

Stalcup Ag Service, Inc. 75 Years of Growing

by: Rex Wilcox, AFM



Stalcup Ag Service is celebrating 75 years of growth and leadership in the farm management, rural appraisal, and farm real estate industry.

We have split the company history into three 25-year segments, the first here and the other two in subsequent newsletters.

The origin of the company was in the Great Depression of the thirties.

Henry (Buck) Stalcup, the founder of the company was born and raised in Indiana, graduated from Purdue, taught vocational agriculture for 10 years, then took a job as a farm agent for Connecticut Mutual Life Insurance Co. of Peoria, Illinois.

Buck moved to Storm Lake in 1939 with 108 farms to manage and sell. By 1942 he had worked himself out of a job; most of the farms were sold to the farm operators who had lost their farms in foreclosure during the depression.

In 1942 Stalcup opened his farm management/appraisal/real estate business in an upstairs office over the Ressler Drug Store (now Central Bank) on main street of Storm Lake. The first years were lean, but Stalcup built a good foundation by helping Iowa State University develop a curriculum for farm appraisal



Henry (Buck) Stalcup, founder of Stalcup Ag Service, Inc.

and farm management, and conducting farmer meetings on land valuation and purchasing.

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Stalcup Ag Service, Inc.

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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.

Services Offered:

Professional Farm Management

Utilizing:

- Custom Farming
- Modified Crop Share Leases
- Cash Rent Leases

Farm Real Estate

- Public Auctions
- Private Listings
- Buyer's Broker

Rural Appraisals

- Estates
- Family Divisions
- Financing

Stalcup's Team

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Today's Land Owner

TODAY'S LAND MARKET

by: Dennis Reyman, AFM, ARA



Followers of land market reports may be getting a bit confused lately. While numerous surveys have come out reporting lower values, we and others in the business have been delivering a message somewhat at odds with most surveys. First, let's review the surveys which are widely reported in regional press:

- The venerated Iowa State University Land Value Survey is conducted as of each November 1st, then compiled and released by mid-December. This survey goes back to 1941. It utilizes the opinions of those in the industry (brokers, appraisers, farm managers, bankers, etc.) in combination with some census data to generate a county by county average value. It also shows a value for high, medium, and low-quality land in each of the nine crop reporting districts. While no actual sales data is considered, there has been a sampling of actual comparisons done in the past by ISU staff to verify the survey's accuracy. This year's survey yielded a state-wide result of **-5.9%** to a \$7,183 per acre average. District-wide changes across our territory ranged from **-4.6%** to **-8.7%**.
- The Realtors Land Institute of Iowa (RLI) releases a semi-annual survey as of each March 1st and September 1st. This is also an opinion survey. Most respondents also respond to the ISU survey. This also provides average values for three grades of land but only by crop reporting district and state average, not down to the county level. State-wide change for six months in the September survey was **-3.7%** with this area showing **-3.0%** to **-4.9%**. The next survey comes out in late March. It will be interesting to see its results.
- The Federal Reserve Bank of Chicago releases a quarterly opinion of bankers' opinions on the value of "good" farmland in their district. Iowa is divided into five districts which roughly correspond to land types. Our trade territory fits into Districts I (western Iowa) and II (north-central Iowa). Their January 1st survey showed **0% change** for both districts in the 4th quarter of 2016, while the annual change was **-2%** in north-central and **-3%** in western Iowa. That covers a lot of territory, from the very high value cropland in livestock and soil-rich Sioux County in northwest Iowa, to the rough hills and river bottom along the Missouri border. Other Fed banks produce similar surveys. A recent headline stated "More Somber News for Land Values" based upon three Fed surveys.
- USDA presents a state-wide average value in August. Their number last August was \$7,850 for the state, which was **-1.9%** from a year earlier.

So it's all bad and getting worse for land values? Not so fast. Those selling and analyzing land values on a daily basis are in agreement that top-quality farmland has been steady to stronger since harvest, while rougher or lower-quality land can show weakness or be difficult to sell. This makes perfect sense when we consider the economics and desires of those capable of buying land.

