Stalcup Ag Service

Today's LAND OWNER

Fall 2023 Volume XLVI No 3

Crop Progress Report

Nathan Deters, AFM

Another growing season is rapidly coming to a close. As of this writing in early November, 85% of soybean harvest is complete and 71% of the corn nationally. Locally, over 90% of the soybeans were harvested by the second week of October, which is well ahead of normal, and a good start was made on corn as well. Approximately 85% of the local corn has been harvested at this time, which is ahead of average.

Yields this year can be summed up as variable, but in many cases better than expected. We knew going into harvest the haves and have-nots on summer rainfall and generally drier areas were down on both corn and soybean yields. The areas that received good early August rains have done better than we would have guessed given the dry and sometimes hot end to the growing season.

Why the good results? We think improving seed genetics, attention to detail in fertility and use of crop protection products all play a part in keeping a healthy plant that was able to withstand some less than ideal conditions this year. It still takes rain to make good crops, but our bottom end seems to work higher over time.

Nationwide, the latest USDA crop estimates are for 173 bu/acre on corn and 49.6 bu/acre on soybeans. Those are virtually identical yields to last year, and below trend line on both crops. Grain prices, however, are $2.00/bu lower on corn and $.80/bu lower on soybeans compared to last year at this time.

Why the lower prices, especially on corn? Supply and demand. Corn acres were up substantially this year to one of the highest levels of the ethanol era. On top of this, export demand has faltered, particularly to China. Brazil raised a huge crop of both corn and soybeans this year and has become an increasingly strong export competitor. They have comfortably exceeded U.S. soybean exports for a number of years and now projections are for them to push ahead of us in corn exports as well, although perhaps not on a consistent basis. The bulk of Brazilian corn production is from their Safrinha, or second crop, after soybeans. The acres of the crop planted each year is highly dependent on weather and economics and will vary. At this time it looks like acres will be lower, which should provide some support for our corn price. Carryover of this year's corn crop will still likely be over 2 billion bushels at the end of the marketing year, and historically ending stocks this large will put a cap on prices. Any rallies will be selling opportunities in corn.

Soybean economics look brighter in comparison. Carryover will be tight at around 200 million bushels, which is near minimum or pipeline supplies without demand rationing. Any perceived problem with the South American crop being planted now should quickly be bid into improved prices. While we struggle on the export side, domestic use is growing. Last month, for the first time, use of bean oil for fuel was larger than the traditional Food, Feed and Industrial category. More processing is coming on line for this product. With the focus on sustainable energy we should be able to replace some whole bean export demand with higher valued soybean meal as an offshoot of the crushing of soybeans for oil.

An Early Peek at 2024

How does next year look from this admittedly long range? A couple of positives stand out. First, input costs. After shooting to record levels last fall and winter, fertilizer prices for fall 2023 application dropped significantly this summer. We have been able to lock in

continued on page 4

Stalcup Ag Service

Today's LAND OWNER

Stalcup Ag Service, located in Storm Lake, Iowa is an employee-owned partnership that has prospered by serving farm management, real estate, and appraisal needs of Northwest Iowa farm owners since 1942.

The Stalcup Team

Kent Smith, AFM
Dennis Reyman, AFM, ARA
Nathan Deters, AFM
Chad Husman, AFM
Travis Nissen, ARA
Grant Aschinger, AFM
Dan Niemeier, AFM
Luke Pearson, AFM

Contact Us

Stalcup Ag Service, Inc.
1705 N Lake Ave
Storm Lake, IA 50588
Phone: (712) 732-4811
Fax: (712) 732-7371

stalcupag.com
stalcup@stalcupag.com

What's the purpose of CRP?

Chad Husman, AFM

Most farms that we work with have a mix of cropland and non-cropland acres. The non-cropland acres usually have features like creeks, wetlands, waterways, building sites, steep terrain, trees, or pasture which make those areas impractical to farm. A land category kind of in-between are the acres enrolled in CRP (Conservation Reserve Program). CRP acres are still considered cropland, but they are not planted to crops during the contract. These acres can be farmed again after the contract ends. Typically, CRP contracts run for 10 or 15 years. We get a lot of questions each year about the many aspects of CRP. This article will provide an overview of CRP and some thoughts on how to use it.

