

Summer 2021 Volume XLIII

# Northwest Iowa Progress Report



It has been a volatile year in the grain markets. As Grant details in another article in this newsletter, there are many causes for this volatility. As always at this time of year, however, weather takes center stage.

Our growing season started out on a good note. With limited rainfall, planting was able to progress quickly. Many farm operators commented on soil conditions at planting being some of the best they had ever seen. Early April saw some planting but the majority of corn in the area was planted by the end of April, with soybeans following closely behind and finishing in early May. In general we had less rain than normal in May, but we did receive enough to get the crops off to a good start. It was a little cooler than normal, which slowed early development. A frost on Memorial Day weekend caused some damage and even some limited replanting of soybean fields in eastern portions of our territory. No-till fields took the brunt of the damage due to less heat held in the soils vs black, tilled fields.

June has been one for the record books. The period of June 1st through the 20th was the 2nd hottest for that time frame in Northwest Iowa in 120+ years of weather record keeping. Many days during this stretch saw highs in the low to mid 90's. Fortunately, temperatures moderated back to normal levels to finish out the month. Drought is an ongoing concern as well. In what is normally our wettest month, rainfall has been very limited in our area. A few storms brought severe hail damage. The area covered by

Nathan Deters, AFM these storms was limited, but it is no fun if your farm happens to be hit. Some replanting of soybeans was required in the worst hit places. Our area did receive rain the period from June 26th to 28th. Some places got good amounts, but areas that have been the shortest throughout this summer, the northern & western parts of our territory, were on the short side again.

Considering the adverse June conditions, crops in general have held up well. They are rooting down to tap subsoil moisture and are showing decent color and plant health in most cases. Growing Degree Days, as could be expected, are well above normal. Both corn and soybeans are shorter than would normally be expected for this scenario, as topsoil moisture has not been available to accelerate growth. Areas lucky enough to see good rains in late June will see crops make up for lost time over the next 2 weeks.

July is shaping up as a critical time for the national crop. Much of the Corn Belt was on the dry side through mid-June. As of that time, over 40% of the main corn and soybean areas were in some level of drought. A pattern change since then brought abundant rains through roughly the south eastern half of the belt. Eastern Iowa, Illinois, Indiana, southern Nebraska, Ohio, Missouri, and Kansas all look to enter mid-summer with good moisture, while most of Minnesota, Northwest Iowa, South and North Dakota, and Northern Nebraska remain on the dry side.

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# NW IA Progress



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.

### The Stalcup Team

- Kent Smith, AFM
- Dennis Reyman, AFM, ARA
- Nathan Deters, AFM
- Chad Husman, AFM
- Travis Nissen, ARA
- Grant Aschinger, AFM
- Dan Niemeier, AFM
- Luke Pearson

### Contact Us

Stalcup Ag Service, Inc.  
 1705 N Lake Ave  
 Storm Lake, IA 50588  
 Phone: (712) 732-4811  
 Fax: (712) 732-7371

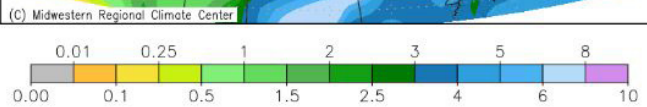
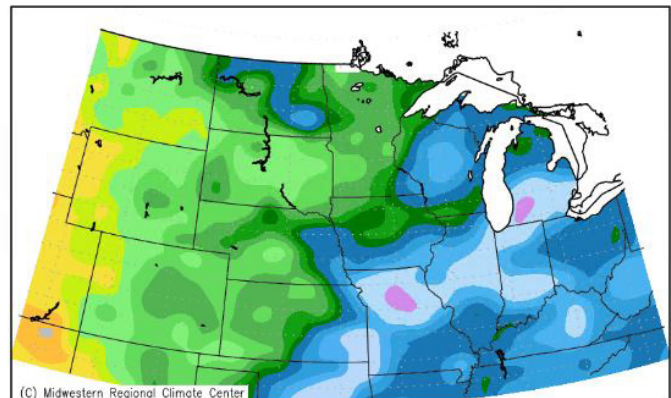
stalcupag.com  
 stalcup@stalcupag.com

Today's Land Owner

Long range forecasts are predicting this split to continue well into the summer. The question will be whether extreme heat returns during the pollination period. If it does, yields would be severely affected in the Northwest Belt and could even take away yield potential where water is adequate. As we look at the situation today, it seems unlikely we will be able to reach national trend line yields of nearly 180 bu/acre on corn and 51 bu/acre on soybeans. The areas with good crop prospects will have to have very good crops to offset the areas that are struggling with low moisture. The table below shows the breakout in 2021 crop acres between the "haves" and "have nots" on soil moisture on July 1. Approximately 40% of the acres of both crops are in areas short of moisture.

