

Spring 2021 Volume XLII No 1

NW IA Progress Report



Chad Husman, AFM

The 2021 growing season is just around the corner.

There is an air of optimism this spring we haven't seen in several years. Improved grain demand has crop prices on the upswing. Crop Revenue Insurance levels, set in February, are at \$4.58/bu for corn and \$11.86/bu for soybeans, up \$0.70 per bushel and \$2.75 per bushel respectively from 2020. These are the best February prices we have seen since 2013 and 2014, and provide a good income safety net this year. However, no one wants to farm for insurance guarantees. Good yields are the key to a good year. It is on the production side that some unease is warranted.

2021 Outlook The potential for extended drought this year is a concern. Our weather patterns have been influenced by a La Niña episode beginning last summer. Historically we have a greater chance for drought during a La Niña. Unlike last year, we don't have subsoil moisture reserves to draw from. Crop yields are not automatically good or bad based on these weather patterns. On the average, La Niña weather reduces US corn and soybean yields by about 5%. NOAA predicts La Niña will last into April. They say there's a 60% chance of transitioning to neutral by May or June.

This season is set up for early planting again The soil has capacity to absorb snowmelt in addition to average

spring rains. The March to May weather outlook from the National Weather Service calls for increased chances of above-normal temperatures across most of the country, below-normal rainfall to the west, and above-normal rainfall to the east. If that forecast is true, planting will get done early. The forecast is not all bad, as we tend to get better yields with early planting. We should have enough soil moisture to get the crops started. Excess moisture in the spring has caused considerable harm in recent years, so starting the season on the dry side has its advantages. The real key this year will be summer temperatures (including night-time temps) and June through August rainfall amounts.

Drought impacts on crops can be reduced by:

- **Planting early** to push canopy closure faster, move the pollination window ahead of summer heat, and extend grain fill time. Planting into good soil conditions at the proper depth is just as important.
- **Plant drought tolerant seed varieties**, modern plant breeding has made huge improvements on developing crops that survive on limited moisture.
- **Minimize tillage** or no till helps hold soil moisture with crop residue on the surface.

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Stalcup Ag Service

Today's LAND OWNER

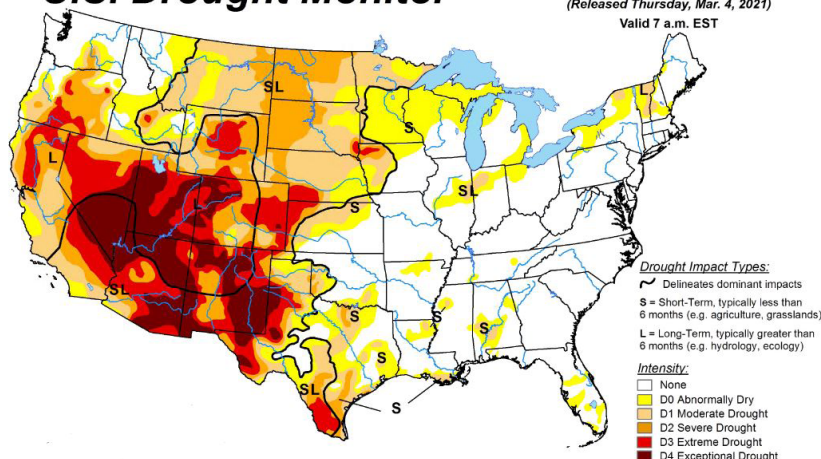
Stalcup Ag Service, located in Storm Lake, Iowa is an employee-owned partnership that has prospered by serving farm management, real estate, and appraisal needs of Northwest Iowa farm owners since 1942.

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NW IA Progress Report

U.S. Drought Monitor

March 2, 2021
(Released Thursday, Mar. 4, 2021)
Valid 7 a.m. EST



•Improving soil fertility is especially important in a drought year. Crops uptake nutrients by roots through water, so when water is limited nutrients must be available in the rooting zone.