The CRP program is administered by the Farm Service Agency (FSA), a branch under the USDA. Landowners sign a contract agreeing to plant a specific seed mix in exchange for a yearly rental payment. The goal or public benefit of this program includes improving water quality, reducing soil erosion, and adding wildlife habitat. This is a voluntary program on private land; it's very popular on marginal farmland and sensitive areas especially near water or wetlands.

When CRP started in 1985, it was in part intended to reduce the surplus supply of the major crops during the farm crisis. The idea of the U.S. Government encouraging conservation acres with programs to control production goes back to the 1930's when acreage allotments were used during the Great Depression. The Soil Bank program was created in the 1950's during a time of large surplus. The use of these programs over the years rises and falls based on commodity prices and the overall farm economy. According to the USDA, the modern CRP program peaked in 2007 at 37 million acres. Currently there are 23 million acres enrolled in CRP nationally and about 1.7 million acres in Iowa.

There are several downsides to CRP to be aware of. The contract length of 10 to 15 years is a long time to lock up productive farmland. The rental rate may be attractive initially, but after 10 or more years it likely won't be as competitive toward the end. Large tracts of CRP acres reduce local economic activity, considering all the dollars spent on inputs, equipment, and labor to grow a crop. Acres need to have "cropping history" to qualify for CRP, so you can't enroll acres that are already not farmed. Weed control is a real challenge, especially with seed mixes containing wildflowers and forbs. It's nearly impossible to eradicate a heavy patch of Canada thistle without killing all the non-grass species and reseeding it. Tree control is a big challenge also especially toward the end of a contract. A mid-contract management activity is required. The most common is a controlled burn, which is also a big challenge on some farms. The CRP is inspected by NRCS staff, and penalties may be assessed if a CRP stand fails to meet the requirements. The amount of paperwork and recordkeeping

continued on page 4

Today's Land Market

Dennis Reyman, AFM, ARA

2023's land market has rounded third and is heading for home. The 3rd quarter is in the books and we're into the 4th quarter, which typically has the highest sale volume.

Our summary of sales in the 3rd quarter showed some weakness in mid to lower-quality farms while high-quality tracts showed mostly steady values. Each sale has its own story, of course, which may not fit the overall trend. We expect the general trend to continue as lower grain prices and higher interest rates make buyers a little selective in deploying capital.

Sale volume in the 3rd quarter was less than Q3 of 2021 or 2022, but considerably stronger than prior years. We note that the highest prices (both $/acre and $/CSR) occurred in the 2nd quarter of 2022.

Surveys

The most recent edition of the Realtors Land Institute semi-annual survey of broker's opinions placed our trade territory at down 1-3% depending on region. This follows a decline of around 1% the prior six months. This basically amounts to the difference of a few bids at a public auction.

The Chicago Fed Ag Letter shows similar results with western and central Iowa at -2% for the 2nd quarter and steady to -1% for the prior year. That is a survey of banker's opinions.

Previous Bull Runs and Pullbacks

After an exceptionally strong run-up from late 2020 to mid-2022, it is no doubt beneficial for the long-term health of the ag economy that land values take a pause.

From 2017 through Q3 2020, our database of highly tillable land sales showed an average of $8,850 with less than 4% variance over those 15 quarters. We then experienced seven quarters of skyrocketing land values, followed by now five quarters of steady to softer values.

A look back at the 1970's shows a bull run lasting from late 1972 to late 1979 – a run of 30 quarters. That was followed by a collapse of land values which lasted most of 20 quarters in the early to mid-1980's.

Another bull run in land values began with the ethanol era in late 2006. That was interrupted by the global financial collapse in late 2008 and early 2009, but resumed by mid-2010 through 2012. During that time frame, 20 of 25 quarters posted sizable gains in land values. That was followed by a stretch of steady to softer values in 20 of 30 quarters.

With this perspective, our recent bull run of seven quarters followed by five steady to softer quarters fits well.

Following are two tables of selected sales of "good" farmland in South Dakota and Iowa which have sold recently in the region. Stalcup-brokered sales are in bold and highlighted in green.

