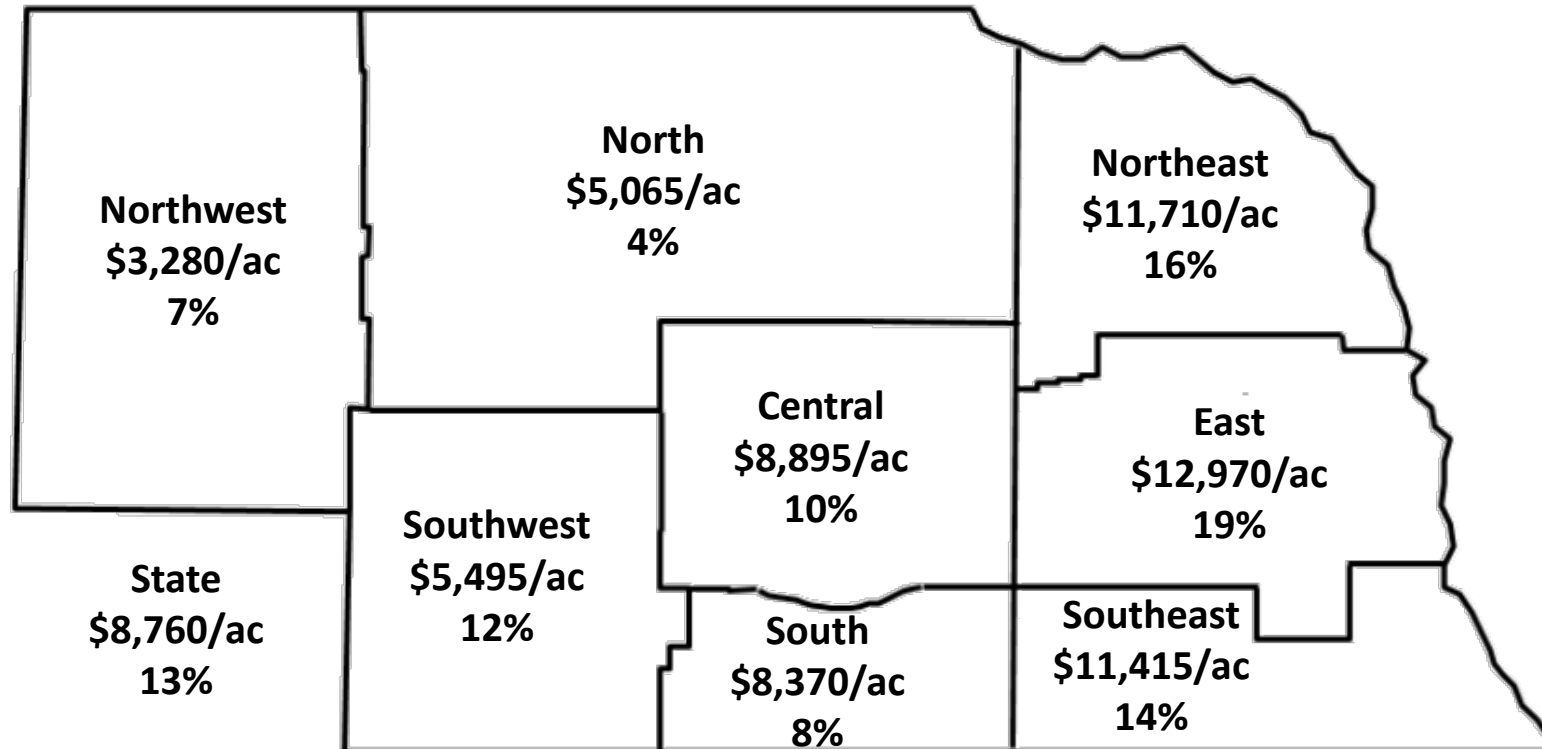
Source: UNL Nebraska Farm Real Estate Market Surveys, 2022 and 2023.

Grazing Land (Nontillable) Average Value – Feb. 1, 2023



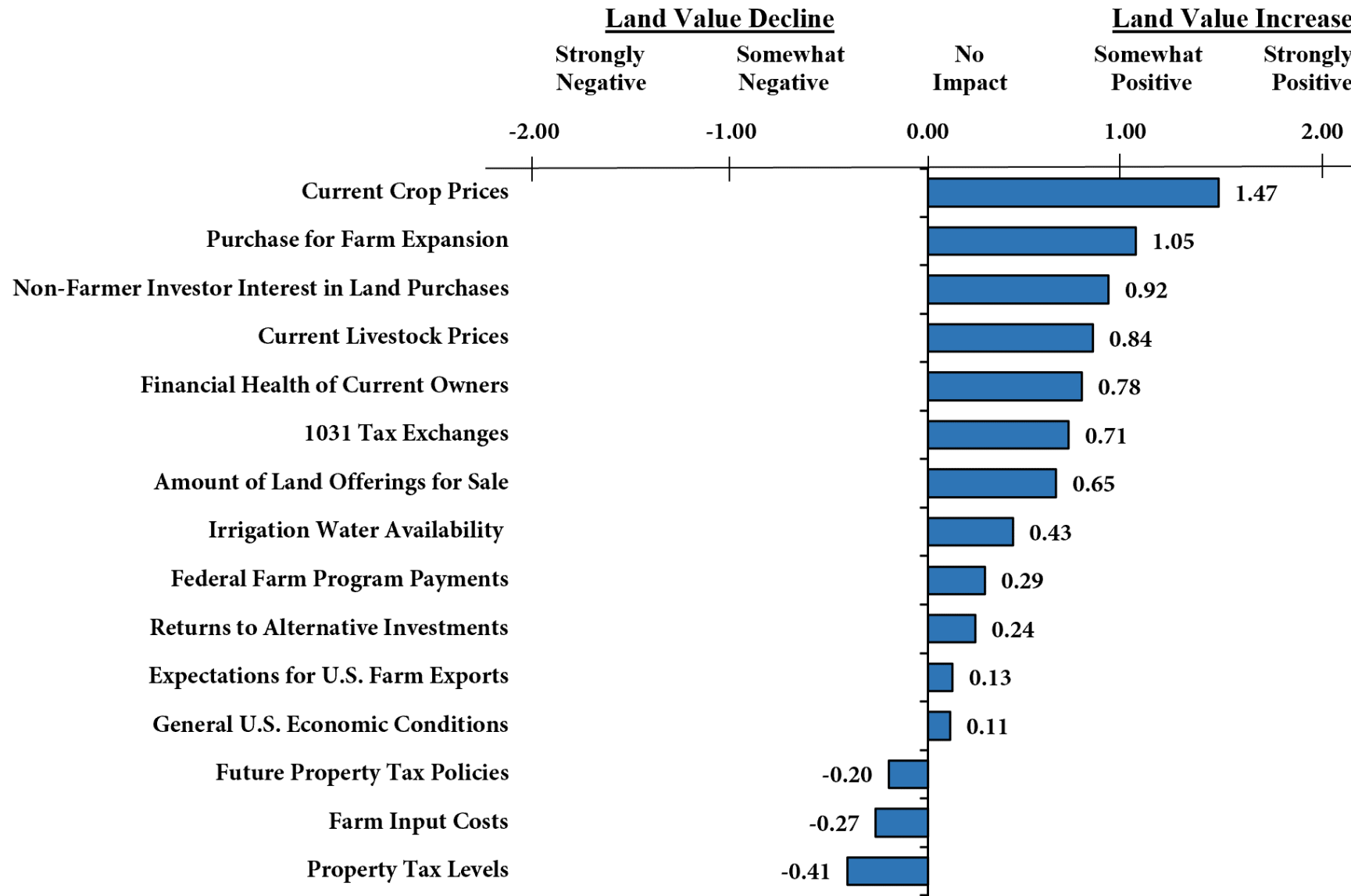
Source: UNL Nebraska Farm Real Estate Market Surveys, 2022 and 2023.

Center Pivot Irrigated Cropland Average Value – Feb. 1, 2023



Source: UNL Nebraska Farm Real Estate Market Surveys, 2022 and 2023.