States with good soil moisture July 1		
State	Corn Acres (million)	Soybean acres (million)
Illinois	11	10.7
Indiana	5.2	5.7
Ohio	4.9	3.4
Missouri	3.1	5.9
Kansas	5.4	4.6
Wisconsin	2.9	2.1
Michigan	1.9	2.3
	34.7	34.7
States borderline with soil moisture July 1		
Iowa	12.7	9.8
Nebraska	9.4	5.4
	22.1	15.2
States short of soil moisture July 1		
Minnesota	8	7.6
North Dakota	3.4	7.1
South Dakota	5.5	5.4
	16.9	20.1

Accumulated Precipitation (in)  
 June 1, 2021 to June 29, 2021



Midwestern Regional Climate Center  
 Illinois State Water Survey, Prairie Research Institute  
 University of Illinois at Urbana-Champaign

# Today's Land Market



Travis Nissen, ARA

The land market remains red hot through early spring and summer months. Pent-up demand from farmers and investors coupled with limited amount of farmland available in certain areas continues to push farmland values substantially higher.

We looked at results of “cropland only” land sales from the first of the year into mid-June. These were 85% or more tillable with no substantial building improvements within our trade territory. There were 83 sales which met this criteria. Of those sold so far this year, 70% sold for over \$10,000 per acre and 38% sold for over \$12,000 per acre. In the last several weeks we have seen market-toppers of \$17,200 per acre in O’Brien County, \$16,200 per acre in Carroll County, and \$15,500 per acre in Kossuth County.

These sales can be broken down further by dividing by the CSR2, which is a quick way to value farmland. The formula- cropland value/CSR2 = CSR2 per acre is used to produce a better apples-to-apples comparison. This, of course, works most accurately when all the value is on the farmable cropland. The range seen in these 83 sales is \$117 to \$187 per CSR2 point on 68.2% of the sales, with 15.9% being higher than \$187 and 15.9% being lower than \$117. This is a large range of value and is confirmation that if you are looking to sell your farm it is best to speak to a land professional to determine the quality of your farm and how it compares to the other farms that have sold in the area.

## Land Value Surveys

Land value surveys recently included the semi-annual Realtors Land Institute survey of brokers’ opinions. This survey placed northern and western Iowa land at 8.2% to 8.3% higher than the previous six months. The Chicago Federal Reserve Bank’s survey of bankers’ opinions places “good” western Iowa farmland at 9% higher than a year ago and up 1-3% in the past quarter. It is important to remember that these surveys are based on the opinions of those in the business of farm real estate, not on actual

transactions. Also, opinion surveys are generally slower to respond to drastic changes in values.

Following is a table of land sales of “good” land from around the region. Stalcup-brokered sales are bold and marked with a \*.

### Selected Sales of Good Farmland

Date	Acres	% Tillable	County	\$/Acre	CSR2
<b>June*</b>	<b>75.63</b>	91%	<b>Osceola</b>	<b>\$14,400</b>	<b>93.7</b>
June	86.69	96%	Sac	\$12,400	83.9
June	99.11	96%	Carroll	\$16,200	84.1
June	236.30	97%	Palo Alto	\$11,800	82.7
June	80.00	96%	O'Brien	\$17,200	94.8
June	150.20	95%	Osceola	\$15,000	95.5
June	73.29	98%	Kossuth	\$15,500	84.7
June	109.94	100%	Buena Vista	\$11,400	84.7
June	159.00	96%	Kossuth	\$15,200	83.0
May	153.34	100%	Crawford	\$14,500	84.7
May	109.33	100%	Cherokee	\$14,300	95.0
May	80.48	98%	Palo Alto	\$11,800	79.1
May	33.00	100%	Plymouth	\$10,100	45.9
April	151.00	96%	Sioux	\$16,800	73.2
April	115.60	97%	Crawford	\$9,135	77.2
April	160.00	86%	Humboldt	\$11,600	83.9
March	41.20	100%	Kossuth	\$14,700	73.4
March	60.00	99%	Lyon	\$15,100	93.8
March	240.00	92%	Woodbury	\$9,300	54.1
March	74.24	99%	Plymouth	\$15,000	64.1
<b>March*</b>	<b>87.40</b>	<b>100%</b>	<b>Buena Vista</b>	<b>\$11,750</b>	<b>83.1</b>
<b>March*</b>	<b>87.40</b>	<b>98%</b>	<b>Buena Vista</b>	<b>\$12,100</b>	<b>87.5</b>
March	105.85	91%	Osceola	\$11,950	61.6
March	80.00	96%	Buena Vista	\$13,800	92.9
March	128.22	97%	Sioux	\$14,200	85.0
March	80.00	96%	Plymouth	\$11,900	72.2
March	74.30	96%	Clay	\$13,150	96.7
February	80.00	93%	Pocahontas	\$10,150	78.3
February	152.00	97%	Clay	\$11,500	85.1