Selected Sales of Good Farmland- Iowa

Date	Acres	% Tillable	County	$/Acre	CSR2
October	**160.00**	**81%**	**O'Brien**	**Sale Pending**	**94.3**
October	**90.26**	**99%**	**Sac**	**$12,225**	**81.1**
October	**80.00**	**97%**	**Plymouth**	**$15,100**	**82.6**
October	89.90	98%	Osceola	$19,700	98.0
October	**155.57**	**89%**	**Wright**	**$12,600**	**86.5**
October	184.49	96%	Cherokee	$16,500	91.0
September	60.00	93%	Greene	$15,900	86.5
September	150.81	98%	Palo Alto	$17,500	87.5
September	71.00	99%	Kossuth	$17,200	85.2
September	79.52	97%	Clay	$13,800	81.6
September	156.11	98%	Wright	$11,200	77.2
September	118.00	98%	Humboldt	$13,200	83.1
September	76.14	88%	Monona	$11,800	60.7
September	156.00	100%	Webster	$17,000	84.6
September	143.87	98%	Sioux	$20,450	92.0
August	69.95	96%	Sioux	$15,600	92.4
August	87.00	98%	Humboldt	$14,750	86.1
August	78.79	100%	Sac	$18,500	90.1
August	71.13	100%	Pocahontas	$13,100	85.3
August	117.00	98%	Palo Alto	$14,700	85.2
August	150.73	93%	Dickinson	$16,800	88.3
August	152.00	98%	Ida	$16,800	88.7
July	67.50	100%	Crawford	$13,600	73.9
July	102.52	99%	Calhoun	$16,000	86.9
July	121.82	99%	Osceola	$19,200	97.1
July	85.68	99%	Cerro Gordo	$13,060	77.0
June	**133.00**	**80%**	**Crawford**	**$10,400**	**82.7**
June	40.00	94%	Winnebago	$18,600	70.7
June	70.00	99%	Hancock	$15,600	80.0
June	73.06	93%	O'Brien	$21,700	97.7
June	12.75	100%	Carroll	$18,000	88.3
June	80.00	95%	Clay	$21,200	91.3
June	39.80	97%	Buena Vista	$17,075	93.0
June	80.00	97%	Ida	$16,500	85.2
June	157.23	95%	Plymouth	$19,000	85.7
May	80.00	98%	Greene	$17,550	87.9
May	74.15	99%	Harrison	$15,500	74.0
May	77.12	98%	Cherokee	$14,100	87.3
April	50.00	97%	Carroll	$20,000	87.5
April	70.15	100%	Dickinson	$14,400	81.6
April	70.38	96%	Lyon	$17,800	68.6
April	79.00	98%	Woodbury	8,300	72.1

continued on page 4

continued from page 2

What is the purpose of CRP?

requirements for CRP contracts needs to be organized and dealt with in a timely manner.

There are too many CRP options and variations to list, and the program offerings change with each new farm bill. Here are the most common CRP contracts we use:

•Buffer Strips / Filter Strips –These are one of my favorite uses of CRP because they are efficient and provide great benefit per acre in my view. A relatively narrow strip of prairie grass ranging from 20 feet to 120 feet wide is planted along a stream or water of some kind to filter soil sediments, chemicals, and fertilizer from water runoff before it enters the water body. It also helps reduce stream bank erosion and creates tremendous wildlife habitat.

•Grass Waterways – CRP waterways are another very popular use of CRP. We use them for soil erosion control. Waterways are shaped channels of grass designed to collect rain runoff. There are many waterways not in CRP. When a farm needs a new waterway, it's worth considering a CRP waterway. They are typically required to be larger and wider than an owner would choose on a private waterway, which is a negative in most situations. However, the CRP waterway generates a rental payment and cost share for the installation that you won't get on a private waterway.

•Wetland CRP – This is used on water prone "hydric soil" where flooding or ponding is likely to make farming difficult. Wetland CRP also improves water quality. By letting these designated wetland areas flood, the downstream flooding may be reduced. This also provides a great habitat for wildlife.

•General CRP - This contract is a little different from the others because it has a competitive bidding process, and its only open to sign-up at designated times. The landowner submits an offer with all the details of the land and intended plantings, which is then ranked based on the environmental benefits and costs. This type of CRP may be a good choice on rough or steep farmland with poor crop yields. The payments are lower with General CRP compared to the others.

