

TODAY'S LAND OWNER

UPDATE YOUR LEASE-INCREASE YOUR INCOME

By Kent K. Smith



The sizeable increase in corn and soybean prices since last fall will have a substantial impact on 2008 lease terms. Landowners should analyze their current lease terms or new operating alternatives to be sure they realize the full advantage of this dramatic increase in income. Below are brief descriptions of various lease types to review as you consider alternatives to meet your goals:

Cash Rent

Iowa State University economists studied the percentage of gross income per acre paid as cash rent over the past decade and estimate the range at 35% to 40% for corn and 45% to 50% for soybeans. Following is an example of the income these percentages would generate using current prices and average yields:

	<u>Corn</u>	<u>Soybeans</u>
Yield	175	50
Price	\$3.50	\$7.50
Gross	\$612.50	\$375.00
Percentage	40	50
Income	\$245	\$187.50
Average	\$216.25	

Based on these assumptions, cash rents could increase 30% to 40% depending on the current rate.

Flexible Cash Rent

There is considerable interest in leases with a base cash rent and a bonus payment. This type of lease has the advantage of providing upside potential for the landowner and risk-sharing for the operator since they pay more when extra profit is available.

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LAND PRICE UPTREND CONTINUES

By Terry Argotsinger

Recent farmland sales price surveys show substantial increases. The Iowa Farm and Land Chapter #2 Realtors Land Institute semi-annual March report showed a 12% increase for Northwest Iowa cropland. The Federal Reserve Bank of Chicago's May agricultural newsletter reported an annual farmland value increase of 17% for Western Iowa; 7% for January 1 to April 1. From our experience in recent months, we feel the current rate of increase in most areas we serve is 1.5% to 2% per month.

Many of the same factors that prompted the upswing in prices the last few years are still in place; however the relative influence of some of them has changed:

- Farm operators have become more aggressive buyers with very profitable grain prices.
- The majority of buyers expect bio-fuel grain and oil seed demand to be positive long-term.
- 1031 buyers are still significant players, but to a lesser extent with slower urban land development.

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Land Price Uptrend Continues.....continued from page 1

- Most purchasers are paying a high percentage cash, but moderate mortgage interest rates are helpful.
- Many real estate brokers report fewer listings and strong buyer interest.

Favorable Outlook

The outlook for stability/strength in farmland prices for the next few years will be favorable as long as the bio-fuel demand for corn and soybeans continues to grow. It is impossible to predict the level where the market will stabilize as buyers price their earnings expectations into land prices.

If you are thinking of selling, prices are at record levels. If some unforeseen development changes land buyers bullish attitudes, the market will flatten or turn lower.

If you are optimistic about the future of bio-fuel demand and higher grain farming profits, you may want to consider buying additional land.

Whatever your land ownership goals are, feel free to contact our staff of real estate brokers, appraisers, and farm managers. We can provide current real estate market information and earnings projections to help you make informed decisions.

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

Selected Sales of Good Farmland

<u>Date</u>	<u>County</u>	<u>Acres</u>	<u>CSR</u>	<u>%Tillable</u>	<u>Per Acre</u>
March	Clay	64	76.0	99%	\$5,250
March	Humboldt	120	77.0	100%	\$4,900
March	Kossuth	40	73.0	96%	\$4,425
March	Osceola	80	68.0	86%	\$4,000
March	Wright	120	72.4	98%	\$5,100
March	Sioux	73	74.0	93%	\$6,970
March	Woodbury	250	55.0	98%	\$3,700
March	Cherokee	92	61.0	83%	\$2,700
March*	Buena Vista	160	-	15%	\$1,688
March	Pocahontas	118	76.2	88%	\$4,600
March	Calhoun	160	77.3	92%	\$4,850
April	Webster	160	76.9	96%	\$5,200
April	Plymouth	145	62.0	95%	\$4,200
April	Lyon	135	63.6	90%	\$5,125
April	Pocahontas	40	74.7	96%	\$4,800
April	Clay	74	81.0	93%	\$5,800
April	Clay	75	76.0	89%	\$4,460
April*	Humboldt	137	79.5	89%	\$4,200
May	Osceola	320	56.5	92%	\$2,900
May	Buena Vista	69	66.0	91%	\$2,600
May	Dickinson	160	72.1	99%	\$5,030
May	Clay	150	67.0	78%	\$3,550
June	Sac	40	71.6	98%	\$4,800
June	Woodbury	120	48.8	96%	\$4,500

IMPROVED STALCUP WEBSITE

We have completed most of an updating project on our website, www.stalcupag.com

Areas of interest are:

- Company background and location information
- Complete information on the farm management, farm real estate, rural appraisal, and consultation services we offer
- Current real estate listings and upcoming auctions

- Sale result history for sales handled by our firm
- A local weather page
- Daily cash grain bids
- Ag Headlines – updated daily
- We are building a Crop Update section which will provide weekly crop progress reports

Our goal is a website which Northwest Iowa landowners can use to stay current with area agriculture.



