

Today's Land Market

Dennis Reyman, AFM



This year has included a lot of comparisons back to 2014. That year was the year that grain prices declined after a multi-year run at historic highs, peaking in August 2012. 2014 was also the year that land values declined in reflection to the decline in grain markets.

2014 vs. 2024

The average Iowa corn price for the marketing year declined from \$6.23 in 2013 to \$4.51 per bushel in 2014. 2024 will show a similar outcome following a \$6.09 average in 2023. Soybeans fell by more than \$1 per bushel back then and have fallen by more than \$2 per bushel in '24 compared to '23.

The average cost of production (per ISU) is actually within pennies per bushel for both corn and soybeans, comparing 2014 and 2024. Neither allowed for profit if one uses average costs and returns. Those operators who can achieve below average costs and above average yield and/or price may turn some profit.

2015-2020 was a 6-year stretch where “average” showed no profit on a monthly basis for neither corn nor soybeans. As of this writing using the ISU averages, “average” corn has not shown a profit in 2024 while beans have shown slim profit, but now turning negative. There are high yielding fields in 2024 which will “bushel” their way to a profit.

Land Value Impact

Surveys show downward pressure on land values began during 2014 and stabilized by 2016 or 2017, then holding close to steady until 2021. Total downturn was 15-25% depending on what and where.

Remember that local farmers are the winning bidders at auction about 70-80% of the time and are often the 2nd final bidder as well. Local farmers determine the land market most of the time. Investors are often a presence but may not engage in that final bidding push unless they have specific circumstances (ie, adjacent location, 1031 exchange) or feel the property is priced competitively.

Following three years of excellent profit margins from 2021-23, farmers had a chance to solidify their finances. Many chose to decrease income tax liability by upgrading or expanding their line of equipment. Some chose to also build working capital (paying taxes). The cash reserve becomes available for future use, such as a down payment on a land purchase.

Rapidly decreasing working capital reserves has become a common concern among bankers and ag economists in 2024. This means the pool of bidders decreases and those maintaining considerable reserves will become more cautious.

2024 Land Values (so far)

If you track the land market you've noticed a downshift in values, but some bellringers are still occurring. Those tend to occur only in certain neighborhoods.

Overall, the land rally peaked in the 2nd quarter of 2022. Quarterly averages have traded mostly steady to lower since then but with several quarterly increases. 2024 has seen:

- 1st quarter - solidly higher from late '23, average volume
- 2nd quarter – down, low volume
- 3rd quarter - steady with 2nd quarter, average volume
- 4th quarter – as of October 21st down from 3rd quarter

continued on page 3

Crop Progress
Report

Page 2

Grain
Marketing

Page 4

ASFMRA Leadership
Excellence Program

Page 5

Family Farmland
Division

Page 7



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.

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Today's Land Owner

Crop Progress Report

Chad Husman, AFM



Crop results this season were influenced by weather extremes on both ends. Planting season was challenging with record high rainfall in April, May, and June. The four-year drought ended abruptly as parts of the area suffered devastating flooding and crop loss. Conditions improved dramatically during the middle of the growing season in July and August. However, a new drought emerged late in August and continued through harvest. September and October were one of the driest stretches ever recorded for this area. As of Oct. 22, our entire area - as well as most of the U.S. - is covered by a moderate to severe drought according to the U.S. Drought Monitor. The drought area is much more extensive this fall than one year ago. The late season drought started just in time to impact this season's yields.

The big question now is will the drought stick around for next season?

According to Eric Snodgrass, Atmospheric Scientist with Nutrien Ag Solutions, the current weak La Niña weather pattern is expected to influence this winter and early spring, but it's too early to predict after that. However, Snodgrass studied a composite of years with very dry falls, and there was a clear bias of drought persisting into the following growing season during those years. Ideally, we need to recharge the soil moisture before the ground freezes or early next spring, but we certainly do not want a repeat of this past spring.

Harvest progressed rapidly this fall thanks to low humidity, warm temperatures, wind, and no rain delays. There were delays on the north side of our region and along floodplains where replant acres needed more time to mature and dry. These conditions were dangerous fire hazards in the fields, but on the positive side, dry soil reduced compaction from heavy equipment. Also, the corn was able to dry down in the field which reduced the cost of on-farm or commercial drying.