Rating of Factors Influencing Agricultural Land Values in 2023



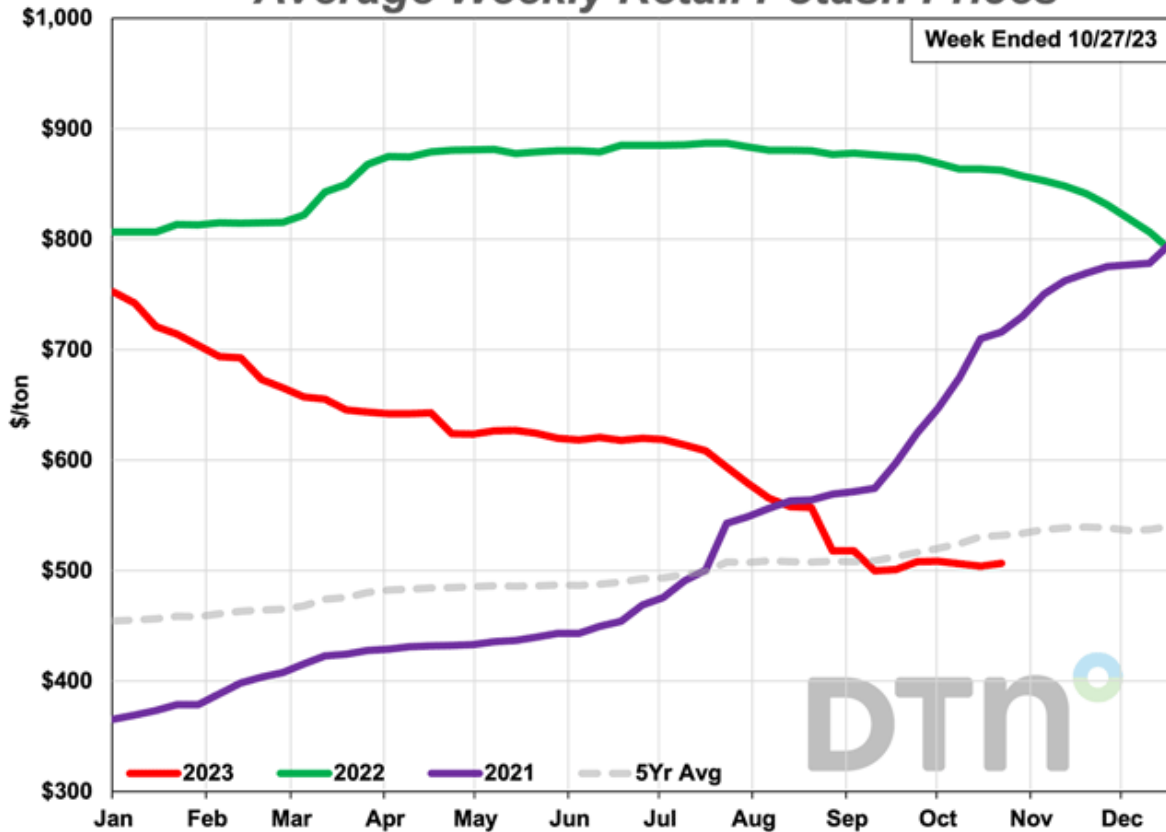
Source: Nebraska Farm Real Estate Market Development Survey, 2023.

DTN Retail Fertilizer Trends

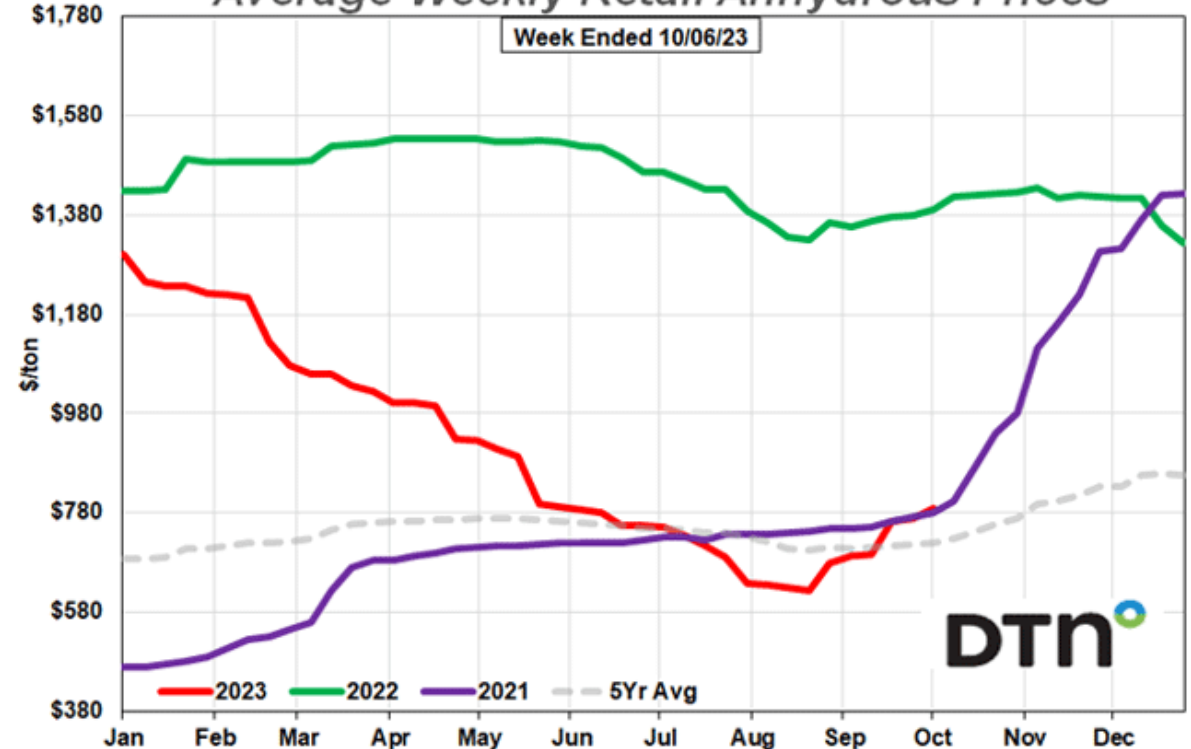
Source: DTN: <https://www.dtnpf.com/agriculture/web/ag/crops/article/2023/11/01/anhydrous-leads-retail-fertilizer>

DTN: <https://www.dtnpf.com/agriculture/web/ag/crops/article/2023/10/11/anhydrous-leads-half-fertilizer>

Average Weekly Retail Potash Prices



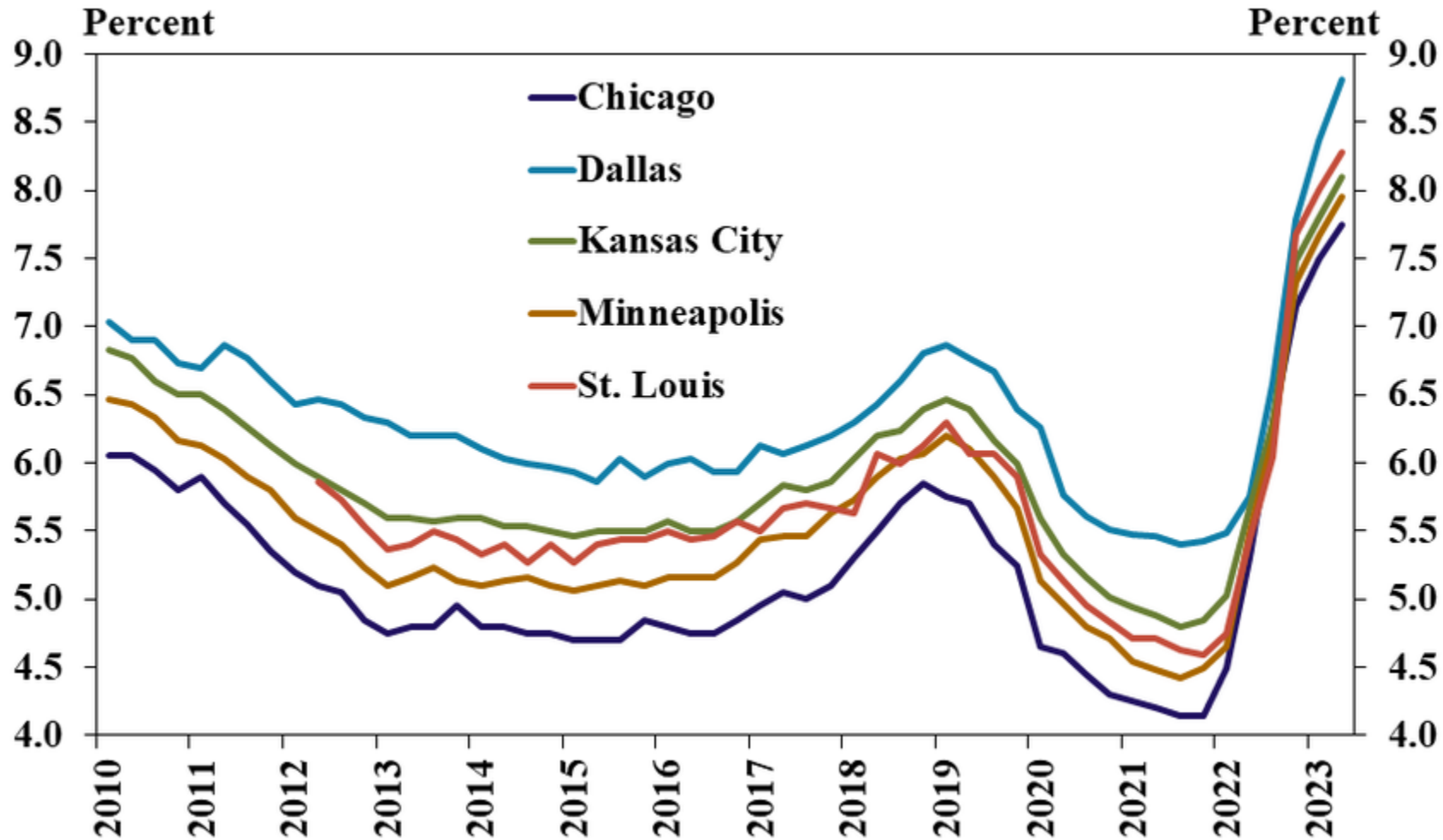
Average Weekly Retail Anhydrous Prices



Source: Russ Quinn-DTN, June 6, 2023 & July 12, 2023.

Average Fixed Interest Rates of All Types

Article: KC FED: <https://www.kansascityfed.org/agriculture/agfinance-updates/farmland-values-stay-resilient-as-farm-economy-moderates/>



Source: Kansas City Federal Reserve, August 17, 2023.