While profit margins are tight due to continued low prices, those with a considerable paid-down land base and strong cash position can add that parcel of land if it's desirable and strategically located. With record or near-record crop yields on most farms, those who are in solid financial condition and who aggressively forward-sold crops last June may be in excellent position to bid on additional acres at prices which are lower than several years ago. Also consider that most areas are not seeing much

land being offered for sale. One exception is the Missouri River bottom which has seen above-average sales volume this winter. Meanwhile, low-quality land does not provide enough operating margin with low grain prices to make it very competitive. Many will “hold their powder” until something more attractive becomes available. It probably will sell, but will probably not generate as strong bidding activity.

Bottom line is that we’ve delivered some appraisal reports, or updates of prior appraisals, which seem to fly in the face of recent surveys. With properly selected and analyzed comparable sales, an appraisal will provide you the truest estimate (barring an actual sale) of what’s really occurring with the value of your land. Just as all politics are said to be local, so are land values.

Location Value

That brings us to another oft-asked question: Why is my good land worth less than \$10,000 per acre when you report on other land bringing \$15,000 or more? It’s that “location” issue more than soil quality or the local price of grain. Traditionally strong land value areas correspond very tightly with livestock population density, with a strong livestock history being very important. We mentioned Sioux County earlier in this article as soil and livestock-rich. It’s also the home of the highest land values, and home of numerous \$20,000 per acre (or higher) sales a few years back. Even those sales were confined to a particular part and not throughout the county.

What’s so great about that area? First of all, it’s positioned on some of the most fertile and easily farmed soil in the state, with excellent natural drainage yet retaining ideal water-holding capacity. 100+ years of extensive livestock manure application just adds to the native fertility and organic matter. **Livestock numbers** for cattle, hogs, and chickens are two to three times larger than the next most populous counties. In fact, it’s one of the largest in the US for livestock numbers. Controlling enough area to apply manure under DNR-audited manure management plans is very important. True, Sioux County has lots of land area but the intensity of livestock production along with well-maintained properties, industrious towns, two colleges and one community college focusing on local students, several hospitals, many sizable locally-owned industries, and a well-known work ethic contribute to a local economy like no other in the region. It’s very impressive for a county of 34,000 folks. Neighboring O’Brien County (to the east) is smaller but competes for high land value honors. Other neighboring areas can also show exceptional strength. **So your farm value is no different than your house value – the neighborhood has a lot to do with it.**

CSR and CSR-2

Our table of selected sales now includes CSR-2 along with CSR. CSR-2 was released early in 2014. We expected a five-year adaptation to CSR-2. Land market participants are relying more on the new number nowadays. However, the original CSR is still a valued number by many, so most sale advertisements include both figures. CSR-2 in western Iowa is generally higher than CSR, partly because the weather adjustment was eliminated from CSR-2. The original CSR included an adjustment of one or two points per county for the same soil as one traveled south and east. Since rainfall increases as one moves east and the growing season increases as one moves south, the theory was that the CSR should increase to reflect more favorable growing

conditions. The climate has shifted so that all parts of the state receive similarly favorable growing conditions, on average.

Some soil types were given a considerable boost from CSR to CSR-2. The most prominent is Galva silty clay loam, which is prevalent in the high-value areas of Northwest Iowa. Galva was raised as much as 30 points on the C-slope phase, which is 5-9% slope. Did this raise the value of the land? Not really. Land market participants always knew how productive the soil is. CSR-2 is just more reflective of its true productivity. For example, the CSR of all cropland in Sioux County was 64.8 but CSR-2 provides a truer picture at 85.5 on a scale of 100. Many parcels rate close to 100.

Following is our table of selected sales. We attempt to include at least one representative sale per county, with Stalcup-brokered sales in **bold***. If your county is not included, it is because we have not tracked a public auction of representative land since our last newsletter.