### Upcoming Stalcup Land Auctions:

**July 23, 2021:** 157.17 surveyed acres Silver Creek Township, Ida County.

**August 4, 2021:** 240 acres, m/l Logan Township, Calhoun County..

**August 6, 2021:** 106 acres m/l Sheridan Township, Carroll County.

*Check our website for updated sales results and other auctions*

# Grain Markets

Unexpected is probably the best word to describe what grain prices have done over the last 9 months. Dennis Reyman did a great job of laying out the reasons for the beginning of the grain rally in the Spring edition of this newsletter going all the way back to before the Covid setbacks. At that time, cash bids for October delivery of corn and soybeans were \$4.40 and \$11.60 respectively.

## Current Prices and USDA Estimates

July delivery cash prices are \$6.50 for corn and \$13.70 for soybeans. These are great prices if you have any 2020 crop left. Unfortunately, most of that crop was sold on the way up and not much remains unpriced so we won't spend much time talking about prices of a commodity we no longer have on hand. October cash delivery prices at this time (early July) are now \$5.10 for corn and \$12.55 for soybeans. These are profitable prices IF we are able to produce an average or better crop. The drought in the Western Corn Belt is putting full production in question at this time.

The latest estimates of U.S. ending stocks (what is left of the 2020 crop at the end of the marketing year on August 30th) is 1.107 billion bushels of corn and 135 million bushels of soybeans. While this seems like a lot of bushels, historically these are very low inventories compared to the amount produced and used/exported. A good measure commonly used as measurement is the stocks to use ratio which gives us a percentage of what is left and the total days of supply we have remaining. Corn's stocks to use ratio is 7.4%, or 27 days of supply. Soybeans' stocks to use ratio is 2.9%, or 10 days of supply. These days of supply can be somewhat deceiving as they are measured right before the new crop harvest is beginning and does not take into account the ability to import more supplies from South America.

The last time the corn ratio was this low was 2012-2013 when our marketing year average price was \$6.22 per bushel according to USDA. That is not to say we are heading higher, but more of a reference to compare the current situation to history. Just 3 years ago our ending stocks percentage was 15.5% and average price was

Grant Aschinger, AFM



\$3.61 per bushel.

Similar story for soybeans. The lowest ending stock percentage we have seen in the last 20 years was 2.6% following the 2013 crop which saw the average price per bushel at \$14.40. The differences are both the United States and South America are planting significantly more soybean acres now than even 8 years ago and China's demand for US soybeans has returned after the lengthy trade war pushed almost all demand to South America. A below expectations (but still large) harvest in South America last season also helped bring demand back to US exporters.

2021 ratios were released by USDA for the first time on June 10th. They estimate the corn stocks percentage to increase to 9.2% and soybeans to be 3.5%. Both of those numbers are still very low and assume "trend line" production on a per acre basis. Corn trend yield is estimated at 179.5 bushels per acre, which would be a new record beating the current record of 176.6 from 2017. The 5-year average yield is 173.4 bushels per acre.

Soybean yield is estimated at 50.8 bushels per acre, which would only trail the current record of 52 bushels per acre from 2016. The 5-year average is 49.9 bushels per acre.

The other variable to total production is acres planted. USDA updated their planted acres on June 30th to 92.692 million acres for corn and 87.555 million acres for soybeans. These numbers are survey based. Pre-report estimates from professional traders averaged 93.787 million acres for corn and 88.955 million acres for soybeans. Corn and soybean markets increased dramatically shortly after the report release with corn closing up 40 cents and soybeans up 86 cents at the close of trading that day. North and South Dakota have significantly more acres planted this year after a large prevent plant (unplanted acres) year in 2020. The Derecho storm that devastated a large swath of crops through Central Iowa into Northern Illinois likely also altered crop rotations in 2021.