•Weed control it's especially important in a drought year, weeds compete with crops for water nutrients.

Cost of production looking forward

Fertilizer and other input prices started moving higher late last year. Fortunately, most 2021 crop inputs were locked in before major price spikes hit. Traditionally, cost of fertilizers, farm chemicals, and machinery are closely linked to oil prices, a rise in oil price translates into increasing production costs. Other inputs like seed technology seem to track closer to the price of corn and soybeans. It seems we are entering into a period of higher inflation, especially in goods like food and energy. A decade has passed since we've seen this type of scenario. From 2010 to 2012 there was a spike in production costs (mainly fertilizer & fuel prices). In 2012 corn fertilizer costs alone were running around \$240 per acre, last year the same fertilizer blend would have cost about \$100 per acre less. At the same time, diesel prices were around \$4.00 per gallon. It would take the right combination of events to create a situation like 2012 again, but it is an example of what happens to cost of production when energy and grain prices skyrocket.

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Today's Land Owner

**Congratulations to BV Abstract in Storm Lake
on celebrating 130 years in business!**

Today's Land Market

Travis Nissen, ARA



The land market this winter has been as strong as we have seen in quite a few years with most auctions exceeding price expectations. The combination of unexpectedly strong grain prices, even lower interest rates, and unplanned government payments are big factors contributing to the recent increase in land values.

With the wrap of another year, we examined our land sales database to see how it compares to previous years. Here is what we found in our 2019 to 2020 comparison:

- Total number of offerings: 208 in '19 versus 209 in '20
- Total number of "cropland-only" sales: 159 in '19 versus 165 in '20
- Total acres of "cropland-only" sales: 16,662 in '19 versus 16,124 in '20
- Total dollars per transaction: \$914,631 in '19 versus \$932,254 in '20
- Average acres per transaction: 104 in '19 versus 99 in '20
- Average \$/acre on the "cropland-only" sales: \$9,046 in '19 versus \$9,608 in '20

The last line represents a 5.8% increase in value from '19 to '20, but next we need to look at what has happened since the first of the year. In the first 2 ½ months of 2021, we've tracked 37 sales of "all-cropland" farms in our region. Twenty-five of those sales were over \$10,000 per acre with the high at \$16,800 per acre in Lyon County in extreme Northwest Iowa. Land values continue to increase in the first quarter of 2021.

Land value Surveys

Recent land value surveys have shown increases of between 1-6% depending on the survey. 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.

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
October	80.0	96%	Plymouth	\$14,500	91.3
November	158.0	95%	Humboldt	\$7,700	79.6
*November	80.6	98%	Cherokee	\$9,300	84.0
November	140.0	95%	Sac	\$8,500	82.6
November	63.0	98%	O'Brien	\$15,000	91.0
November	80.5	94%	Sioux	\$14,350	97.2
November	160.0	99%	Palo Alto	\$13,100	86.9
November	78.8	99%	Lyon	\$11,500	92.5
November	115.0	99%	Buena Vista	\$9,375	82.3
November	84.0	96%	Woodbury	\$11,500	90.3
November	80.0	96%	O'Brien	\$10,700	93.1
December	80.0	97%	Lyon	\$14,300	97.6
December	113.9	99%	O'Brien	\$10,000	90.8
December	79.8	100%	Monona	\$11,600	97.1
December	113.3	92%	Sioux	\$15,000	77.0
December	38.0	95%	Dickinson	\$12,100	88.1
December	40.0	92%	Cherokee	\$10,150	87.8
December	71.3	96%	Sioux	\$14,300	92.5
December	59.7	99%	Lyon	\$13,750	70.9
December	79.7	93%	Sioux	\$11,250	73.3
December	200.0	96%	O'Brien	\$12,550	94.0
January	44.7	96%	Sioux	\$14,300	86.0
January	73.0	99%	Buena Vista	\$10,700	86.7
January	118.5	92%	Crawford	\$12,000	75.5
January	73.1	99%	Monona	\$6,500	50.5
January	84.6	97%	Lyon	\$16,800	71.1
*January	137.9	93%	Clay	\$9,900	94.7
*January	64.1	80%	Clay	\$10,000	92.7
*January	147.8	80%	Clay	\$8,950	94.7
January	160.0	98%	Calhoun	\$10,000	80.8
January	80.0	99%	Sioux	\$15,100	67.1
January	191.4	97%	Dickinson	\$10,700	85.9
January	112.0	95%	Sac	\$12,500	88.9
February	57.4	94%	Lyon	\$13,300	74.2
*February	40.0	98%	Buena Vista	\$12,400	97.7
*February	155.5	97%	Buena Vista	\$11,300	93.4
*February	43.8	94%	Buena Vista	\$10,600	80.7
February	80.0	99%	Sac	\$13,000	92.9
*February	80.0	98%	Buena Vista	\$12,575	91.4
*February	80.0	93%	Buena Vista	\$11,000	87.6
*February	166.6	100%	Buena Vista	\$10,325	80.8
*February	80.0	86%	Buena Vista	\$7,550	65.9
*February	78.0	96%	Buena Vista	\$9,500	74.0
*February	80.0	94%	Buena Vista	\$9,575	78.0
*February	129.0	97%	Buena Vista	\$9,150	83.5
*February	80.0	94%	Buena Vista	\$9,225	74.5
February	152.0	97%	Clay	\$11,500	85.1
February	80.0	93%	Pocahontas	\$10,150	78.3

