

2010 OUTLOOK

By Terry Argotsinger

Cold and snowy have been the themes for the winter of 2009/2010. The severity of the cold and snow were recently highlighted by the Iowa State Climatologist. For the three months of December, January, and February, the state averaged 4.5 degrees below normal, making it the nineteenth coldest winter in 138 years. Snowfall averaged 45.1 inches, 23.1 inches above normal, making this the snowiest December-February season in Iowa history. We here in Northwest Iowa have seen more snow than anywhere in the state at approximately 65 inches. With 90 plus consecutive days below 40 degrees, very little snow had melted by early March. It has been a challenge this winter to move stored grain to town and in some cases even to access bins to monitor grain conditions. Heavy snow has caused numerous roof collapses to farm buildings and made feeding and taking care of livestock difficult.

Spring Difficulties

Adverse weather conditions starting last October and continuing through the winter will have repercussions as we plant the 2010 crop. The late harvest and wet fall did not allow the usual progress in tillage and fertilization prior to winter, meaning more will have to be done this spring, likely under less than ideal conditions. Soil compaction occurred from harvesting on wet soils last fall. The heavy snows in early December

insulated the ground quite well, allowing only an inch or two of frost to penetrate. The usual freeze/thaw cycle that helps break up soil compaction and kill over-wintering insect pests did not occur this year. Soil moisture levels are high throughout the area, and even normal April precipitation combined with snow melt will likely lead to planting delays. On the positive side, we should not have any drought concerns through the first half of the growing season.



Grain Markets

The January USDA reports confirmed that the 2009 corn and soybean crops were records, capping the post-harvest rally and leading to lower prices. However, there are some positive factors to consider. Approximately 4% of the corn crop remains to be harvested, and with the heavy snows this winter, there is some uncertainty as to how much field loss will be sustained. The quality of the 2009 corn crop is below average. High moisture and mold are leading to storage losses. Light test weight corn is a result of the cool summer in 2009, and more bushels are needed to produce the same amount of meat and ethanol compared to a normal crop. The general consensus is that an

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increase in corn acres is needed this spring to keep up with growing demand. This may be hard to accomplish with a late, wet spring.

Generally favorable weather has South America on track to produce a substantially larger soybean crop than last year's drought-shortened results. While demand remains strong, soybeans should be sold on any rallies in the market, as world carryover supplies are set to grow, especially if acres planted in the United States this spring exceed projections.

Since our last newsletter, two well-known land market surveys were released. The annual Iowa State University survey provides estimated averages per county. The quarterly survey of bankers by the Federal Reserve Bank of Chicago places a percentage change on five districts in Iowa. Both are opinion surveys and not based on sales comparisons. The semi-annual Realtors Land Institute survey will be released March 23rd.

The ISU survey, as of November 1st, placed most counties in our trade area slightly lower from late 2008 to late 2009. The range was +4.6% in Lyon County to -6.3% in Woodbury County, but with most counties at 1 to 4% lower. Only Lyon and Osceola Counties showed gain during that period. What we actually saw during that time frame was a dip of 10-15% (depending on quality and location) in late 2008 and early 2009, when caution prevailed, then recovery in land values beginning in the spring of 2009 and continuing into 2010. The latest Federal Reserve survey placed "good" western Iowa farmland at +4% for the past quarter and +4% for the past year, as of January 1st. North-central Iowa was +3%.



The amount of land being offered to the market continues to be relatively small compared to many previous years. Land that does become available has good competition from both farmers and investors. There tends to be more differentiation between high-quality land values and lower-quality land compared to several years ago.

However, recent corn yields on some lower-quality land have been outstanding. Traditionally strong neighborhoods lead the way in strength of land values. Sales of recreational land have been very limited in the past year.

Most appraisal work we've done lately, which is based on making actual sales comparisons, tends to show steady to rising land values over the past six months, similar to the survey data. However, finding enough good recent comparable sales for a given area can be challenging!

The following table includes thirteen sales from around the northwestern part of the state which are indicative of some of the strength in the land market around the region.

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	\$/acre	% tillable
Nov	Monona	104	48.3	\$4,100	96%
Nov	Carroll	80	84.0	7,225	94%
Nov	Calhoun	80	75.0	5,310	98%
Nov	Buena Vista	213	75.6	5,550	96%
Nov	Lyon	37	61.0	6,100	95%
Nov	Pocahontas	160	72.0	5,375	97%
*Nov	Ida	80	58.7	5,125	94%
Dec	Sioux	123	65.0	8,200	96%
Dec	Humboldt	80	78.0	6,050	96%
Dec	Crawford	80	70.0	6,125	92%
Dec	Emmet	154	65.5	4,650	100%
Jan	Osceola	320	68.0	5,625	89%
Feb	Clay	158	80.4	7,150	99%

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Northwest Iowa Road - Winter 2009/2010

CONSIDERING SELLING LAND?