Selected Sales of Good Farmland

Date	County	Acres	\$/Acre	CSR	CSR2	% Tillable
October	Plymouth	66.4	\$9,900	70.5	82.2	100%
October	Palo Alto	80.0	\$9,500	78.7	87.9	99%
October	Plymouth	72.2	\$12,400	59.2	86.1	97%
October	Sioux	40.0	\$16,750	68.5	93.5	99%
November	Clay	160.0	\$12,600	80.6	96.0	98%
November	Lyon	66.1	\$13,000	56.1	66.7	99%
November	Osceola	94.2	\$13,500	83.1	97.2	98%
November	Buena Vista	40.0	\$10,650	74.0	94.0	98%
November	O'Brien	137.0	\$11,400	75.8	96.1	98%
November	Calhoun	80.0	\$9,350	73.1	80.4	99%
November	Woodbury	200.0	\$7,500	40.7	49.6	92%
November	Plymouth	156.4	\$12,650	55.3	76.2	99%
November	Sioux	80.0	\$14,600	66.9	90.6	99%
November	Monona	156.0	\$6,000	48.6	57.1	90%
November	Ida	160.0	\$10,100	59.2	85.1	98%
November	Webster	80.0	\$9,000	79.4	82.9	99%
November	Emmet	80.0	\$9,050	75.2	85.7	96%
November	O'Brien	80.0	\$11,500	74.4	96.3	96%
November	Cherokee	80.0	\$9,900	71.1	93.9	95%
December	Harrison	215.1	\$8,250	70.2	79.9	98%
December	Kossuth	150.0	\$8,400	74.3	83.4	100%
December	Dickinson	138.3	\$8,450	71.6	87.8	94%
December	Kossuth	145.5	\$8,700	73.2	82.4	98%
December	O'Brien	72.6	\$11,900	68.7	92.4	95%
December	Woodbury	159.3	\$9,500	61.9	80.7	99%
January	Ida	100.0	\$9,700	59.0	87.2	98%
January	Sioux	40.0	\$14,600	60.5	87.2	96%
January	Monona	133.9	\$6,000	59.7	73.3	98%
January	Calhoun	40.0	\$10,500	78.2	85.1	94%
January	Osceola	40.0	\$11,200	72.5	90.1	99%
January	Lyon	97.9	\$12,400	65.4	68.8	96%

* denotes Stalcup-brokered sales

Stalcup Ag Service, Inc. 75 Years of Growing continued...

In addition, Buck served on a panel of ag experts for a *Wallace's Farmer* monthly column named "Timely Tips," addressing reader's farm management questions for many years. With the high number of *Wallace's Farmer* readers, the Stalcup answers provided widespread name recognition and discussion.

Buck's early efforts and personality set the tone to provide a highly skilled professional service for his clients.

As Paul Harvey said, "Now, the rest of the story"

- Professional leadership and professional advancement has been a priority. Buck was instrumental in the development and teaching of the American Society of Farm Managers and Rural Appraisers (ASFMRA) educational program. In recognition of Buck's substantial contribution to the society's educational program, and to honor the achievements of society instructors, the H.E. "Buck" Stalcup Excellence In Education Award was established in 1996.
- Buck served as Secretary/Treasurer of the ASFMRA for sixteen years (1945 – 1961). In effect, the ASFMRA's national office was located in Storm Lake. Buck provided a tremendous amount of leadership in addition to being an appraisal instructor.
- The majority of Stalcup Ag Service's partners throughout the years have provided ASFMRA leadership, and several have been instructors helping to advance the society as well as benefitting from active involvement and knowledge provided by peers.
- The business grew slowly at first. Buck did whatever possible, including FHA house appraisals and selling farm inputs. Eventually, as the business gained momentum, Buck leased a farm he owned north of Storm Lake to Arne Waldstein (a local farm boy with farm management experience) in 1955 and also hired him to work part time in his office.
- **A farm manager's skill set for the 50s and 60s compared to current needs were vastly different:**
 - Most Stalcup managed farms had full building sites to accommodate a family farm/diversified livestock operation. Building site quality determined the caliber of farmer who would lease your land.
 - Individual farmers operated 160 to 400 acres because of high labor requirements, small machinery, full tillage, row cultivation and hand weeding. In effect, most farmers were using organic production methods.
 - There was no minimum tillage since few herbicides were available. Burying the crop residue with a plow, and continued tillage and cultivation as weeds emerged was necessary for effective mechanical weed control.
- Erosion from heavy rain was severe on row crop acres without the soil protection of crop residue. Contour farming, grass waterways, and terraces were the management methods used to provide some protection.
- There was little commercial fertilizer used until the mid-60's. Fertility needs were met by long-term crop rotation with legumes and manure from the farms' livestock operations.
- Soybeans came on the scene in the 60's and became a much bigger part of the rotation with effective herbicides and growing soybean demand.
- Farm managers needed expertise in buildings, fences, and water system maintenance. Many farm houses were without indoor bathrooms or water systems yet in the 50's. Arne Waldstein remarked that he added so many bathrooms that he could order the needed supplies from memory.
- Nearly 100% of Stalcup's farms were 50/50 share leases with at least one-third of these being crop/livestock share. Each farm, farmer, and client required extensive personalized service without the benefits of modern technology for communication and record keeping. There were some good things about the "good old days," but it is better that progress prevails.
- **In 1957 Northern Trust of Chicago turned management of six sections (3,840 acres, the Coburn Trust farms) in southwest Minnesota over to Buck and Arne.** This assignment allowed Arne to join the business as a full time employee.
- **Arne provided the entrepreneurial spark to propel the company on a growth trend that continues today.** In 1955 there were 26 managed farms, in 1992, 200, and currently approaching 500.
- Several managers came and went until Dwight Young was hired in 1967. Dwight stayed until his retirement.