Crop yields this year were all over the board, but generally corn yields were as good or better than expected and soybean yields were not as good as we thought. The soybeans were damaged by the late-summer drought more than corn. We noticed a huge difference in yields moving from north to south in our territory. The northern side struggled more with heavy spring rains compared to the southern side. Farms in the right location had a chance to achieve record high corn yields and very good soybean yields. While other areas with drainage challenges suffered from one of their worst crops in recent memory.

Below are a few additional observations we noted comparing crop results this year:

***Soil type, soil quality, and drainage** - When we consider soil quality, water holding capacity is one of the main components, which starts with texture (sand,

continued on page 6

Today's Land Market

Recent trends are certainly a different story when comparing back to mid-2022. The 2-year change from the high is in the 15% ballpark as measured in both \$/acre and \$/CSR2 on highly tillable farmland. That change has accumulated over the prior 8 quarters, not just in recent months. If someone makes a statement about the land market being X% lower, be sure to ask “compared to when?”

Land Value Surveys

The most recent Iowa Realtors Land Institute survey measured opinions of change in land values from March 1st to September 1st. That survey showed all districts in Iowa ranging from -3.6% to -6.0%. Our trade territory ranged from -3.6% in north-central Iowa to -5.0% in west-central Iowa. Their March 1st survey showed -2.1% to -4.7% in this region. The annual change totals as much as nearly 10% lower. The Federal Reserve Bank of Chicago’s survey of banker’s opinion indicates only -3% in Iowa as of July 1st.

We’ve noted in the past that opinion surveys tend to lag reporting a market downturn. That is human nature, waiting for bad news to fully confirm itself.

Back to 2014 vs 2024

The earlier downturn was 15-25%. We’ve now seen a portion of that occur since mid-2022. If grain income can stabilize, we’ll see the land market follow suit.

The monthly average price of Iowa corn from 2015-2020 (72 months) was \$3.50. Soybeans averaged \$9.05. Land values were steady to lower. The other 116 months since 2009 averaged \$5.39 corn and \$12.68 beans with rising land values. USDA’s price projection in their October report estimates \$4.10 per bushel average corn price and \$10.80 soybeans with record yields.

Conclusion

High yields at \$4.10 and \$10.80 may provide for a steady land market but probably not higher. Some areas in our region are not enjoying high yields and cannot “bushel” their way to profits this year. Those areas will likely see lower land values as caution and reduced working capital weigh in. It seems likely that continued softening will occur in the land market. Volume of land for sale will play a strong role in value trends for each neighborhood.

Long-term, Iowa farmland appreciates by 4-5% annually, depending on the measurement period. Average crop yields appreciate

by about 2% annually. Farmland enjoyed great gains in value in 2021-22. It takes a downturn or long-term steady market to return to the long-term average. That is the current phase of the market. The following are two tables of selected “good” farmland in Iowa and South Dakota which have sold recently in the region. Stalcup-brokered sales are highlighted in green.

Selected Sales of Good Farmland - Iowa

Date	Acres	% Tillable	County	\$/Acre	CSR2
October	40.00	97%	O'Brien	\$14,350	96.5
October	40.00	95%	O'Brien	\$14,750	94.9
October	213.00	94%	Palo Alto	\$11,200	79.5
October	80.00	98%	Greene	\$13,500	76.3
October	184.61	98%	Buena Vista	\$10,600	83.8
October	80.00	98%	Cherokee	\$15,300	91.7
October	80.00	99%	Wright	\$14,900	87.5
September	142.07	93%	Cherokee	\$16,200	94.0
September	142.00	99%	Palo Alto	\$12,900	85.7
September	80.00	94%	O'Brien	\$15,900	96.7
September	156.00	96%	Crawford	\$13,800	79.4
September	160.00	97%	Franklin	\$13,600	76.7
September	154.83	93%	Wright	\$9,500	82.6
September	98.51	96%	Kossuth	\$11,300	82.1
September	123.51	96%	Monona	\$7,525	71.4
September	93.16	99%	Greene	\$12,700	87.9
September	65.00	100%	Woodbury	\$8,100	63.7
September	114.55	95%	Lyon	\$17,600	94.2
September	151.32	96%	Sac	\$16,900	92.1
September	120.09	99%	Clay	\$16,700	96.4
September	312.92	98%	Buena Vista	\$14,400	86.4
September	80.00	96%	Hancock	\$14,000	86.1
September	154.84	97%	Emmet	\$11,400	84.8
September	80.84	98%	Osceola	\$17,200	97.5
August	63.16	94%	Sioux	\$13,600	82.2
August	63.00	91%	O'Brien	\$19,000	95.1
August	80.00	97%	Ida	\$14,200	85.1
August	149.00	97%	Franklin	\$17,400	79.4
August	165.00	97%	Pocahontas	\$11,000	82.7
August	77.29	99%	Dickinson	\$14,450	82.7
August	79.49	99%	Osceola	\$15,000	86.6
August	65.00	94%	Clay	\$15,400	96.5
August	112.35	100%	Plymouth	\$16,500	87.4

