

## **LAND SALES CONTINUE HIGHER** *by Dennis Reyman*

The market for farmland in Iowa (and the U.S. in general) continues upward at a strong pace. Recent land value surveys give an indication of the magnitude of the upswing; however, the real evidence is the land auction results that have occurred over the past six months. As corn has moved up by nearly \$2.00 per bushel and beans by nearly \$4.00 per bushel since early last fall, so has the land market stepped up the pace.

Auction activity has been plentiful over the past six months. Even with increased supply of land offered for sale, there has been no shortage of

bidders to push the auction process. Prices have continued to new levels and each sale seems to bring new highs as compared to those a few months ago. The generally poor economic news that we hear from the media every day has not affected farmland in our area at this time.

The annual Iowa State Land Value Survey is released mid-December with county average values as of each November 1<sup>st</sup>. The state-wide average



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## **GRAIN MARKETS AND WEATHER** *By Kent K. Smith*

“WOW” The corn and soybean markets warmed up just as Iowa weather fell into the winter doldrums. Competition for the 2008 crop mix began as the first snow and ice storm hit on December 1st. Cash prices for fall 2008 harvest delivery have exceeded \$5.00 per bushel for corn and \$13.00 per bushel for soybeans. These are the highest prices we have seen since 1996 in corn and the early 1970’s in soybeans.

The grain markets have moved to these

higher levels due to excellent demand, both in exports and domestically. Wheat prices have led the way, shooting well above all-time record highs on supply concerns. While corn and soybean stocks are not as tight as wheat at this time, prices could become just as explosive if there are weather problems this year.



Conversely, excellent conditions would likely lead to a substantial drop from these levels. It certainly promises to be an interesting year.

### **Weather**

We have had a harsher winter this year than in the recent past. Snowfall has been frequent and temperatures for the most part have been well below normal. Climatologists tell us these conditions are typical of a strong La Nina pattern, which we are currently in. La Nina is the name given to the

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rose 22% to a new high of \$3,908 per acre. Counties in Northwest Iowa increased from 18.5% to 29.3%. O'Brien and Sioux Counties are the highest per acre, listed as \$5,306 and \$5,204 average. The ISU survey is based on opinions of those considered knowledgeable in farm real estate with 499 useable responses in 2007. The semi-annual Realtor's Land Institute opinion survey, released March 19<sup>th</sup> with values as of March 1<sup>st</sup>, put the state at + 11% for the past six months. Northwest Iowa was 11.4% higher with the average of top farmland placed at \$5,442 per acre.

### Location and Quality Still Matter

It was only a few years ago that \$3,500 per acre range for top land in strong areas was stretching the imagination. Those same areas may be \$5,000, \$6,000, or \$7,000 per acre now. Extreme Northwest Iowa has had its own economy for farmland for years. There have been several sales exceeding \$8,000 per acre with the high water mark now at \$9,010 per acre for 65.6 acres of straight farmland. That same farm in another area would bring substantially less. Strong livestock history has affected that area in several ways – creating generational wealth with diversified farming operations, and building soil organic matter and fertility from decades of manure application. Competition for land in this area remains very strong to grow operations for the next generation and to accumulate enough acres to spread manure under state-mandated manure management plans.

That is the prime example of location influence on a piece of farmland. However, location influences all farmland and knowing your neighborhood, down to which part of the township you're in, plays a role in the value of your farm. In this time of rapidly rising land values, it becomes easy to think that "my" land is worth \$X because a farm 50 miles away just sold for \$Y. All factors, including those local factors such as livestock, ethanol, and just plain old "who the neighbors are" play a big role in the value of your farm, although these days the definition of "neighbors" has expanded and may include investors who are active in certain areas.

Another factor not always thought about is the reputation of the farm. Has it been well-maintained with strong fertility and weed control (not only in the field but around field borders), has it received lime recently (if needed), are trees and brush cleaned up, have needed improvements been made such as drainage, terraces or waterways, building upkeep or removal, to name a few. Have you had a long-term tenant or changed every few years? Farms that are rented to the highest bidder with

frequent turn-over tend to develop a reputation as "used", whether its justified or not.

If the time has come to sell the farm and you can provide records such as yields, fertility, drainage maps, and the like, you are a step ahead of most sellers by providing potential buyers with evidence that your farm is indeed a good investment with no additional costs to bring it up to speed.

Is this a good time to buy or sell? It is a different answer for each person. Today is the right day for someone to sell and for someone else to buy. To discuss your options as a buyer or seller, give us a call or e-mail. These are interesting times in the farmland business!