This historical summary provides a background of how Stalcup Ag Service came into existence and the foundation of the company.

The July newsletter will cover the next 25 years of change and growth.

Grain Market 2016 Yields – 2017 Outlook

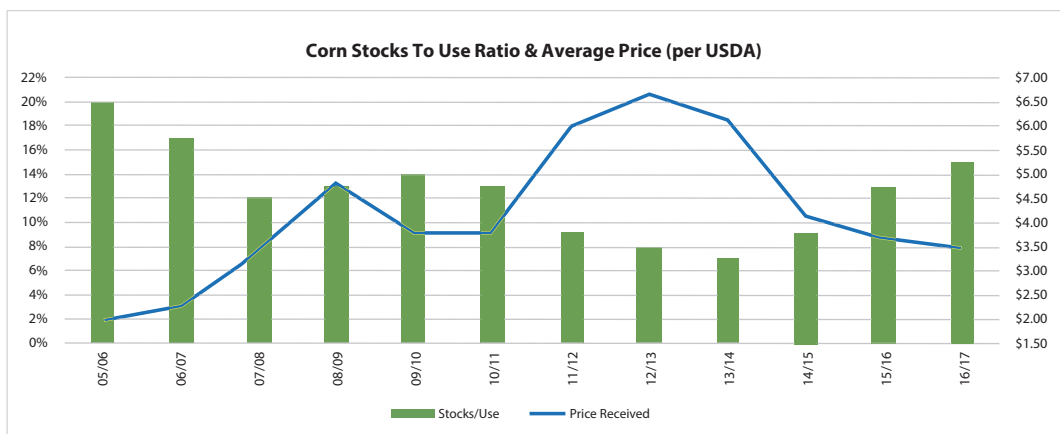
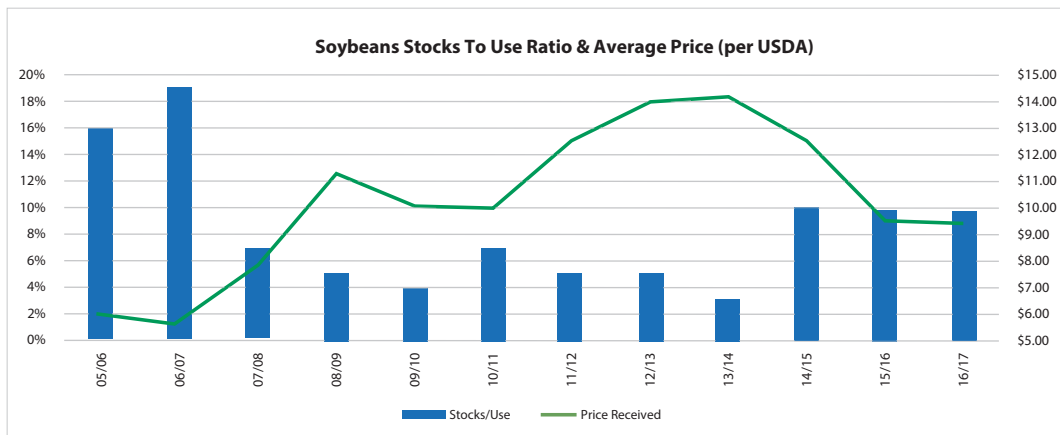
by: Nathan Deters, AFM