Selected Sales of Good Farmland - South Dakota

Date	Acres	% Tillable	County	\$/Acre	PI
October	155.02	100%	Brookings	\$11,750	87.8
September	100.00	96%	Charles Mix	\$7,004	75.8
August	151.66	97%	Moody	\$15,500	80.5
August	383.95	74%	Turner	\$8,400	63.0

Grain Marketing



Nathan Deters, AFM

Crop Revenue = Price/bushel x yield. As of November 1st, a good share of the Midwest knows the **second part** of this equation. An unprecedented dry period lasting nearly all of September and October allowed for rapid crop dry down and harvest this year. By November 1, soybean harvest was completed and well over 90% of the corn was finished through the heart of the corn belt. National corn yield is a record this year at 183 bu/acre and soybeans a near record at 51.7 bu/acre. Yields were exceptional in the areas where excess water in May and June wasn't an issue. Areas hit hard by those heavy rains in the northern edge of Iowa and southern Minnesota are having a much tougher year.

With yields determined, the **price/bu half of the equation** now comes into the spotlight on unsold bushels. Prices bottomed out in late August on the most bearish of yield estimates and demand projections. Since then, a few positives have helped our prices somewhat, with local cash elevator prices currently at \$4.25/bu for corn (higher at Ethanol plants) and \$9.85/bu for soybeans. The very dry end to the growing season likely took away some top end yield on soybeans, and to a lesser extent on corn. Early dry weather in Brazil delayed soybean planting, and caused the first modest crop scare there, with a corresponding jump in soybean prices. The rains have improved over the last few weeks, bringing soybeans back down near previous lows. The biggest positive factor has been in the improvement in demand, spurred by low prices. October has seen exceptional exports of both corn and soybeans, as we are currently very competitive in the world market. There is some concern that this demand is front loaded to avoid the uncertainty that is likely following our presidential election; time will tell on that. Neither of the candidates are free traders, and the continued and even expanded use of tariffs in economic policy will likely continue no matter who wins the election.

Ethanol demand has stayed strong and has been a real bright spot for our local corn demand. Even with a good crop in most areas, ethanol plants have continued with strong bids through harvest, and we have hope that this will continue post-harvest once this year's crop has found a home.

Looking forward, the flickers of recent positive news gives us some hope for next year, but not enough to get too bullish. Carryover supplies of corn at the end of this marketing year

are projected near 1.9 billion bushels, and soybeans are near 450 million bushels. Both these figures are the highest we've seen in 5 years. Of the two crops, corn seems to have the better demand story. The United States is still the dominant player in the export market, and domestic use for feed and ethanol looks to remain strong. A decrease in corn acres or weather challenges next spring could quickly improve the price outlook.

Soybeans have a tougher story. Carryover is more burdensome, and Brazil continues to erode our export market, especially to China. While we continue to be an important supplier to them during the fall through early winter months, our share of this market has worked lower over the last few years and could take an even more substantial hit if increased tariffs come into play. Our hope was that domestic usage of soybeans, namely through increased oil into renewable diesel, would be filling a greater share of the void left by reduced exports by this time. We still feel that long-term this will be an increasing market for soybean oil, but implementation has been slowed by lack of details from the government for the 45Z Clean Fuels Production Credit that will be an important profit component for renewable diesel production. Finalization of these details will probably trickle into the new year given the government gridlock during the post-election period. As we've seen in the past, reliance on government mandates can be a double edged sword.

The coming year will likely be one of taking advantage of small rallies when they happen, and not holding out for a home run on prices. As always, a major weather problem here or in South America could change this outlook, but barring that, ample grain supplies will keep market moves from getting too robust.

Stalcup Ag Service Upcoming Sales & Listings

Auctions

Nov. 21: 154 +/- ac - Washington Twp. Buena Vista Co., IA

Dec. 4: 75.68 +/- ac - Sherman Twp., Sioux Co., IA

For Sale

80 +/- ac - Baker Twp., O'Brien Co., IA

Check our website for new listings and upcoming auctions.

