



Nebraska Land Brokers, LLC

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TO: Nebraska Tax Equalization and Review Commissions

My name is Duane McClain, I am the Broker and Owner of Nebraska Land Brokers LLC. My trade area is all of Nebraska west of Highway 281. I specialize in grazing and ranch properties in the Sandhills of Nebraska.

I am testifying on behalf of the Blaine County Assessor in the show cause hearing scheduled for May 3rd 2017. This is my sworn affidavit for my testimony.

My testimony for the Blaine County show cause hearing is going to be exactly the same as my testimony for the Lincoln County show cause hearing that was held on Monday May 1, 2017. The value of Sandhill land and the productivity of Sandhill land does not recognize County lines. The only difference in the productivity is the further east you go in the Sandhills the more rainfall you see and productivity rises slightly. For Blaine County, it is my opinion that the value of the Blaine County 4G grassland is very similar to that in northwestern Custer County, southern Brown County, western Loup County and eastern Thomas County and to say that the value of Blaine County land is higher than those surrounding counties is an unfair statement to that County.

TERC is asking for a raise in the valuation that reflects a bounce in the market from early 2014 to very early 2016 an approximate 24-month period. Current sales indicate a decrease of 40%-50% from the highs set in that period. It is my opinion that if you raise the valuation of the land in Blaine County to the projected dollar amount, you must be prepared to lower the valuation next year by 40% because of the change of the market when you drop off the 2014 values which were artificially set and replace them with the 2017 market that is realistic and indicates that the demand for grassland has severely dropped.

To put the burden upon the county assessor to raise the valuations to a level that would indicate a real value of land that is \$150 to \$250 more than what the land could actually bring on the open market is going to create a budget problem for the local entities for the next few years to come. The County Assessor is a locally elected official and they are all doing their level best to look after the County that elected them.



It is my opinion that the events of the drought between 2010 and 2013 was the start of a string of events that developed an artificial market high to the region of the Sandhills of Nebraska. The drought caused a reduction in cattle herds owned by the producers in the Sandhills and for that matter Nationwide in the areas that was affected by the long-term drought. This in turn caused a very high cattle market because of the lack of number of cattle on the market. Never before seen calf prices reaching \$1,300 ahead in 2014 and up to \$1,800 a head in 2015 were realized by the producers. In 2014 producers also received "grazing payments" from the drought assistance program that were provided by the Federal Government.

This influx of cash into producers hands created a momentum, Producers had more money than they had ever seen before and depending on the guidance the received from lenders and accountants they spend it on machinery, livestock, buildings and land when possible. The extra cash allowed them to sell less desirable land that they owned and used the extra cash to buy better land or land closer to their operations when available. Blaine County just happened to be a County with much of that trade happening. That trade and demand does not exist in the current market. There are properties on the market today listed for the old values and there are no Buyers for them.

Move ahead to October 2016, calf prices have dropped 50% for the most part and producers have break evens at or above of what cattle are selling for. The cash is gone, thus the demand for land is gone and a new market has been set and land prices have been seen to be 40% to 60% less than what they were in the 2014 and 2015 boom.

It is my opinion that the 2014 and 2015 event which created the high land market is something that is an anomaly and could possibly never be seen again in the near future. Producers have less cash, the market has dropped, the demand for ground is dropped and the ability to buy as dropped.

4G grassland in Blaine County takes 12 acres per cow/calf for a summer grazing season. If the valuation is raised to the projected level, real estate taxes would possibly reach \$6.75 an acre. That equates to \$81 in taxes alone, the market rental rate in Blaine County is \$60 to \$75 per cow/calf unit, raising the taxes to \$6.75 will guarantee a loss to the landowner that is renting their grass for an income opportunity, not to mention the \$4,320 tax liability for a section of sandhill pasture.

Duly Sworn To,



Duane McClain
Broker/Owner

5/2/17