### Upcoming Stalcup Ag Service Auctions

| Date | County | Acres | CSR  | % Tillable | Location  |
|------|--------|-------|------|------------|-----------|
| 3/26 | Sioux  | 250   | 69.8 | 97%        | Granville |
| 4/16 | Sioux  | 163   | 69.7 | 92%        | Granville |

Following are representative recent sales from our trade area. Stalcup-brokered sales are shown in **bold\***.

## Selected Sales of Good Farmland

| Date         | County          | Acres      | CSR         | % Tillable | Per Acre       |
|--------------|-----------------|------------|-------------|------------|----------------|
| Nov          | Pocahontas      | 80         | 76.9        | 97%        | \$5,050        |
| Nov          | Calhoun         | 133        | 73.5        | 100%       | \$4,550        |
| Nov          | Sioux           | 80         | 69.0        | 96%        | \$7,725        |
| Nov          | Ida             | 80         | 57.2        | 96%        | \$3,700        |
| Nov          | O'Brien         | 80         | 75.0        | 96%        | \$7,900        |
| Nov          | Humboldt        | 185        | 73.0        | 98%        | \$4,725        |
| Nov          | Kossuth         | 352        | 75.0        | 100%       | \$5,025        |
| Nov          | Lyon            | 147        | 60.0        | 97%        | \$6,150        |
| Nov          | Webster         | 223        | 81.0        | 97%        | \$6,037        |
| Nov          | Greene          | 480        | 83.7        | 96%        | \$5,525        |
| Nov          | Palo Alto       | 160        | 70.0        | 97%        | \$4,560        |
| Nov          | Plymouth        | 80         | 65.0        | 93%        | \$5,400        |
| Dec          | Clay            | 73         | 60.0        | 100%       | \$3,050        |
| Dec          | Cherokee        | 240        | 69.0        | 90%        | \$6,275        |
| Dec          | O'Brien         | 80         | 73.0        | 99%        | \$6,350        |
| Dec          | Osceola         | 160        | 73.7        | 97%        | \$6,400        |
| Jan          | Ida             | 167        | 76.5        | 100%       | \$6,970        |
| Jan          | Sioux           | 66         | 75.0        | 98%        | \$9,010        |
| Jan          | Buena Vista     | 160        | 71.0        | 94%        | \$4,700        |
| <b>Jan *</b> | <b>Cherokee</b> | <b>148</b> | <b>69.0</b> | <b>88%</b> | <b>\$3,829</b> |
| Jan          | Clay            | 82         | 73.0        | 90%        | \$5,625        |
| <b>Jan *</b> | <b>Sac</b>      | <b>80</b>  | <b>77.5</b> | <b>94%</b> | <b>\$5,810</b> |
| <b>Feb *</b> | <b>Hamilton</b> | <b>80</b>  | <b>81.3</b> | <b>91%</b> | <b>\$5,670</b> |
| Feb          | Lyon            | 240        | 65.2        | 96%        | \$5,600        |
| <b>Mar *</b> | <b>Woodbury</b> | <b>320</b> | <b>58.0</b> | <b>71%</b> | <b>\$3,600</b> |
| <b>Mar *</b> | <b>Monona</b>   | <b>320</b> | <b>40.9</b> | <b>97%</b> | <b>\$3,140</b> |
| <b>Mar *</b> | <b>Clay</b>     | <b>80</b>  | <b>80.2</b> | <b>82%</b> | <b>\$5,000</b> |

phase of colder than normal water in the equatorial Pacific Ocean. La Nina years also tend to bring hotter and drier conditions to the Midwest during

the growing season. The soil moisture profile is currently full and will likely be very important to crop production if La Nina continues into this summer.

It looks like it will be another exciting year in agriculture with volatile grain markets intensified by changing weather conditions.

## RISING GRAIN PRICES AND RISING INPUT COSTS

Net Management Fee System Helps Owners Maximize Returns

By Nathan Deters



The price of corn, soybeans, and wheat has all recently exceeded historical highs. Barring weather related crop production problems this year, we will see record farm income, exceeding even a very good 2007. These are heady times for agriculture, including those in the business of developing, manufacturing, and selling crop inputs. Costs are going higher.

Fertilizer has typically been the highest variable expense in Midwest corn and soybean production. Nitrogen, phosphorous, and potassium are the macro-nutrients needed for corn. Soybeans are a legume crop that produce it's own nitrogen but still needs supplemental phosphorus and potassium. A typical program for a crop rotation between corn and soybeans would fertilize the corn with high enough levels of phosphorus and potassium to provide for the corn and next year's soybean crop, as well as nitrogen for the corn crop. In the fall of 2006, a base rate of fertilizer for the above described program cost approximately \$90 per acre. In the fall of 2007, the same rate of fertilizer cost \$130 per acre, and projections are that costs will near \$200 per acre in the fall of 2008.