ASFMRA's Leadership Excellence Program

During the week of September 23, 2024, I had the opportunity to travel to Washington DC as part of the ASFMRA's Leadership Excellence Program. This learning and advocacy program is a joint venture between the American Society of Farm Managers and Rural Appraisers (ASFMRA) and Corteva Agriscience to help equip the next generation of leaders in the farm management and appraisal business. There were 26 attendees from 15 states representing our organization. Iowa had the most attendees with 6. We had the entire United States covered with representatives from California to Massachusetts and Georgia to Montana. The group had met two previous times in Denver, CO and Des Moines, IA in the 18 months before this trip.

The daily schedule was full with advocacy training being the first item on the agenda. Part of the requirement for this trip is scheduling meetings with your respective Senators and Representatives. These meetings usually only last 15-20 minutes, so being able to clearly articulate our talking points was very important.

All 6 representatives from the Iowa group were able to attend meetings with the agriculture staff of Iowa Senators Charles Grassley and Joni Ernst. Unfortunately, getting meetings with the Senators is very difficult with their Washington DC schedules. I was one of two western Iowa attendees to meet with Representative Randy Feenstra's agricultural staff person. Congressmen are usually easier to schedule and meet with in-person, but unfortunately for us, Representative Feenstra was presiding over the House of Representatives on Wednesday afternoon when we scheduled our meeting.

Farm Bill

Our biggest topic was the need to authorize a new 5-year Farm Bill. The previous farm bill was extended an extra year at the end of 2023 with intentions of having a new one passed before expiration on September 30, 2024. Now September 30th has come and gone, and we do not have a new farm bill, and we also don't have another one-year extension. The expiration of the previous farm bill does not mean that all programs encompassed under the previous bill will stop as many of the titles are statutorily obligated to continue. The SNAP program (commonly known as food stamps) is an example that will continue without interruption. We also advocated for a stronger crop insurance program to ensure our farmers are better able to weather the ups and downs of the farm economy without losing too many producers to bankruptcy.

Grant Aschinger, AFM



All 3 representatives we met with agreed that a new farm bill was a high priority, but they were not all equally optimistic about one getting passed before January of 2025 when the next congress takes over. Senator Ernst was the most pessimistic as she stated that she had very little hope that the Senate would get anything done before the end of the year when we attended her Wednesday morning "Coffee with Joni" event in the Russel Senate Office Building. The chairwoman of the Senate Agriculture Committee is Senator Deb Stabenow from Michigan. She has yet to release text of the Senate's version of the new farm bill. So far, she has only released a "framework" publicly. Representative Feenstra's agriculture staff person was the most optimistic about passing a new farm bill since the House of Representatives had already passed their version of the new farm bill out of the Agriculture Committee.

Other meetings while in Washington DC included meetings with the professional staff members for both sides of the Senate Ag Committee. We heard very different goals for a new farm bill from these two professional staff members as one works for Chairwoman Stabenow (D) of Michigan and the other works for Ranking Member John Boozman (R) from Arkansas.

We were also fortunate to meet with Representative Glenn "GT" Thompson (R), Chair of the House Ag Committee from Pennsylvania on Thursday morning. Our meeting room was accidentally double booked, and we proceeded to finish our meeting with his professional staff in the hallway outside the meeting room. Our ASFMRA lobbyist assured us that meeting with representatives in the hallway was normal as space is usually limited. Chairman Thompson's ag committee staff shared a few of the highlights that they are trying to have added to the next farm bill. The group was very positive with the wish list that included updating and adding base acres, but the question, as always, is how to pay for it.

One personal highlight happened during dinner on Tuesday evening. The Iowa group had met with our two Senators' staff members that day. We asked them both about something they would recommend doing while we were in town. One recommendation was to visit a local restaurant very near the Senate office buildings. "You never know who you will see there." We decided to try out the restaurant and had a great

continued on page 6

Crop Progress Report

silt, and clay). The soil type classification and the Iowa Corn Suitability Rating (CSR2) value provide a very good clue of a soil's inherent productivity or "soil quality". The higher value the better, but this year the soil's ability to drain excess moisture either by natural drainage or extensive drainage tile was critical. Often the highest CSR2 soil can struggle with adequate drainage without ample tile. The top yielding farms this year needed adequate drainage, but at the same time they needed enough water and nutrient holding capacity to sustain the dry late season. That combination is simply not possible on all farms despite our best management techniques.