2016 crops set new records with a national corn yield of 174.6 bushels per acre and soybeans at 52.1 bushels per acre, which exceeded the 2015 record set just last year by an amazing 10%. For the fourth year in a row, good weather over most of the Corn Belt allowed crops to express their genetic potential. The result is crop carryover numbers at the high end of the range since the start of what we call the “Ethanol Era” in 2006/2007 (see chart below). **The prospect of these big yields took corn prices to a ten year low** before the start of harvest. Since then corn prices have moved 60 cents higher per bushel and soybeans have moved 75 cents per bushel higher. Considering the big supplies we are dealing with, this has been an encouraging, if somewhat unexpected development. A question could be asked, “Why this price strength?” The main reason is the old adage that low prices cure low prices. Demand has ramped up. Exports of both corn and soybeans are exceeding expectations. Corn usage by ethanol plants is staying very strong. Ethanol plant profitability is helped out by higher prices of competing crude oil. Cattle, hog, and poultry numbers are all up, and feed demand is excellent. To put another perspective on the positive demand news, **corn usage is projected at 14.6 billion bushels this year.** There has only been one year (2016) when total production was that high.

On the soybean side, some weather problems in Argentina caused price strength earlier this winter. Since then conditions have moderated, and combined with mostly good conditions in Brazil, the South American crop looks to be substantially larger than last year’s weather-shortened results. On the corn side, quite a bit of strength can be attributed to the ability of the farmer to keep supplies off the market. With corn far below breakeven price at less than \$3.00 per bushel during harvest, many farmers locked corn away in bins, paid commercial storage charges, and even filled bags in the field to retain ownership.

Now that prices have moved to a level closer to breakeven in the mid \$3.00 per bushel range, a lot of these bushels are moving to market. We expect this to continue on any modest price rally into summer, as there is still a lot of unpriced corn in the country. We don’t expect a bullish move from these levels unless we see a weather scare. Soybeans have been the stronger priced of the two grains. Sales of this crop have been more advanced, which has provided the cash flow to allow farmer holdings of corn to this point. With the good South American crop outlook at this time we don’t expect much further price strength in soybeans, but it is good to remember that rallies can easily develop when a large percentage of the crop is out of the farmer’s ownership.



2017 Thoughts

At this time of year the grain industry begins speculation on acreage of crops and weather prospects for the upcoming growing season. Conventional wisdom this winter is that soybean acres may be record large at the expense of corn and wheat acres. We do expect **more soybean acres** given the current price relationship between the two crops, but we also would not be surprised by a modest rally in corn prices to retain acres. Farmers like to grow corn, and a move closer to \$4.00 per bushel (a 40 cent per bushel increase from current levels) would likely buy back some acres. Current estimates are for 88 million acres of soybeans and 90 million acres of corn this year. The USDA Planting Intentions Report at the end of March will give a clearer picture.

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Update on Des Moines Water Works Lawsuit

by: Kent Smith, AFM



A year ago in our spring newsletter we provided information on the Des Moines Water Works lawsuit. At that time, the federal judge in Sioux City sent four points of the lawsuit to the Iowa Supreme Court. Des Moines Water Works claimed three drainage districts allowed excessive nitrates to move from farm fields into the Raccoon River, which is the main source of Des Moines drinking water. On January 27, 2017, the Iowa Supreme Court ruled against Des Moines Water Works in its attempt to pursue damage payments from drainage districts in Calhoun, Buena Vista and Sac Counties in northwest Iowa.

Under Iowa law, drainage districts exist only for the limited purpose of building and maintaining drainage improvements that help drain and improve agricultural lands. In the ruling, according to Iowa law, drainage districts are immune from damage claims and from equitable remedies.