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If you are interested in this type of lease, you should likely consult with a knowledgeable party to be sure that the method of determining the bonus does not complicate the division of farm program benefits.

Share Leases

The current trend in share terms is for the owner to pay all variable crop input expenses and receive 70% to 80% of the crop. We have used this type of lease for over twenty years, under the classification of 75-25 custom share. This lease type yields a good level of profit, shares some of the production risk with the operator (operator receives a share of the crop for his labor and machinery expense), but requires crop production knowledge and on-farm management by the owner or their manager to be successful.

Custom Farming

The landowner pays all crop input expense, pays the operator for field operations, and receives 100% of the crop. Attributes of this method are: requires a high level of on-farm crop management, additional operating capital, moderately increased risk because of higher capital needs, and maximum control of farming practices. The extra risk, which is caused by below average yields, can be mostly offset by crop insurance. **Over a period of years, custom farming has produced the highest per acre profits of any method Stalcup employs for our clients.**

September 1 Lease Termination Deadline

The first step toward a new lease is terminating your current lease.

September 1 is the Iowa deadline to terminate a farm lease for the coming year. There are several different ways to end a lease. Each one has specific procedures that must be followed precisely to be sure the lease is properly terminated.

There is not a date deadline requirement for a new lease. The only practical deadline is the timeline an operator needs to arrange crop plans.

Summary

Grain farming income will show a large increase based on much higher grain prices. Seed, fertilizer, fuel, and other farm inputs will continue to increase modestly; however margins will be adequate to increase cash rents to levels that were not justified in the past.

If your cash rent operator is reluctant to share the increased income, you should consider other operating alternatives to realize top returns and increase your income.

Contact us if you want to learn more about leasing or terminations. Working with a professional farm manager from Stalcup Ag Service provides the opportunity to take full advantage of the higher levels of income available.

Stalcup Ag Service Notes 65 Years of Service to Agriculture

H.E. "Buck" Stalcup came to Storm Lake as a farm loan representative in 1937 for the Connecticut Mutual farm loan division. After he completed his assignment of selling the farms acquired during the depression, Buck started a farm management and rural appraisal service in 1942.

The company has grown steadily over the years and now includes six partners handling farm management, real estate, and rural appraisals and four very capable manager assistants. The firm manages 298 farms totaling approximately 62,000 acres and handles real estate and appraisal assignments throughout Northwest Iowa.

Stalcup Ag Service is still the client-friendly business Buck Stalcup founded in 1942.



SPRING CROP PROGRESS AND MARKETING



By Rex Wilcox

Frequent Spring Rainfall

In general, the eastern Cornbelt was dry this spring; western areas were wet. Temperatures were slightly above normal. Northwest Iowa received above average spring rainfall, lighter amounts north of Storm Lake and heavier south.

Planting stretched from mid April to June 1 with activity limited to three or four days at a time followed by several days of down time. It is fortunate producers bought larger planters (16 to 32 rows) the last few years permitting rapid progress.

Crop Conditions

Corn progress and quality are variable with planting dates up to a month apart in adjacent fields. Poorly drained fields are uneven with stunted corn in wet spots and replanting in flooded, ponded, or silted over areas. Overall, corn condition is good, with a lower than normal percentage of excellent fields. Soybeans got off to a good start with drier weather at planting.

Drainage

Heavy spring rains highlighted soil management issues to address:

- Improve tile and surface drainage to allow timely field operations.
- Implementation of conservation systems that keep topsoil out of streams and lakes.

Growing Demand/Active Markets

Markets are nervously evaluating 2007 crop production prospects against increasing demand for grain and oilseeds. Rapidly growing ethanol production needs record 2007 corn production, which is reflected in excellent new crop bids. Producers cut 2007 soybean acres to plant more corn, resulting in a 2008 price-friendly carryover projection and new crop 2007 prices which have exceeded \$8.00 recently.

Although bids for current, 2007, and 2008 crops are very good (corn range of \$3.75 to just over \$4.00 per bushel, soybeans around \$8.00 per bushel), it is possible current corn and soybean supply/demand dynamics could produce higher prices.

Corn, soybean, and wheat markets will all bid for 2008 acres. Ethanol production will need another four to five million corn acres. Low 2007/2008 soybean carryover prospects will force soybean prices higher to compete with corn. Wheat producers have already converted their best acres to corn.

Summary

With good 2007 crops, prices could decline modestly in the short run, but the price/acreage battle for 2008 crop acres should produce excellent pricing opportunities for both 2007 and 2008 crop production prior to planting next spring. If 2007 production is threatened, prices have potential to move rapidly higher.

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Farm Management • Real Estate • Appraisal • Consultation