By Kent Smith

Currently there are more people wanting to invest in Iowa farmland than there are willing sellers. As a result, if you have been considering selling your farm, it may be a good time to capitalize on the recent price strength.



private negotiations. Some of the advertising methods we employ include:

- Direct mail to all rural residences within six miles of the farm and to all absentee landowners in the township the farm is located and surrounding townships
- Direct mail to our buyer/investor list and to area banks, attorneys, and CPA's
- *For Sale* signs posted on the farm
- Local and regional newspaper ads
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GROWING DEMAND FROM CHINA INFLUENCES SOYBEAN PRICES

By Rex Wilcox

China seems to be in the news frequently these days and for good reason. The most populous country in the world, it escaped the worst effects of the 2008/2009 world recession and is expected to lead the world economy back as conditions improve. With a rapidly growing middle class, it has moved in less than a generation from what most would consider a third-world nation to a global economic power. Just how much things have changed was brought home to us by a recent



article on Chinese soybean imports. A short fifteen years ago, Chinese soybean imports were negligible as they were largely self sufficient. As their economy improved, their diets did as well, leading to more demand for soy protein to feed expanding livestock herds. Soybeans also provide oil for cooking, which is likewise in higher demand. The most recent figure for Chinese soybean imports shows that they have imported the equivalent to the entire 2009 production of Iowa, Illinois, Minnesota, and Indiana combined, which are

the four largest soybean production states. While it is true that soybean production has rapidly expanded in South America over the past decade to help meet this additional demand, we can thank the Chinese for a large part of the higher prices we have seen over the last several years. It is sobering to think what a positive influence an expanding Chinese economy will have on soybean prices, and conversely, how detrimental to prices a sharp downturn in their economy or a serious trade or geopolitical dispute could be.

WHAT IS AN ACRE?

Land is described in acres. What is an acre and how did that description develop?

One acre is 43,560 square feet. That can be visualized as about 91 yards of a football field. References to an "acre" can be found as early as 732 A.D. The word originally meant "field", which was the area that could be plowed

in one day. Since the oxen had to be rested in the afternoon, this actually meant that it was the amount plowed in the morning.

An acre was not originally visualized as a square. The Anglo-Saxon farm field of the day was one furlong (40 rods or 660 feet) in length but only 4 rods wide (66 feet or one chain). A furlong

was the length of a furrow traditionally plowed by the Anglo-Saxons, and a rod (16.5 feet) was the traditional Saxon unit of land measurement. Ten of these "acres" side-by-side equals one square furlong and since one mile is 8 furlongs, we have 640 acres in a square mile, or one section as we know it in Iowa.

FARM PROPERTY TAX BASICS

By Nathan Deters

Nobody likes paying taxes and property taxes are no exception. Property taxes are an annual cost to land ownership. How they are calculated and what they are used for deserves a short explanation.



Property taxes largely go towards financing schools and local government. Schools typically take 40 to 55% of property tax collections. The rest is spread over 10-13 other taxing bodies. One advantage to property taxes is that, unlike federal income tax, each tax statement itemizes how your dollars are spent. Stalcup Ag personnel influenced the Iowa legislation to require this itemization. How are property taxes calculated? Three major factors go into this calculation: Assessed Value, Rollback, and Levy Rate.

Assessed Value

Farmland in Iowa is unique. Assessments are not based on market value like residential property, but rather on a five-year rolling average of income and expenses based on data collected from various sources by the Iowa Department of Revenue. For taxes due in Fall 2010 and Spring 2011, this calculation is based on 2003 to 2007. This is significant because since the last assessment, 2001 and 2002

(relatively low grain price years) have been dropped while 2006 and 2007 (relatively high price years) have been added. The Department of Revenue specifies the total amount of assessed agricultural value each county should have. Each county assessor must equitably spread the required agriculture value among agriculture parcels. This is where the Corn Suitability Rating (CSR) comes into play. CSR is an index of soil productivity and does not change over time. Parcels with higher CSR's have higher assessments than parcels with lower quality soils.

Rollback

If changes to assessed value were the only factor in determining property taxes, we would be in for a rate shock. Statewide, agricultural assessed values increased 48% over the previous assessment due to the higher income/expense factor. The state legislature instituted the "Rollback" in the early 1970's to limit government access to rapidly growing property values. It limits statewide taxable value growth of a property class to 4%, although rollback is not a limiter to individual property value. It also ties residential and agricultural property together. One classification cannot exceed the growth rate of the other. The rollback

is a significant factor this year. For example, Buena Vista County's rollback is 66%.

Levy Rate

The levy rate is the final piece of the property tax puzzle. Each school district and governmental body sets a budget. The levy is then calculated by dividing total dollars needed by taxable value. As taxable values rise, levies can be reduced and still raise the same amount of money. So, assessed values may change but the levy rate tells the final story on tax rates.

Taxation

Property taxes are due and payable nine months after the end of each six-month period. This means that taxes accruing from January 1st to June 30th become due the following March 1st and become delinquent on April 1st. Upon sale of a property, taxes accrued but not yet due are pro-rated to the date of transfer and paid by the seller.

Property taxes are headed higher. While agricultural properties in general will increase around 4%, bare land will see the bulk of the increase while livestock facilities and other ag buildings will actually go down. For bare land, expect a 10 to 15% actual tax increase this year, depending on the county.

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