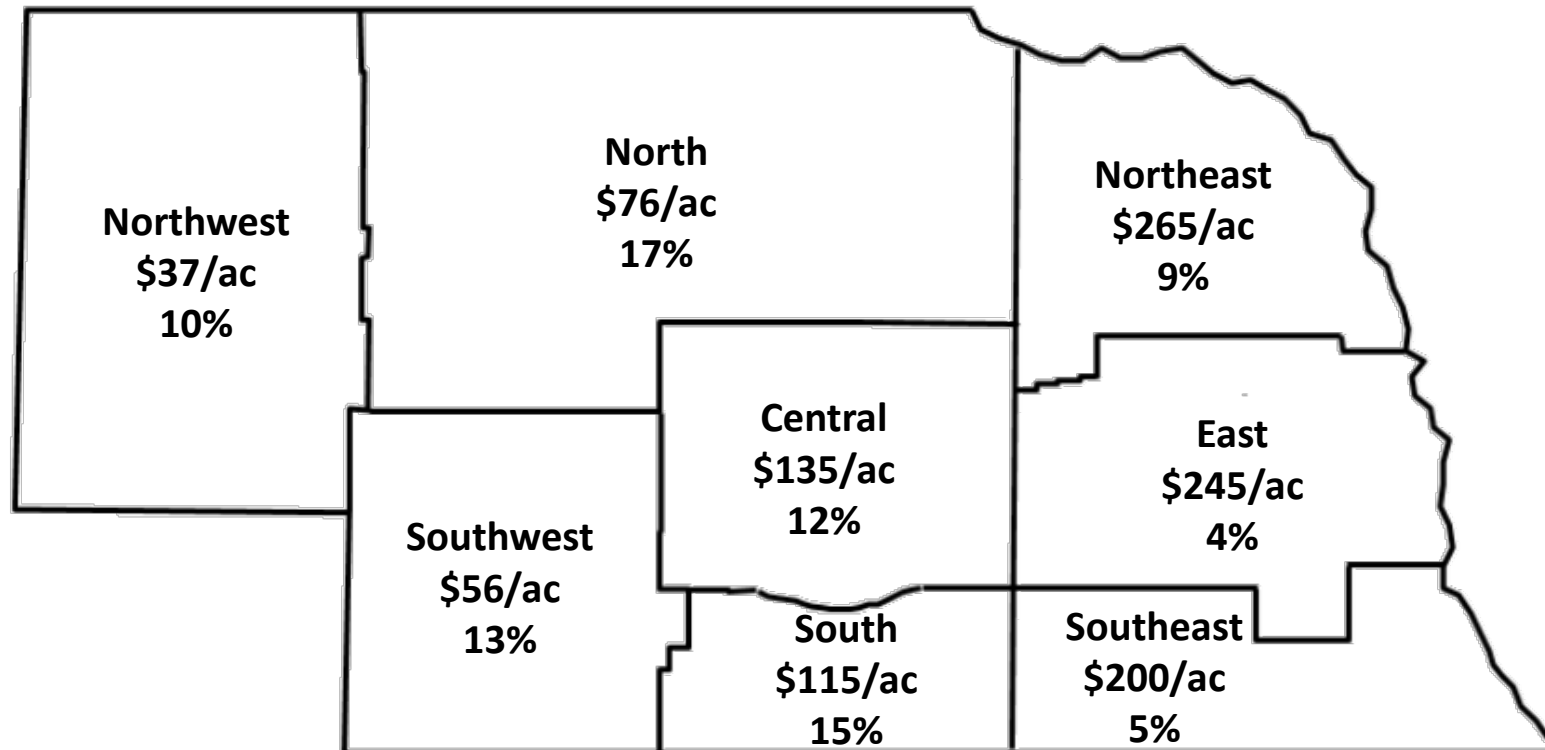
Nebraska Cash Rental Rates

Dryland Cropland

Rental Rates

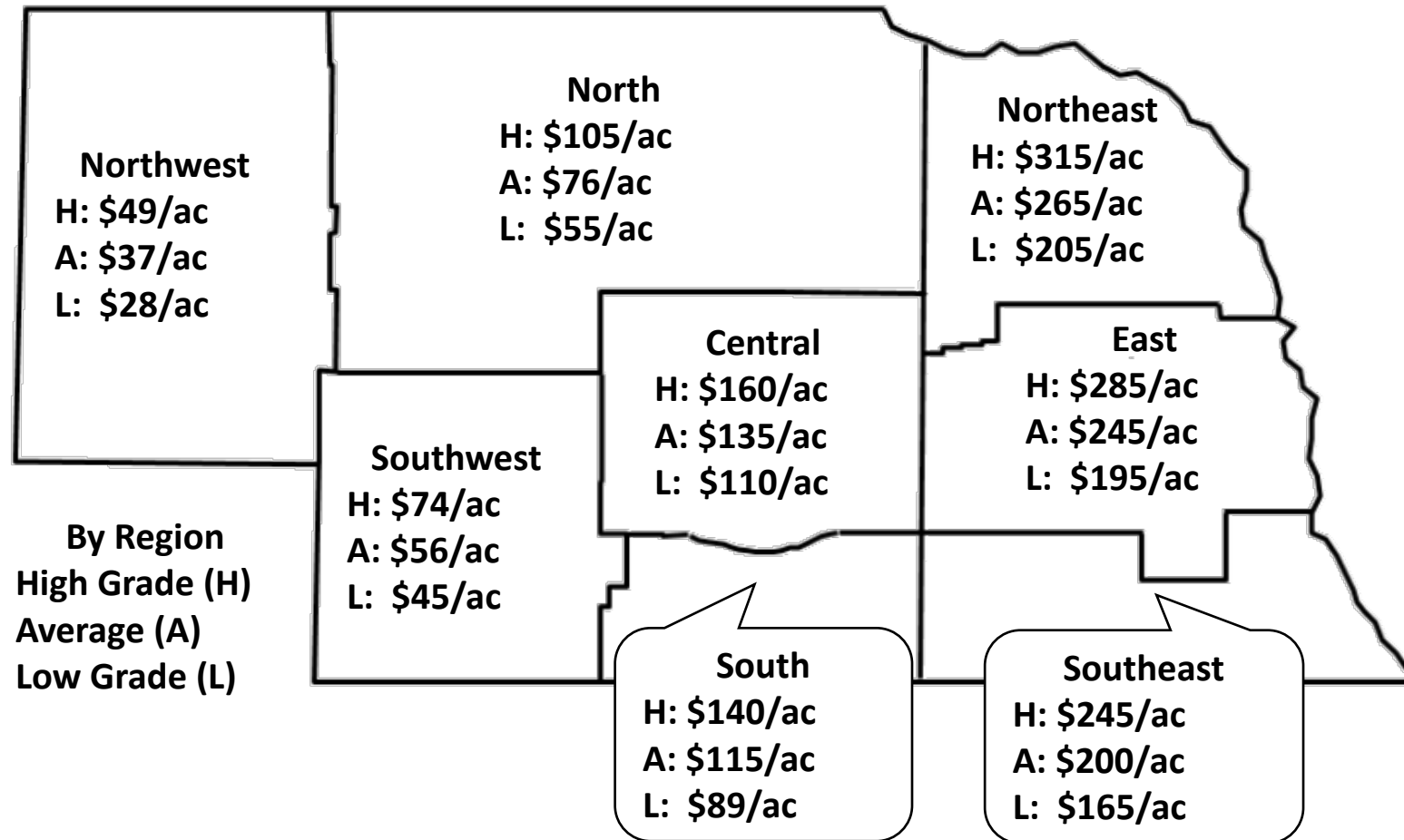


Dryland Cropland Average Rental Rates – 2023 Season



Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Dryland Cropland Rental Rate Ranges – 2023 Season



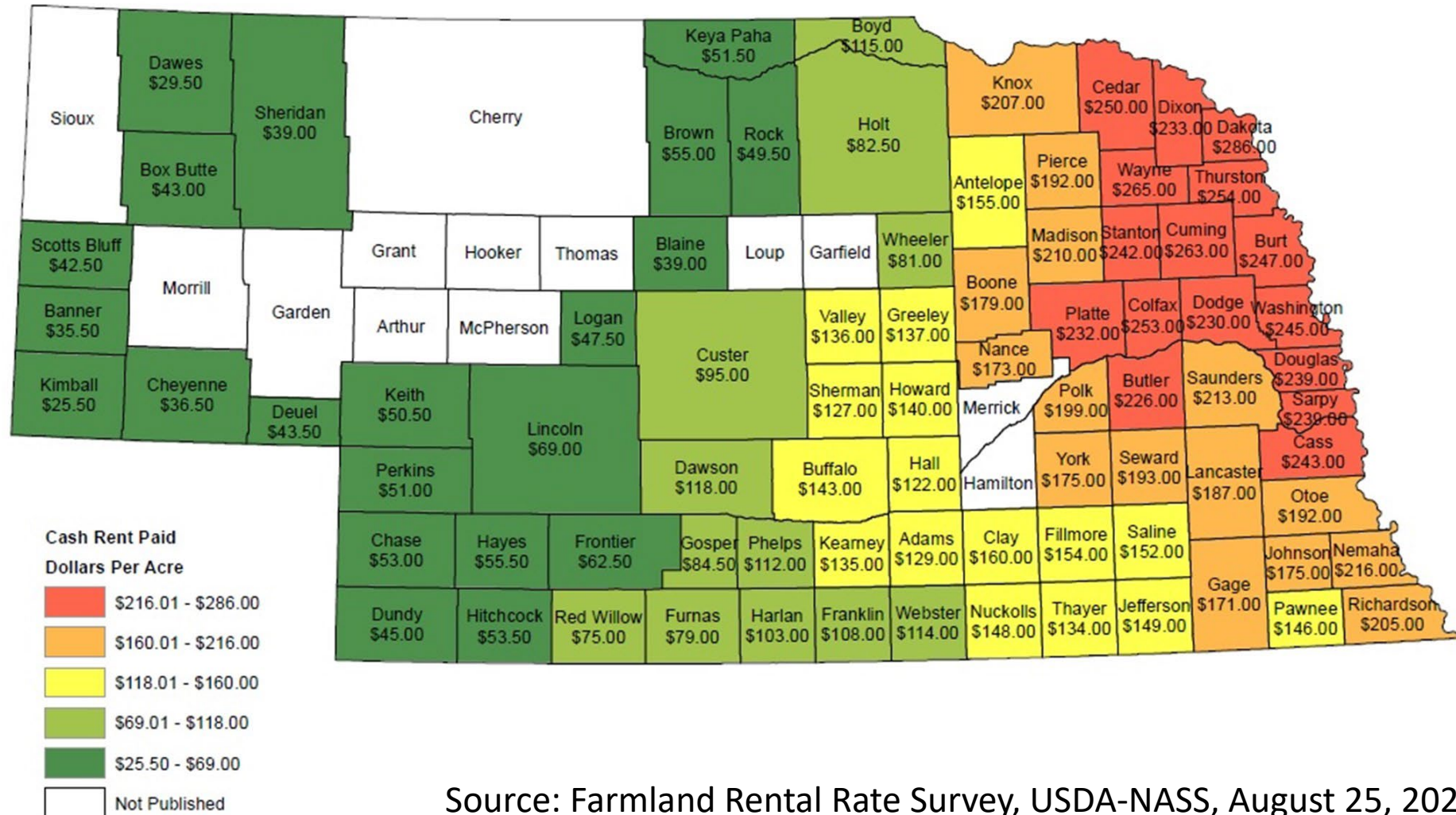
Source: Nebraska Farm Real Estate Market Development Survey, 2023.