Farmers respond to incentive structures just as any other industry. If there is profit to be made, they will plant more if possible.

### **Fundamentals vs Technical vs Weather**

Most of this article has been attributed to the fundamental side of market prices. The simple basics of supply and demand are used to discover the value a product such as corn or soybeans is worth to the consumer. Scarcity and abundance are easily measureable by estimating production amounts and using historical data to determine what the market will bear in terms of prices. So marketing a crop should be as simple as 4th grade economic math, right? Unfortunately, like most things in life, it's not that simple. Every day brings forth a new set of information to be digested and analyzed to come to the conclusion of a fair price. Most farmers fall into the category of fundamental traders.

Technical trading looks very little at the actual price and assumes that all known information is already part of the market price. These buyers and sellers are mostly looking at past trends and indicators to figure out where they think the market will move next. Moving averages and support/resistance levels are more important than fundamentals in this type of trading. Algorithm (computer) traders would better fit this category. A saying in technical trading is "the trend is your friend" and that trend will continue until there is a reason to change direction and go the other way. The individual that fights the trend is usually the one that ends up the loser.

The biggest wildcard we are always dealing with in any market is the weather. Too hot, too cold, too dry, and too wet are everywhere. The modern genetics of corn are capable of producing 600 bushels per acre under ideal conditions. As producers, we would be thrilled to produce half of that potential. Our job is to maintain as much of that potential as possible by giving the plants what they need at the time they need it.

So far, 2021 has not been providing much of the ideal conditions we need to produce that huge crop in Northwest Iowa and many other parts of the Corn Belt. When supplies are this tight, the market is very sensitive to any changing variables such as weather. 2021 looks

like it will be a weather market year where the story and prices change drastically with every forecast update. The best weather forecasters in the world are less than 50% accurate beyond 10 days out. 7 days or less are better than 70% accurate, thus making that a "known" factor in the market. Unfortunately, the market uses these 8-14 day forecast models to predict yields rather than the known recent history.

Weather markets are extremely volatile. In early June we saw the corn market trade in a 60 cent range in a week with an overall change of 5 cents from beginning to end. This type of market will likely continue into August when yields are less in question.

As mentioned earlier, prices are very good for this fall and even with the volatility being seen this summer, we must keep everything in perspective. Back when this rally began in August of 2020, cash corn delivered this October was worth \$3.25 per bushel; today it is worth \$5.60 per bushel.

There is a saying "The cure for high prices is high prices and the cure for low prices is low prices." Hopefully the cure for high prices goes missing for a while and we can enjoy some cash reserve-building profit levels for a little longer.

## **Iowa Lease Termination Deadline is Prior to September 1**

The Iowa lease law requires notification from either party, which could be the landowner or farm tenant, in writing prior to September 1 if changes are to be made to your current lease for the upcoming 2022 lease year which is March 1, 2022 to February 28, 2023. **You do not have to have a new lease in place prior to September 1, just notification by either party if they want to change lease terms.**

It does not matter if your lease is verbal or written. Proper notification must be in writing from either party prior to September 1. Written termination as provided by Iowa Code must be either served via certified mail or acknowledged by the tenant's signature prior to September 1.

If you need assistance terminating your lease, contact one of Stalcup's farm managers.

# Farming Carbon

The idea of trading carbon credits is nothing new, it actually goes back more than 20 years. But a recent climate push from the Biden administration is spurring more interest in carbon credits. President Joe Biden called for the establishment of a carbon bank that would pay farmers to store carbon in the soil. Companies like Microsoft, General Motors, and Delta Airlines use carbon credits to reach their emissions targets. Many large companies are vowing to reach “net-zero emissions” by a stated year.

**How it works:** farmers and landowners get “carbon credits” by altering farming techniques to store more carbon in the soil. These credits can then be sold as an offset to emissions of greenhouse gasses like carbon dioxide.

## What could this mean to Iowa Farmers & Landowners?

It may be a new source of revenue in the near future. Farmers / landowners would sell the carbon credits per ton. More carbon in the soil means higher organic matter content which improves soil structure, increases water and nutrient holding capacity, and feeds beneficial soil microorganisms. Getting paid to improve your farms soil health and the environment sounds like a win win! However, when you get into the details of currently available contracts the opportunities get a little murky.