***Full-season corn** – The trend of planting progressively fuller season corn varieties has been ongoing for the past decade or longer, and I predict it will take another step forward after this year. In the past, the northern side of our territory would typically plant 97-to-102 day maturity corn and the south side would plant more 103 to 108 day maturity. It seems our climate is changing because our growing seasons have been getting longer on average in this region. The fuller season corn is winning on yields (on average), so farmers and managers have slowly been moving to later and later maturities. The 110-to-114 day corn is now planted farther and farther north with generally good results. The risk is a cool season where we do not get enough heat or days to finish before the first killing frost. The corn would remain very wet and possibly underdeveloped at harvest. It is a question of risk vs. reward, and this year the full-season corn offered the highest reward.

***Fungicide Application** – This was a bad year for corn diseases, especially southern rust and tar spot. Both are cured by spraying fungicide after tassel. The challenge is that we typically do not see much disease pressure at the time when the application needs to happen. The plant diseases usually show up later, depending on the conditions, when it is too late to spray. We notice a smaller yield advantage from fungicides even without disease pressure, but this year there was a big advantage. On soybeans, fungicides were not as big of a factor this year, but most farms were sprayed with an insecticide for aphids, so typically the fungicide and insecticide are sprayed together.

***Early planted corn and soybeans** – Farmers push to get both crops planted as early as possible. This year the early planted crops did better than the later planted crops assuming a uniform stand was attained. Planting early gives the crop a

longer growing season and higher yields on average. This was particularly true for soybeans. The earlier planted soybeans (where they had a good stand) had a distinct advantage this year. There are, of course, risks with planting early like poor stand from cold soils, and possibly needing to replant.

Looking ahead to next year, the soil moisture reserves are once again very low. Quality Iowa soil can hold around ten inches of water in the top 5 feet. It is unlikely that supply will be replenished before next spring. This year showed us how extreme the pendulum can swing with weather. This fall provided an opportunity to get farms ready for the next heavy rain event by touching up terraces, waterways, or adding tile. There's a few things we can do to prepare for drought too like reducing tillage, improving soil fertility / health, and selecting drought tolerant seed varieties. As always, we need to be ready for whatever Mother Nature throws at us.

continued from page 5

ASFMRA Leadership

experience. Multiple Senators were seated a couple tables away from us during our visit, including Iowa Senator Charles Grassley.

I want to personally thank Corteva Agriscience and ASFMRA for the opportunity to be part of this learning experience and opportunity to learn more about the workings of our Federal Government.



Senator Joni Ernst (4th from left) took time for a photo with Stalcup's Grant Aschinger (far right) at the ASFMRA Leadership Excellence Program.

Family Farmland Division

Travis Nissen, ARA



A growing part of the Stalcup Ag Service's appraisal and consultation business has been centered around helping families decide how to divide the family farmland into separate ownership. Often times farmland is owned in various types of co-ownerships where each individual owns an undivided interest in the farmland.

Partition appraisals are used to establish a division between multiple owners with individual owners receiving a specific piece of land. This is beneficial as each individual can sell, trade, or transfer ownership in a specific property rather than a percentage of interest in a property.

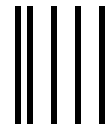
Stalcup Ag service can walk you through the following steps in helping you divide your farm:

1. Complete an appraisal by a certified appraiser to determine the fair market value of the farmland. Stalcup Ag Service's appraisals are full narrative reports utilizing all three approaches to value (Cost Allocation, Sales Comparison, and Income Capitalization). We find and analyze as many comparable sales as are available through our sales database and courthouse records. We personally inspect and analyze each property and utilize AgriData, an on-line digital mapping website, for soil information.

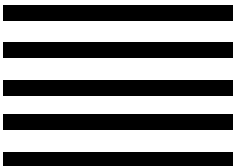
2. Equitably divide the land between the different owners making sure to account for differences in soil quality, configuration, and terrain/topography. We provide a written proposal showing the proposed division to the owners. This most often is equal value between each owner but can be by certain parcels if one of the owners is willing to pay the difference or "boot money".

3. Complete the closing process. We line up a surveyor if needed to get a legal description for the deed work. Most of the time a survey will be needed to show the division of ownership for preparation of the deeds to complete the division. We can recommend, or assist you, with hiring an attorney to help with deed preparation.

One of the driving reasons for the increase in the family division work is the current generation wanting to provide clarity for the future generations instead of seeing the farm get divided into smaller and smaller undivided interests. If you or your family are looking for guidance with the division of your farmland, give Stalcup Ag Service a call.



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Fall Newsletter 2024



Checkout what's new in this issue!