USDA-National Agricultural Statistics Service Cash Rent Survey

- Biennial survey conducted by the USDA-National Agricultural Statistics Service (NASS) of farmers and ranchers
 - Survey starts in late-winter and conducted through mid-summer of odd-numbered years (some even-number years as well)
 - Analysis published around the second week of September
- Nebraska county estimates in addition to other resources may be found at:
www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Estimates/



Dryland Cropland Rental Rates – 2023 Season



Source: Farmland Rental Rate Survey, USDA-NASS, August 25, 2023

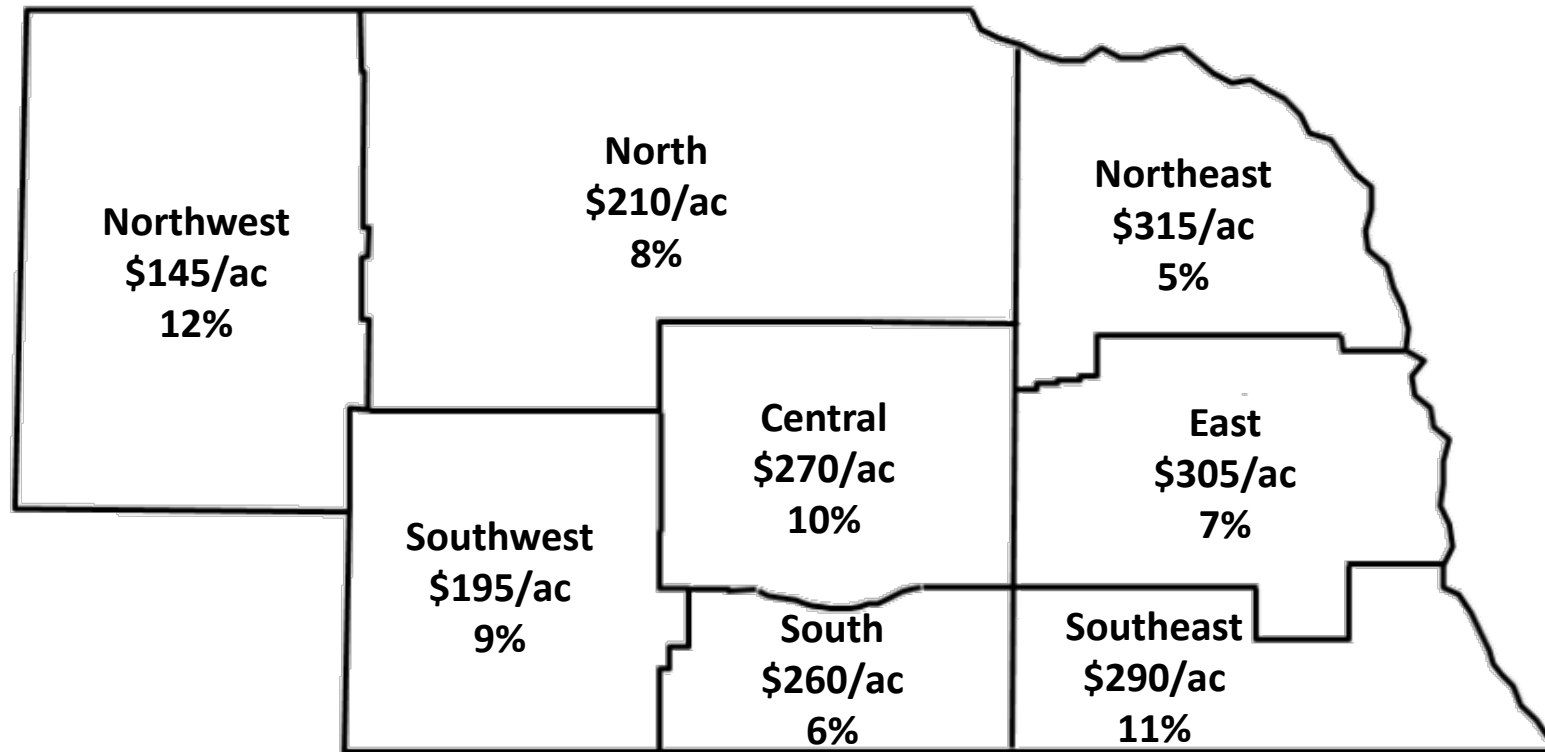
Nebraska Cash Rental Rates

Irrigated Cropland

Rental Rates

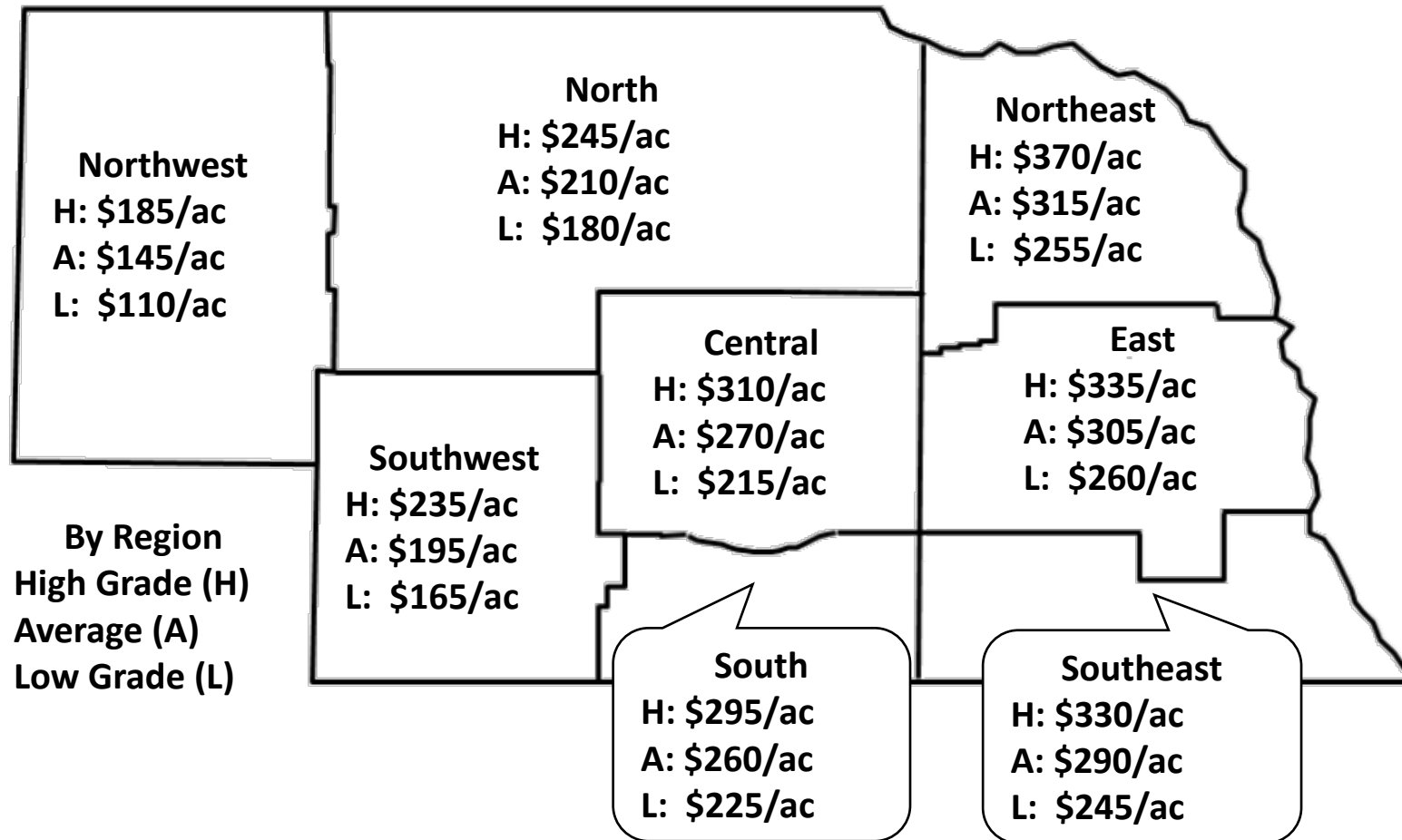


Gravity Irrigated Cropland Average Rental Rates – 2023 Season



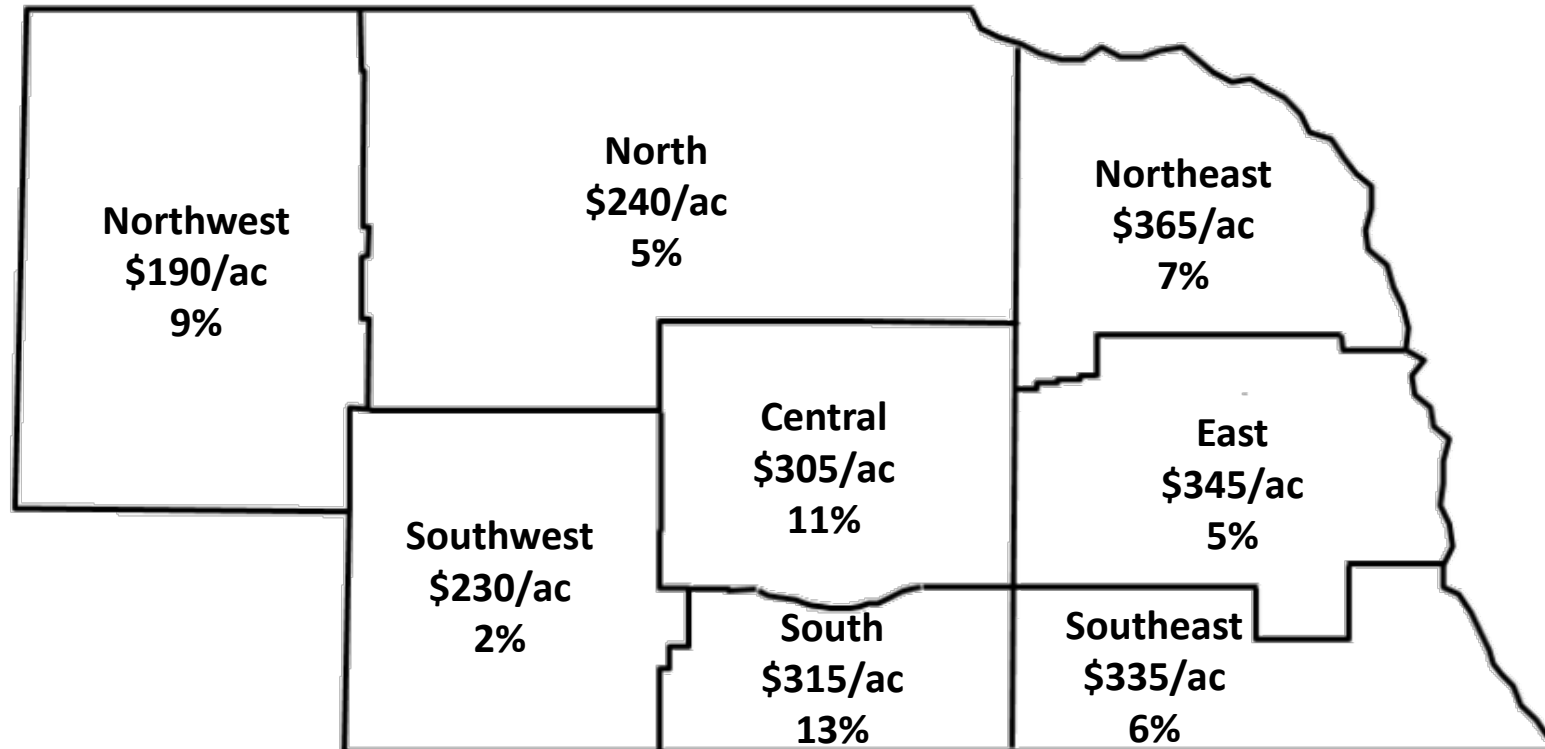
Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Gravity Irrigated Cropland Rental Rate Ranges – 2023 Season



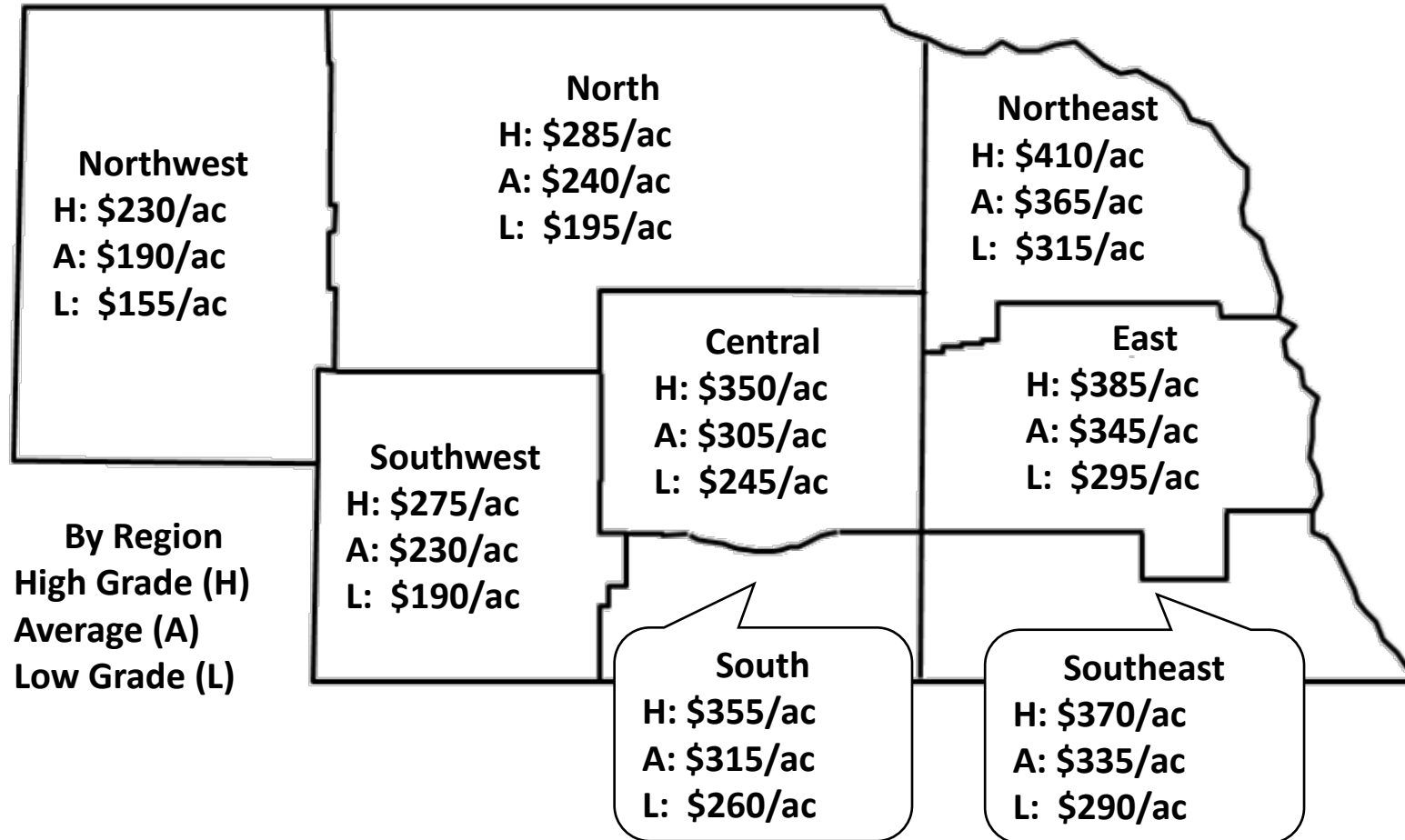
Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Center Pivot Irrigated Cropland Average Rental Rates – 2023 Season