The intent of the USDA for CRP or similar programs has shifted over the years, starting with crop surplus control, then primary soil protection, and more recently a variety of targeted wildlife and environmental benefits. For example, I remember most CRP from years ago was planted to brome grass only, which was easy to maintain, but it did not add much diversity for wildlife. More recent CRP acres are planted with much more complex seed mixes with an emphasis on plant species native to the area. They include tall grass prairie mixes for upland birds like pheasants or songbirds, wildflower mixes for pollinators like honeybees, and wetland mixes of grass and forbs specific to wetland environments. The future of CRP initiatives from the USDA will likely include a focus on climate change through carbon sequestration and reducing greenhouse gas emissions. It's a good idea to keep up to date with the different CRP options.

continued from page 1

Crop Progress Report

prices for the same analysis of fertilizer for between half and 2/3 of last year's cost. Fertilizer is still a world product, subject to the whims of energy prices and geopolitics, so no promises going forward, but most producers are taking advantage by getting lower priced product on this fall.

Another positive, at least for many in our area, is weather. After being in drought continually for four years, we have had some good rains to recharge soil moisture this fall. Time will tell if this pattern continues, and we have plenty of room in the soil for more recharge, but at least we should be in a better place as we enter 2024.

continued from page 3

Today's Land Market

Selected Sales of Good Farmland- South Dakota

Date	Acres	% Tillable	County	$/Acre	PI
October	160.00	92%	Moody	$16,000	84.5
September	166.22	99%	Turner	$10,600	84.3
September	66.65	100%	Union	$15,200	79.5
May	64.33	96%	Lincoln	$15,000	82.3
April	160.00	95%	Union	$13,500	82.3

Stalcup Ag Service Upcoming Sales & Listings

Auctions

November 3 - 80 ac - Eden Twp , Sac Co, IA

November 8 - 160 ac - Tilden Twp, Cherokee Co, IA

November 30 - 240 ac - Maple Valley Twp, Buena Vista Co, IA

For Sale

80 acres +/-, Scott Twp, Buena Vista Co, IA

Iowa Farmland Ownership & Tenure Survey

Dennis Reyman, AFM, ARA

Every five years, Iowa State University Extension undertakes extensive surveys of Iowa farmland ownership, tenure, and transition. This survey actually extends back to the 1940's and was mandated by Iowa Code in 1989 to be conducted every five years. This survey was the first of its kind in the nation.

The latest survey was released in June 2023 with an effective date of July 1, 2022. This survey has some very interesting and significant findings, especially in comparison to 1982.

Debt-free

The most notable finding has been the amount of Iowa farmland which is owned free of debt. That was 84% in 2022, a slight improvement from 82% in 2017. However, back in 1982 the finding was 62% held debt-free. What makes this so notable is the age of landowners in 1982 compared to 2022.

Age of Owners

In 1982, 25% of Iowa farmland was owned by folks under the age of 45. In 2022, that figure is less than 5%. Meanwhile, land owned by those age 65 and older increased from 29% in 1982 to 66% in 2022. Obviously, age and reduction of debt tend to go hand in hand. Debt in 1982 was record-expensive and became a difficult recipe for younger landowners with limited equity. An encouraging statistic in 2022 is that 70% of farmland owned by those in the 35-64 age category is debt-free.

Acquisition and Disposal

Respondents over the past five surveys have rated "purchase" as their method of acquisition 65-74% of the time. Most of the balance has been via inheritance, while a steady 3% is reported to have been "gifted".

In 2022, 80% of landowners are not planning to sell, up from 69% in 2017. That's a pretty strong increase in five years. I think you can credit Covid and inflation for adding to the attraction of maintaining land ownership.

The primary reason for owning farmland was "current income" favored by 56% of respondents in 2012. That declined to 38% in 2022, while "long-term investment" and "family or sentimental" rose from a collective 41% in 2012 to 60% in 2022.

However, Father Time is undefeated, on that we must all agree. Anticipated ownership transfer methods were surveyed.

- Willing the land to family remains the most popular; however, this also showed the sharpest decline from earlier surveys. 35% reported intentions to will to family.
- Putting land into trust has shown the sharpest increase. 26% reported intentions to put land into a trust. This was especially noted in west-central Iowa.
- Business entities such as LLC's were chosen by 12% of respondents.
- Give or sell to family was reported by 12% and 8%.
- Sell to others was the intention of 4%.
- Give or will to others accounted for 2%.