## Here are some of the issues we see in the current carbon credit market:

- Most contracts are long term (up to 20 years). It’s hard to say if the “early adopters” will have fair compensation in the long run. We don’t know what changes are coming, so a long term contract seems risky.
- If you want to make a change on a lease or sell a farm, the carbon contract may complicate the process. The carbon contract would stay with the farm which could be positive or negative to the next buyer or operator.
- These contracts generally pay for “new practices”. If you have been practicing conservation for years, there may not be much to qualify for. This is frustrating

Chad Husman, AFM



to those using the best conservation practices all along.

- What currency is the payment in and when will you see it? At least one carbon trading company uses cryptocurrency as payments, so the future value is unclear. Other companies may pay with credits to use toward purchases of other products or services. A portion of the money may be paid upfront or issued at a future date.
- The verification process has too much gray area. Private parties are hired to verify farming practices, but there’s no standard for a measurable outcome. For example, terms like no-till, minimum tillage, reduced tillage, strip-till, and vertical tillage can mean different things depending on the operation, specific equipment, and region of the country.
- The Government’s role is unclear. Agriculture Secretary Tom Vilsack said the USDA is intensively exploring carbon markets, but we don’t know how that will work for those with current contracts. Future USDA programs may support carbon prices to farmers, or maybe USDA will start a whole new federally controlled carbon market. Either way it appears future USDA farm payments could be tied to climate change initiatives.

**Payment rates range from \$5 to \$20 per acre depending on the practices used.** The biggest one is reducing or eliminating tillage, utilizing no-till, strip till and vertical till. Cover crops, manure fertilizer, and reducing nitrogen fertilizer use are also contributors. \$20 per acre is not a big incentive to make dramatic changes. For example, cover crops usually cost more than \$20 per acre. We think it’s time to keep your options open for now. In the future we will likely have more options at better prices. We do not think it’s time to lock into long-term contracts but that can change quickly. We think it’s best to wait and see how this carbon marketplace develops before making a decision.

# Lease changes due to Market Volatility

Kent Smith, AFM



Admittedly, the past several years in agriculture have led to some complacency. Mostly good crops resulted in quiet markets. From mid-2014 to mid-2020 corn prices essentially traded in a \$1.00/bu. range, and soybeans in a \$2.00/bu. range. Cash rents have remained relatively steady during the same time period. By comparison, since August of last year, corn has increased over \$3.00/bu. and soybeans over \$6.00/bu. Are these higher prices here to stay? No one knows. Weather, exports, bio fuel policy, and livestock production are all factors that will play a part in determining prices going forward. One thing that is certain is that costs of producing a crop will move higher along with crop prices. We have seen healthy increases in fertilizer prices already, and expect chemical and seed prices to move up as well.

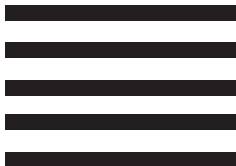
Where does this volatility leave you in negotiating cash rent leases for 2022 and beyond on your farm? It is probably a good time to look at your lease. Agriculture profitability is going to be higher this year given average crops, and adjustments to cash rent levels are likely warranted. Finding a realistic level is the challenge. This is where professional Farm Management can provide valuable assistance. We take into consideration the variables of crop yields, prices, and input costs to formulate a lease rate that fits current economic conditions. We also understand that different neighborhoods have different competition for rent. The combination of the two is the average market rent for your farm. Perhaps it is time to consider a new operating method. We can provide lease analysis and guidance to help you best meet your objectives of farmland ownership. Participating in a share of the crop production or custom farming allows the owner to profit from good market prices and high yields.

On the real estate side, demand is strong. If you have been holding off on a farm sale to wait for better prices, this may be a great time to consider a sale. We can help you through the process of determining a likely price range, sale date and method with a free written proposal to sell your farm. We deliver a very thorough marketing program to expose your farm to the maximum amount of buyers and professionally handle the sales process and closing.

The first start to making lease changes or if you are thinking about selling your farm is to terminate your existing lease prior to September 1st. Let the professionals at Stalcup Ag Service help you navigate the current ag environment.



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Summer Newsletter 2021

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### Northwest Iowa Progress Report

**Northwest Iowa, 2021**  
 Progress in the NW. Some exciting updates have been reported in the area of farm, crop and market news. The report covers the area from the northwest to the northeast, including the states of Iowa, Minnesota, Wisconsin, Illinois, Missouri, and Kansas. It also covers the market news for the area, including the price of corn, soybeans, and wheat. The report is a must-read for anyone interested in the agricultural industry in the northwest.

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Checkout what's new in this issue!