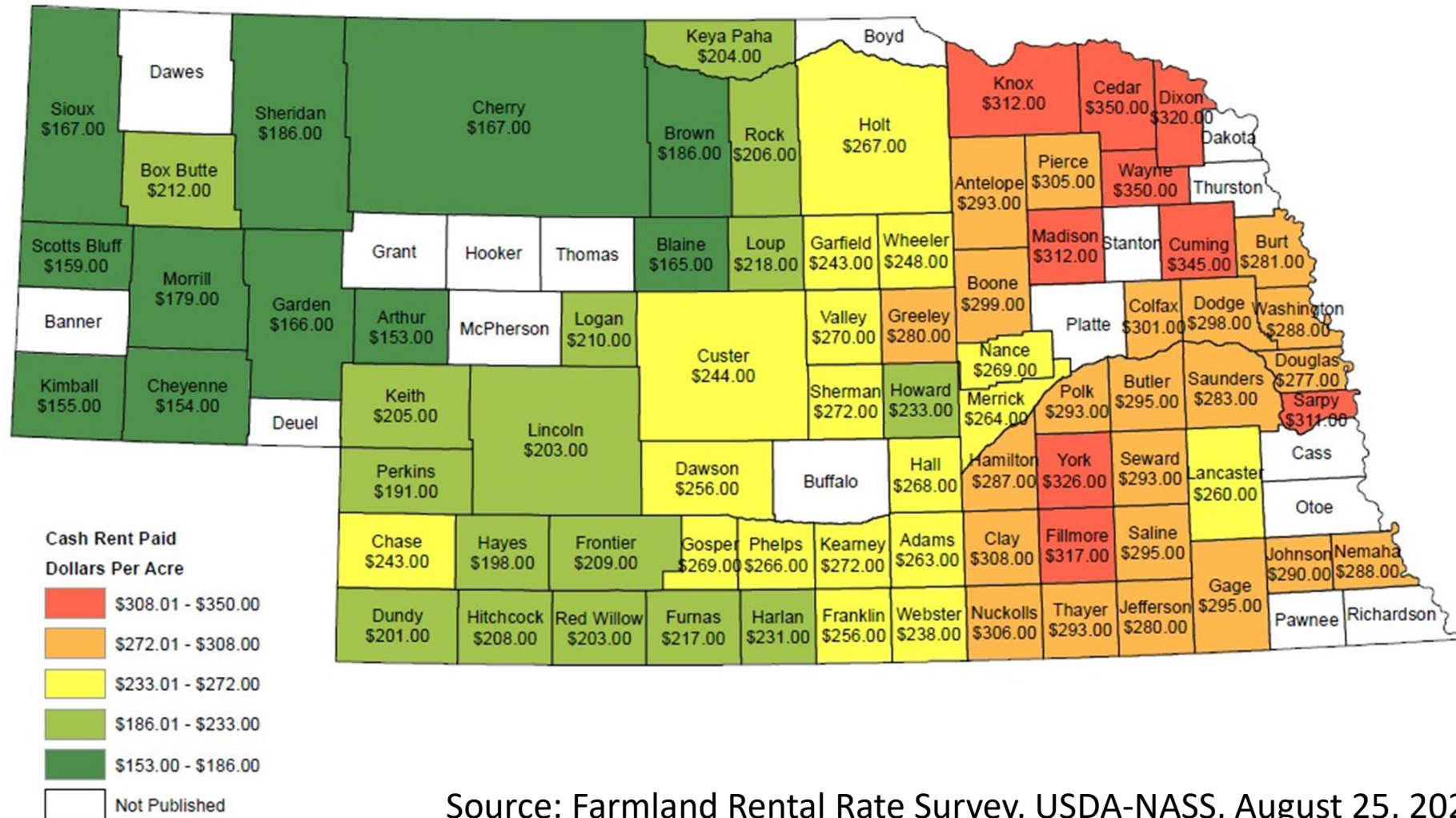
Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Center Pivot Irrigated Cropland Rental Rate Ranges – 2023 Season



Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Irrigated Cropland Rental Rates – 2023 Season