What Kind of Grain Market is This?

Unprecedented may be a bit of a stretch, but it's certainly been a market unlike any we've seen in many decades. While previous markets have produced much higher prices (ie, \$8.28 cash corn and \$17.72 cash beans in August 2012), they did not behave like the 2020/21 price rally. This has been a steady march higher since September, as compared to price jolts which is the normal market response to changing dynamics. A bit of history over the past twelve months is useful to understand why.

January – September 2020

Corn price during the month of February 2020 averaged \$3.70, a pretty good price compared to the past 6 years (local cash, not CME). Bean price was poor with February averaging \$8.29. Corn had averaged \$3.36 from July 1, 2014 to February 28, 2020, and spent most of its time beneath \$3.65 during that nearly six-year stretch. Beans had averaged \$8.89.

Then Covid hit the economy in March. Ethanol demand plummeted with gasoline consumption. Cash corn price fell below \$3.00 by late March and bottomed at \$2.64 in late April. Remember this is when crude oil hit -\$37 per barrel as its nearby contract closed out that month. Corn price stayed low for the next six months, averaging \$2.95 from mid-March through mid-September. On August 31st, cash corn was \$3.11 per bushel while beans had staged a small rally to \$8.93. Bids for October 2021 were equally bleak.

USDA Projections in 2020

USDA's weekly crop conditions ratings were at record high levels for most of the summer. In fact, their August crop report predicted \$3.10 and \$8.35 average corn and soybean prices for the upcoming year as they placed huge expectations on 2020 crop production. USDA's monthly corn production estimate ranged between 15 and almost 16 billion bushels all summer.

Prices began seeking higher ground by late September as the impact of the expanding "flash" drought plus the

Dennis Reyman, AFM, ARA



derecho wind storm became more apparent. The final production number was just over 14.1 billion bushels, still a good crop but with total usage estimated to be 14.6 billion, we have a dwindling supply.

Soybeans are a similar story. They were estimated as high as 4.4 billion bushels and ended up making 4.1 billion. Meanwhile, total soybean usage is currently estimated at almost 4.6 billion. Percentage-wise, soybean supply is being consumed faster than corn.

Locally, yields were reduced from best-ever potential in mid-summer to a still decent but not great crop. For example, some top-end farms where corn yields had been running around 240-250 bushels per acre previously made low 200's this year. Beans dropped from upper 60's to mid-50's on those farms. Still okay yields but higher prices were needed to maintain steady revenue.