Professional Farm Management

The survey spends a bit of time on our profession of farm management. 5% of all leased acres in Iowa are handled by a professional farm manager. Leasing methods tend to be more "hands-on" with farm managers in place. Whereas 87% of leased farmland is cash rented, with farm managers 50% is cash rented (fixed or flexible). The other 50% are leased under some form of crop-share arrangement or custom-farming, which tend to provide higher returns and control of your land.

Conclusion

The aging of farmland ownership continues as 86% of Iowa farmland ownership is held by those 55 years and older. This has major ramifications for rural society as land ownership is extending further from the community.

The ability of fewer farmers to absorb higher percentages of farmland ownership becomes a difficult balancing act. Purchasing farmland is a hit on cash flow and/or cash reserves since farmland does not pay for itself in the short run.

We talk about the ability to "digest" a land purchase. Those with extensive equity generating strong cash flow may digest a purchase quickly while others may be off the prospect list for years to come. Each neighborhood has its own influences in this regard. The flip side is that more land will transition to farmer ownership through generational change, as well, strengthening balance sheets and enhancing cash flows. This is a fascinating topic which deserves continual attention.

60 Years On the Farm

Grant Aschinger, AFM

One of my favorite things to learn about is history. That extends to learning the history of the farms Stalcup manages. We do extensive research to investigate yield history, tile improvements, fertility levels, and anything else that will be beneficial to know about every farm. This helps understand future needs for every farm that can be improved.

We recently had a milestone reached by one of our farm operators that is unprecedented in company history. Karl Lind has been farming a 160 acre farm north of Albert City, owned by the same family, for 60 years. We like to think that we know more about the farms we manage than anyone else, but this is an exception to that rule. Although Stalcup Ag Service has not been the contracted farm manager of this particular farm the entire time, we have worked with Karl for well over half of his 60 seasons.

Karl grew up in the southeast Minnesota town of Houston, graduating from high school in 1955. He attended the University of Minnesota studying Agriculture Education with the original intention of becoming an agriculture teacher at a high school. Plans changed after college and he decided to be a County Extension agent instead. Karl also was an Army Reservist for 6 years following college that included 6 months of active duty.

At the age of 26, he and his wife Mary decided to move to Albert City to work on her family's farm. At the same time, the neighboring farm was also available for rent. The farm was owned by Zola Cheever at the time and has since been passed down to her daughter, Michele Griswold. Karl was able to rent that farm and began his career in farming. Mary and their 3 daughters, Karla, Klarice, and Karen, had a very active role in the farm organization, especially when the 3 daughters were in their teenage years. Even though Mary passed away 10 years ago, Karl has had the privilege of visiting their expanding family of 13 grandchildren and 7 great-grandchildren.

Fast forward 60 years, Karl has made the decision to retire. While this does mean that his name is not on the lease, it doesn't mean that he will be done with farming. He will undoubtedly find some way to stay involved with agriculture.

When Karl came into my office to let me know of his decision he said, "I feel so blessed to Michele's family for letting me farm this land. I never dreamt I would be able to farm that land for 60 seasons." I personally just feel blessed that I was able to be a small part of that time. The depth of knowledge that comes with all these years of experience is irreplaceable.

Leaving a Legacy

Karl and longtime friend and neighbor, Keith Sunblad, started the Albert City Thresherman and Collectors Show in the fall of 1971. Threshing oats was becoming a thing of the past but they decided that they wanted their kids to know how oats were harvested before modern equipment became widely adopted. What started out as a history lesson has blossomed into an early August tradition with exceptional attendance and a glimpse into the ways of the past.

While 60 years on any one farm is quite an accomplishment, it is not unprecedented. The longevity of farm operators with farm owners is truly a testament to the relationship formed between the tenant and the landowner or manager. While many types of business have changed to become nameless and faceless, agriculture has largely remained a relationship business. People like to do business with people they know and trust. The unique relationship between a farm owner/manager and the tenant often goes beyond financial.

There is a saying "farmers never really retire…" There are a number of ways to finish that quote, and Karl is a great example for the next generations of future farmers.