Source: Farmland Rental Rate Survey, USDA-NASS, August 25, 2023

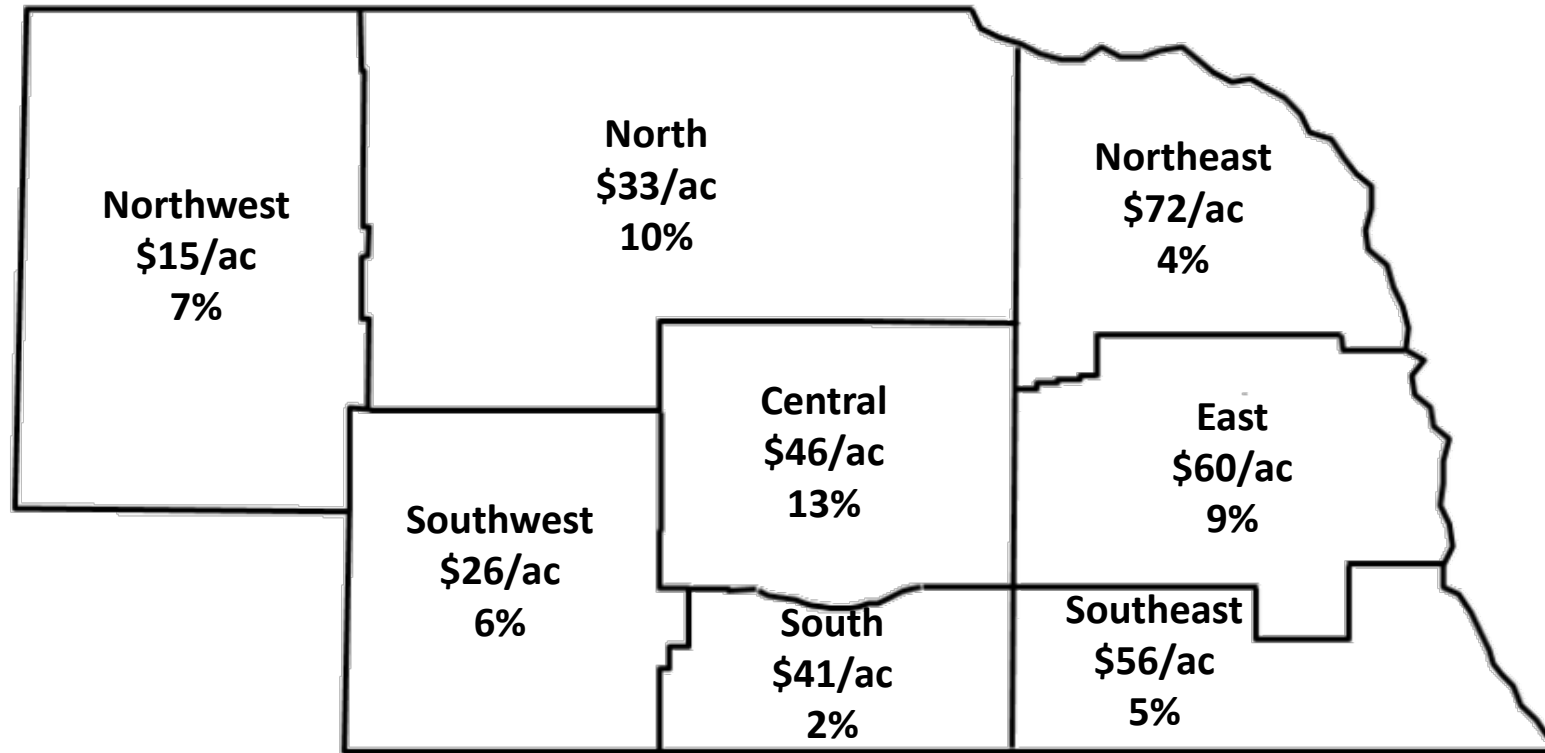
Nebraska Cash Rental Rates

Pasture and Cow-Calf heads

Rental Rates

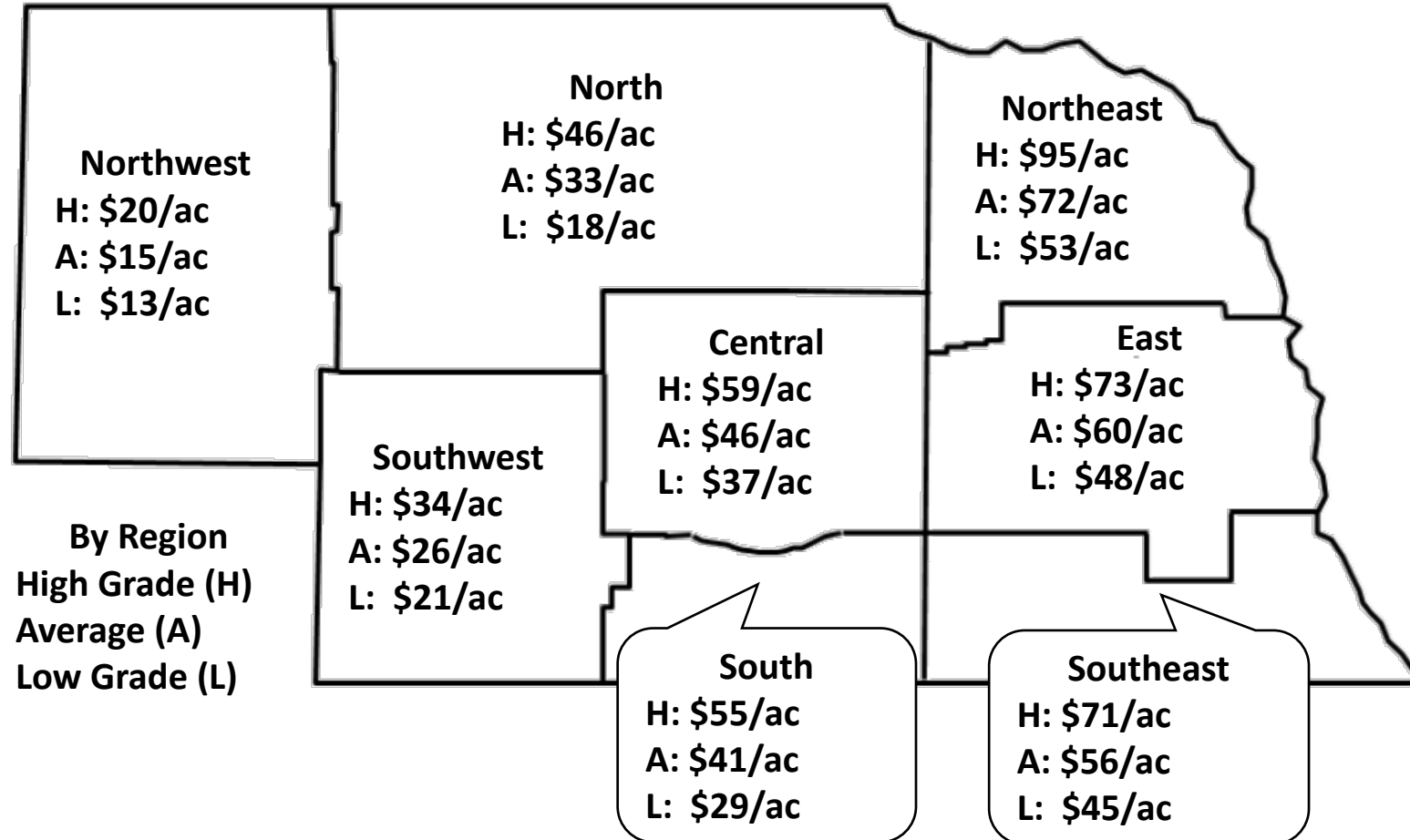


Pasture per Acre Average Rental Rates – 2023 Season



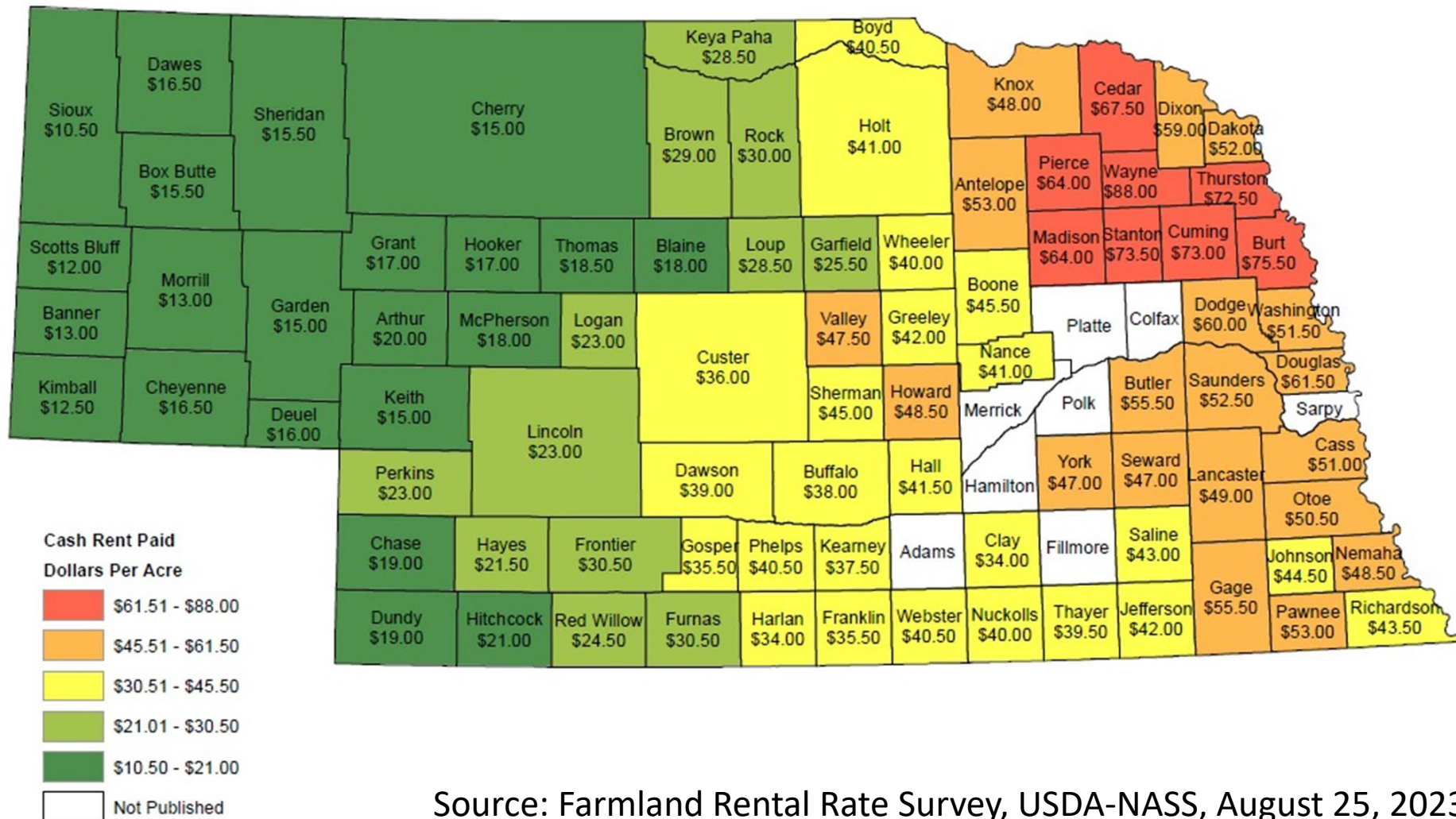
Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Pasture per Acre Rental Rate Ranges – 2023 Season



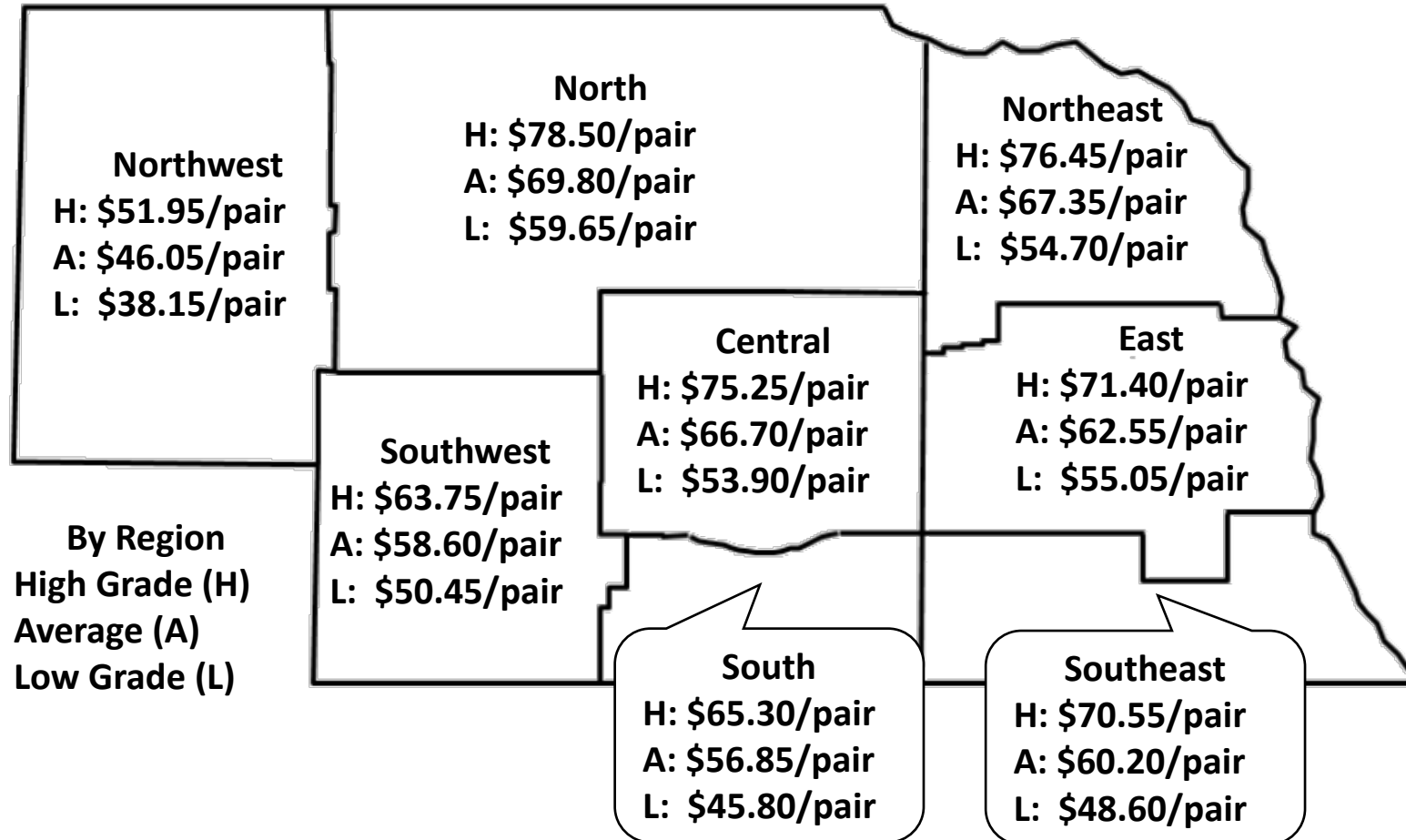
Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Pasture per Acre Rental Rates – 2023 Season



Source: Farmland Rental Rate Survey, USDA-NASS, August 25, 2023

Cow-Calf Pairs Rental Rate Ranges – 2023 Monthly



Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Agricultural Land Leases

Trends in Lease Arrangements for 2024



Methods for Setting Cash Rental Rates

- Methods for estimating a cash rental rate in 2024:
 - Adjusting survey data
 - Cash equivalent from crop share
 - Return on investment