Why the increase? Strong demand and

higher energy prices. Higher grain prices are stimulating increased production worldwide. Global phosphate use could increase 13 percent and potassium 18 percent from 2006 to 2008 according to the International Fertilizer Industry Association. That is the equivalent of adding another United States to world demand in just three years. Natural gas is the main expense in making nitrogen fertilizers, and this price remains strong. Transportation costs to ship these products are also rising.

Seed corn prices have increased as well. A few years ago our budgets for seed costs normally topped out at \$50 per acre, but will likely move to over \$80 per acre by next year. Increasing levels of "stacked" traits in corn hybrids have added to costs, but have enhanced value by providing yield stability under stressful conditions. Seed production costs are also on the rise which will be passed on to the buyer.

### Holding the Line on Costs

While higher prices are a fact of life, there are some steps that can be taken. Stalcup Ag Service began soil sampling managed farms on a grid basis in 2000, and maintain these records in-house. Spreading fertilizer based on these grids reduces costs by applying product only where it is needed. Livestock manure,

where available, is a good source of nutrients and can usually be obtained cheaper than an equivalent nutrient level of commercial fertilizer. Obtaining prepayment and volume discounts on seed and fertilizer is another step we use to lower costs.

At Stalcup Ag Service, we are proud of our unique net management fee structure on the farms we manage under share leases or custom farming arrangements. Our fee is calculated after deducting variable expenses that we control, such as fertilizer, seed, and herbicide. In times of rapidly rising costs, our fees are a better reflection of actual earnings of the farm, as opposed to firms that charge fees based on gross income, which will likely reach record highs this year.

### Summary

While costs are on the rise, the earnings picture is still bright for agriculture. The weak dollar is spurring demand for our products overseas and the bio-fuel industry is using increasing amounts of grain domestically. As always, controlling expenses where possible will add to bottom line profits.

## STALCUP HOSTS GRAIN MARKETING UPDATE

Stalcup Ag Service hosted John Roach of Roach Ag Marketing for a grain marketing update at King's Pointe Lodge in Storm Lake on December 12th. Farm owners, operators, and the

general public were invited to attend. Roach provides Stalcup's with daily updates on the corn and soybean market and provides brokerage services that are part of our marketing tools. Mr.

Roach has been in the ag commodity brokerage business over 30 years and is a frequent guest on *Market to Market*, seen on public television around much of the country.

# ARGOTSINGER RECEIVES EXCELLENCE IN EDUCATION AWARD



The annual H. E. "Buck" Stalcup Excellence in Education Award, which honors Buck's long commitment to the American Society of Farm Managers and Rural Appraisers educational efforts, was presented this year to Terry Argotsinger, AFM, ARA at the national ASFMRA convention in February in San Diego, CA. Terry has taught numerous farm management and rural appraisal classes to society members over the

years, has been co-chair of the national management education committee, and has authored or co-authored several courses including basic education classes along with specialized courses such as: Land Ownership, Business Organization, and Taxation; Managing Leased Hunting Enterprises; and the Wind Park Easements/Bio-diesel seminar. We congratulate him on receiving this award.

## WHY USE A PUBLIC AUCTION TO SELL YOUR FARM?

By Lyn Berkland

Public auctions have commonly provided the highest prices for farmland over the past decade. In an uptrending market, the next auction may well bring a higher price than previous sales in the area. Four to six weeks should be allowed from the time the sell decision is made until the auction date for proper advertising. During this time, positive news may push the market higher than was originally anticipated.

Public auctions have been used in Iowa agriculture for over a century. It is well accepted by buyers and plays well into the psychology of an uptrending market. It is understood that all potential buyers are on a level playing field with a well advertised auction. A buyer who might not pay asking price on a listing may be willing to pay one more bid increment than his neighbor,

even if it's higher than an asking price would have been.

Selling a farm requires the same mentality as selling grain. Once the decision is made and an acceptable price is established, relish the moment and look ahead. Many landowners only sell or purchase a farm once or twice in a lifetime. Use the best information available at the time, make the decision, and move forward.

Stalcup Ag Service has assisted many landowners considering selling their farm by providing market information to estimate sales price and establish the time to position the farm on the market for best results. Multiple facets of advertising make sure your farm is fully exposed to the market. Those who own land within a ten-mile radius

of your farm are excellent prospective buyers. Direct mail to local landowners as well as absentee landowners gives



great exposure to that pool of prospects. Local and regional newspaper ads, web site, radio, and knowledge of local factors influencing the value of your farm all contribute to a successful sale.

Feel free to call one of our farm real estate professionals for a market analysis of your farm and proposal on how best to position your farm for sale in the current real estate market.

*Since 1942 Our Business Has Been To Improve The Business Of Farming*

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- All types of Sales
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  - Private treaty
  - Sealed bid
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