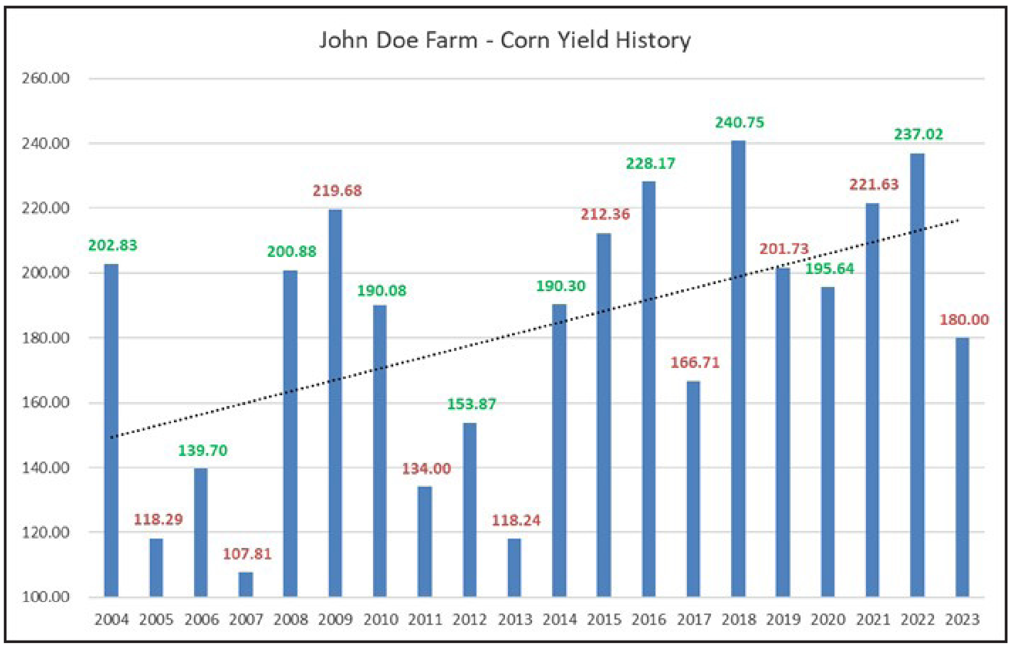
L to R: Gary & Michele Griswold (holding Snickers), Farm Manager Grant Aschinger & Karl Lind

Good Soils = Consistency

Dennis Reyman, AFM, ARA

The chart below shows the corn yield history on one farm we've managed for many years. This farm has a good side (green) but half of the other field (red) consists of very sandy soil. The corn on the poorer field produced 180 bushels per acre this year. Compare that to prior years which came in below the trend line. I'd say this year's corn crop handled the dry weather stress better than ever before. This chart also shows the poorer field is a very good producer given adequate weather conditions. Meanwhile, the good field (green) is consistently at or above the trend line. One has to go back to the historic drought of 2012 or back to 2006 (also hot/dry) to find below-trend yields in the good field.

This chart shows several things. 1.) good soils pay in higher yields and better consistency 2.) poorer soils can produce well but will not stand up to harsh conditions 3.) the yield trend keeps improving in both good and bad years. Incidentally, the soybeans on the good side of this farm averaged 71 bushels per acre this year.



NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL

FIRST-CLASS MAIL PERMIT NO. 200 STORM LAKE, IA

POSTAGE WILL BE PAID BY ADDRESSEE

STALCUP AGRICULTURAL SERVICE INC
PO BOX 67
STORM LAKE IA 50588-9922

Stalcup Ag Service
P.O. Box 67
Storm Lake, IA 50588
www.stalcupag.com

We hope you enjoy our Today's Land Owner!

If you are:

- Requesting additional information
- Have an address change or correction

Please provide **detailed** information on the attached return card

PLEASE TEAR OUT AND RETURN

STALCUP AGRICULTURAL SERVICE, INC., BOX 67, Storm Lake, IA 50588
Phone 888-732-4811 | Fax 712-732-7371 | www.stalcupag.com
ALL INQUIRIES ARE CONFIDENTIAL

Check items below you would like additional information on:

Professional Farm Management	Real Estate	Appraisal
______ Management Services	______ Selling	______ Estimate of Market Value
______ Leasing Alternatives	______ Buying	______ Estates
______ Custom Farming	______ Exchange	

Please provide ALL the information below and mail.

NAME ______________________________ FARM LOCATION:
ADDRESS ______________________________ - SECTION ______________
CITY/STATE/ZIP ______________________________ - TOWNSHIP______________
PHONE ______________________________ - COUNTY______________

☐ Please remove name listed above from mailing list (please provide OLD name & address)