Estimating Cash Rental Rates by Adjusting Survey Data

- Land rental rate survey data:
 - Evaluate available cash rental survey data to establish a baseline in the landlord and tenant negotiation process.
- Average yields:

County	Value	Farm	Value
County Rental Rate	\$190/ac.	County Rent/Bushel	\$1.42/bu.
Corn Yield	<u>134 bu./ac.</u>	APH Yield	<u>x 119 bu./ac.</u>
County Rent/Bushel	\$1.42/bu.	Farm Level Rent	\$168.73/ac.

Cash Equivalent From Crop Share

- Rent paid to landlord by tenant based off owner's share of net returns per acre.
 - Example 50/50 split:

Value	Corn - March 2024	Corn - July 2024	Corn - Nov. 2024
Yield (50% share)	80 bu./ac.	80 bu./ac.	80 bu./ac.
Price/bushel	<u>x \$4.89/bu.</u>	<u>x \$5.05/bu.</u>	<u>x \$5.37/bu.</u>
Income	\$391.20/ac.	\$404.00/ac.	\$429.60/ac.
Owner Expenses*	<u>-\$195.00/ac.</u>	<u>-\$195.00/ac.</u>	<u>-\$195.00/ac.</u>
Net Return to Owner (Effective Rent)	\$196.20/ac.	\$209.00/ac.	\$234.60/ac.