The Iowa Supreme Court's decision on the four questions, certified to it by the Federal District Court was a **significant victory for the drainage districts** and a setback for Des Moines Water Works as it applies to state law claims.

The questions presented to the Iowa Supreme Court did not relate to matters of the federal claim regarding the Clean Water

Act. Des Moines Water Works alleges that three counties have failed to abide by the Federal Clean Water Act standards. They argue that the drainage districts should be receiving federal permits under the Clean Water Act for the nitrogen coming out of farm tile lines. The federal judge will need to address whether the county drainage district tile outlets constitutes a point source, removing it from the agricultural stormwater exemption in the statute. A June 28, 2017 court date is set to hear the Clean Water Act case in federal court.

While the Supreme Court ruling disallowing liability of damages to the drainage districts is a relief to farmers and landowners in the area, **it is no time to sit back and relax**. Nobody involved in agriculture wants to be labeled a polluter, and it is in everyone's best interest to keep nitrogen in the soil and available to crop growth and not sent down our waterways. If anything positive has come from this suit, it has brought more attention and interest in tactics to be better stewards of nitrogen, such as increased use of cover crops, and timelier, split applications of nitrogen during the growing season. We need to continue to be pro-active in these efforts.

Grain Market 2016 Yields - 2017 Outlook continued...

Crop Revenue Insurance prices are set during the month of February. For 2017, the corn price used to calculate the revenue guarantee is **\$3.96** per bushel and the soybean price is **\$10.19** per bushel. These levels are .10 per bushel higher than last year for corn and \$1.34 per bushel higher for soybeans. Revenue insurance guarantees do play into farmers' decision-making on the crop acres for the coming year.

Weather Outlook

We can usually find something to find fault with about the weather, but over the last four years, there hasn't been a lot to complain about. Each of these years had unique challenges, but in general corn and soybean crops nationwide have been very good because of favorable weather.

What are the odds of making it five straight big crops? Looking at the past fifty years, two other extended periods of good yields stick out; 2004 to 2009 and 1984 to 1987. It's easy to forget that more than four consecutive good crop years occurred only 8 years ago and it could happen again. It's also noteworthy that both of these periods were followed by major crop failures of 1988 and 2012.

No one is predicting a crop failure for 2017, and in fact there are a few good reasons to be optimistic about this season:

- Soil moisture levels are in good shape across most of the country. Many areas, including most of Iowa are wetter than normal. This could slow down planting, but is positive to yields more often than not, especially in the Western Corn Belt.
- Weather patterns are likely to be influenced by a developing El Niño, which has tended to lead to good crop years in the past. This is no guarantee of a good crop, but it does mean decreased odds of drought.

For the time being, yield expectations are generally based on trend yields. The USDA projects a 2017 U.S. average corn yield of 170.8 bushels per acre and 50 bushels per acre on soybeans. That's below the 2016 record breaking yields, but if USDA's projections are achieved we will have the fifth big crop in a row, and will again likely be dealing with large carryover stocks and another year of low prices. **On the positive side, given the good demand base we are working with, it wouldn't take much below trend-line yields to get the markets up to more interesting levels.**

You're Invited to our 75th Anniversary Reception



*Stalcup Ag Service Inc.,
is celebrating our 75th year in business.*

*We are hosting a reception on
Wednesday, June 21, 2017*

*at Kings Pointe Resort
in Storm Lake, Iowa.*

*Our clients, friends, business
associates and community members
are invited for hors d'oeuvres and
refreshments from 5 until 7 p.m.*

Please come join us in celebrating this milestone.

1942—2017



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- _____ Leasing Alternatives
- _____ Custom Farming

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- _____ Buying
- _____ Exchange

Appraisal

- _____ Estimate of Market Value
- _____ Estates

List items particular to your farm you would like to discuss with a professional farm manager:

NAME _____ FARM LOCATION: _____

ADDRESS _____ - SECTION _____

CITY/STATE/ZIP _____ - TOWNSHIP _____

PHONE _____ - COUNTY _____

Please remove name listed above from mailing list



**Check out
 what's new in
 this issue!**