Cash Equivalent From Hay Share

- Rent paid to landlord by tenant based off owner's share of net returns per acre.
 - Example 33/67 & 50/50 split:

Value	33:67 Hayland Share	50:50 Hayland Share
Yield (share)	0.5 ton/ac.	0.75 tons/ac.
Price/ton	<u>x \$180/ton</u>	<u>x \$180/ton</u>
Income	\$89.10/ac.	\$135.00/ac.
Owner Expenses*	<u>-\$0.00/ac.</u>	<u>-\$35.00/ac.</u>
Net Return to Owner (Effective Rent)	\$89.10/ac.	\$100.00/ac.

*In this example, the owner does not pay any expenses for the 33/67 hay share. Also, the owner pays \$35 per acre in fertilizer expense for the 50/50 hay share.

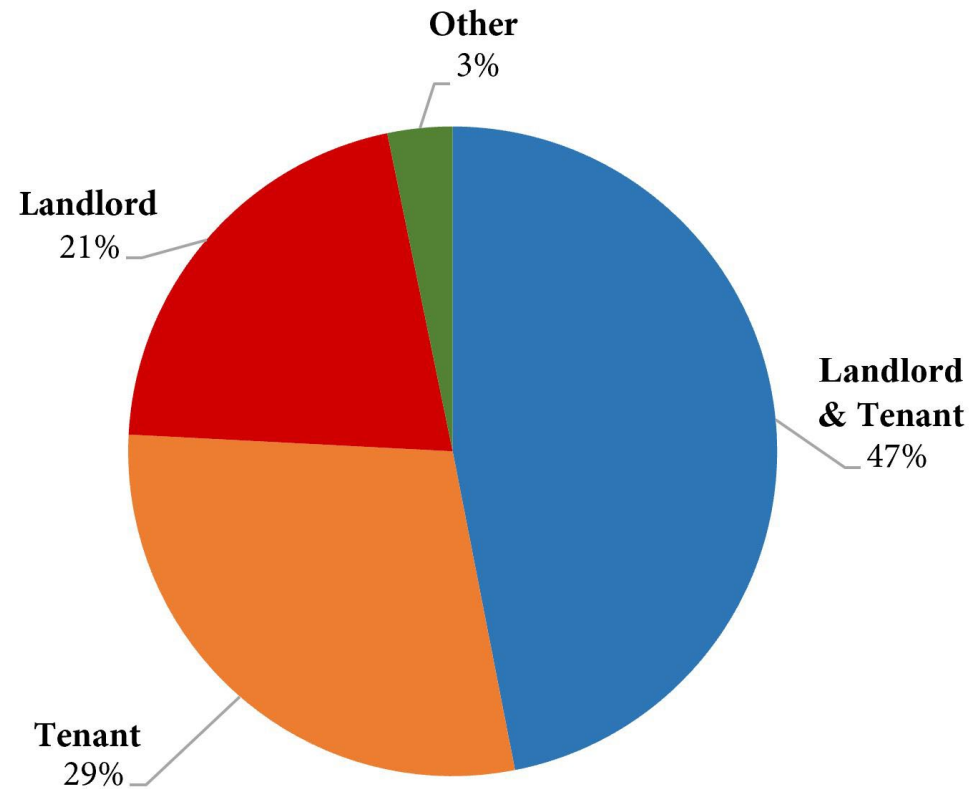
Return on Investment

- Multiply the estimated current market value by the expected rate of return to determine the rental rate per acre.

Farm	Dryland Cropland	Irrigated Cropland
Land Value	\$7,500/ac.	\$11,050/ac.
Rate of Return	<u>x 2.8-3.2%</u>	<u>x 3.1-3.5%</u>
Rental Rate per Acre	\$210-\$240/ac.	\$343-\$387/ac.

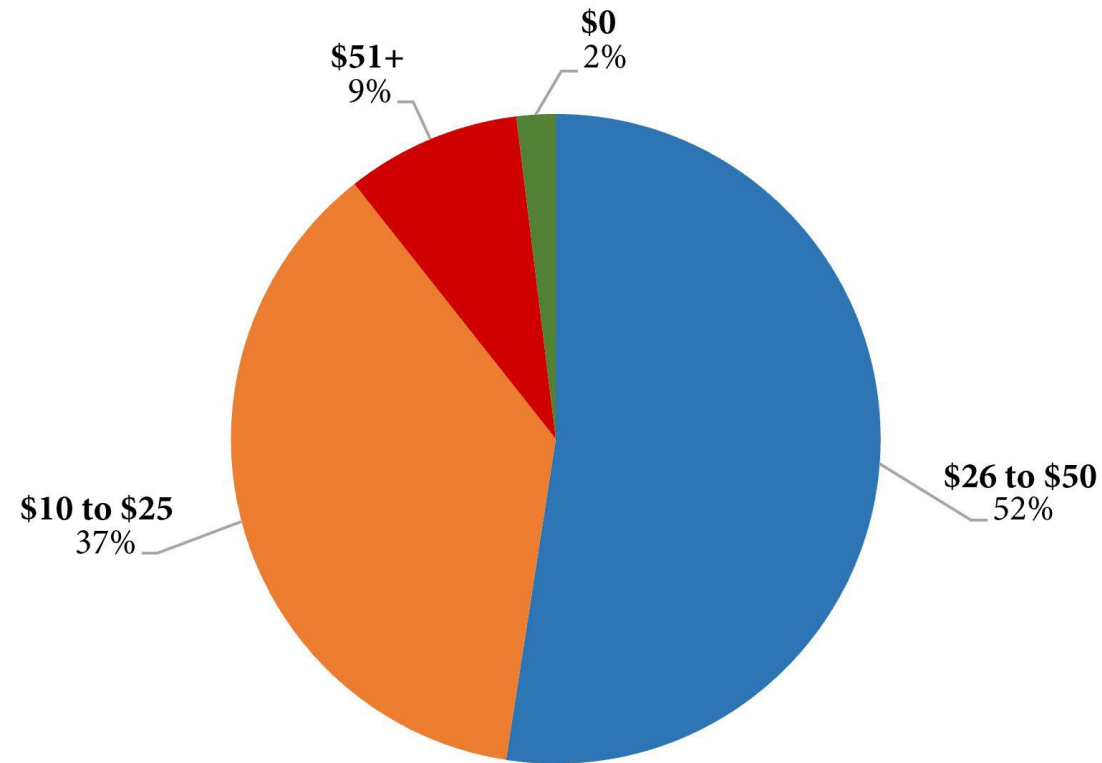
*Estimated net rates of return by land type are available in Table 5 of the Nebraska Farm Real Estate Market Highlights Report 2022-2023.

Entity Responsible for Maintaining Irrigation System as Part of Cash Lease in Nebraska



Source: Nebraska Farm Real Estate Market Development Survey, 2023.

Discount on Cash Rent per Acre When Tenant Owns Pivot for Irrigation System in Nebraska



Source: Nebraska Farm Real Estate Market Development Survey, 2023.

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 -----				
System Type				
Diesel Engine	15	28	45	12
Propane or Natural Gas Engine	21	37	33	9
Electrical Motor	18	31	35	16

Source: Nebraska Farm Real Estate Market Development Survey, 2023.








Fillable PDF Leases – AgLease101.org

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Lease Publications

-  [Fixed and Flexible Cash Rental Arrangements for Your Farm](#)
(NCFMEC-01)
-  [Crop Share Rental Arrangements For Your Farm](#)
(NCFMEC-02)
-  [Pasture Rental Arrangements For Your Farm](#)
(NCFMEC-03)
-  [Rental Agreements For Farm Buildings and Livestock Facilities](#)
(NCFMEC-04)
-  [Purchasing and Leasing Farm Equipment](#)
(NCFMEC-05)
-  [Beef Cow Rental Arrangements For Your Farm](#)
(NCFMEC-06)
-  [Farm Building Rental Rate Survey](#)
(NCFMEC-07)

Lease Forms

-  [Cash Farm Lease](#)
(NCFMEC-01A)
-  [Crop Share Farm Lease Cash Farm Lease Cash Farm Lease](#)
(NCFMEC-02A)
-  [Pasture Lease](#)
(NCFMEC-03A)
-  [Farm Building or Livestock Facility Lease](#)
(NCFMEC-04A)
-  [Farm Machinery Lease for Non-commercial Transactions](#)
(NCFMEC-05A)
-  [Livestock Rental Lease](#)
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Lease Publications

Fillable PDF Forms

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Nebraska Agriculture Land Studies Fund

- **Interested in helping support the Nebraska Farm Real Estate Survey & Report?**
- Please consider donating to help cover future expenses.

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University of NE Foundation

Ph: 800-432-3216

Email: info@nufoundation.org



Upcoming Landlord & Tenant Cash Rent Meetings

<https://cap.unl.edu/land24>

- Current trends in land values and cash rents
- Strategies for successful land transitions
- Lease provisions and legal considerations
- Proper communication between family members



NEBRASKA EXTENSION



SO YOU'VE INHERITED A FARM ... NOW WHAT?

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Upcoming Webinar: *Ag Land Mgt. Quarterly*

Mon. Nov. 20, 2023 at 12:00 PM CT

Topics

- USDA Land Management Highlights
 - 2023 county-level cash rental rate estimates
 - ARC & PLC Farm Program Payments
- Landlord & Tenant Communication
 - Harvest season reports and closing out the lease
 - Considerations for leases in 2024
- Ask an Expert
 - Review of submitted questions and from meeting participants
 - Upcoming land management workshops and publications



Questions?

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