Domestic and Global Supply/Demand

Where's the demand? Exports, with China becoming a big buyer starting in late summer. US domestic usage is actually a bit lower than a year ago, but corn exports are projected to be 46% higher than a year ago (2.6 billion vs. 1.778 billion). USDA's February corn price estimate for the year is now \$4.30. Soybeans are similarly much stronger on exports, projecting to be 34% higher than a year ago. 54% of the 2020 bean crop is projected to be exported. USDA estimates soybeans to average \$11.15, nearly \$3 per bushel higher than their August estimate.

China demand is most interesting. Its corn stocks dwindled this past summer and the remainder was reported to be poor condition. In addition, they suffered overwhelming rains. The 3rd factor was rebuilding their hog herd which had been decimated by African Swine Fever. China had a national sow herd of 10x the US herd. Reportedly half had been eliminated by ASF. Rebuilding means the backyard herds are gone, replaced

by larger, more professionally managed production sites. Their growing feed demand for corn and soymeal won't disappear quickly. China normally switches purchases over to South America as their harvest commences this time of year. While Brazil and Argentina will still produce considerable supplies, their crops have also been hampered by dry weather.

Price Reactions

A price chart will show that an uptrend began on August 12th, beginning from very low prices. By mid-October, corn had recovered to its pre-Covid price level and continued on to reach \$4.00 at the stronger local markets. Beans had exceeded \$10/bushel by then. Coming right off the combine with virtually no drying or storage costs, those prices were attractive enough to purchase a lot of bushels from farmers. Six-year highs – who would pass that up after such a price siege for the previous six months, not to mention the previous six years.

There is an old saying that prices can rise once the crop has left the farmers hands. That's true as holders become more bullish with rising prices and demand must bid up to capture the remaining bushels. While no one should complain about selling at six-year highs, it does get hard to swallow when prices continue marching higher.

Corn price hovered around \$4.00 from mid-October to mid-December, then began marching again. Just before Christmas, it topped \$4.20 local price. By mid-January, it topped \$5.00 for the first time since early May 2014 and has since bounced as high as \$5.40. Beans were similar, topping \$12 before Christmas, then hit the upper \$13's by mid-January. One local grain buyer did an informal customer survey and found that well over 80% of their corn and beans had been priced by early January.

Can we go higher into the stratosphere of \$7+ corn and \$15+ beans? With lingering dry conditions across much of the Corn Belt, it becomes a possibility if concerns over new-crop production couples with a shortage of old-crop. However, it's a moot point if you have nothing left to sell, or just a few bushels. It becomes more of a bragging point than anything substantial at that stage.

It is important for landowners to remain mindful that currently high crop prices do not necessarily mean your tenant is making a killing. In fact, USDA projected that 40% of 2020 net farm income was due to unplanned government payments. We found it to be a substantial portion but not quite that high. Bottom line is that between the government payments and Chinese buying later in the year, 2020 turned out to be a reasonably profitable year from a farming standpoint in Iowa.

2021?

New-crop bids for October delivery at this time (early March) are \$4.40 corn and \$11.60 beans. Those are good, profitable prices IF one can produce at full yield potential. Currently all of western Iowa is rated at moderate to severe drought on the US Drought Monitor.

It is unlikely that the new administration will continue doling out stimulus payments such as were received in 2020. One reason is the improvement in crop prices. Another is simply a shift in focus at USDA. We'll see future payments tied to climate change initiatives and "soil health" benefits. Whether this becomes profitable to farmers remains to be seen.

Crop marketing is always either a rewarding or frustrating challenge. Sales made at a market top can look brilliant or foolish at a later date as changing dynamics enter the equation. At this point, we have to think that selling an increment at current new-crop prices is a good move. If price moves \$1/bushel higher, we'll feel bad that we sold. If it moves \$1 lower, we'll feel bad that we didn't sell more!

Not really, since that mindset could drive you nuts. We have to remain vigilant with a marketing plan and capture good price moves as they present themselves. Capturing the highs involves luck. Making a good profit involves executing a plan. We always plan for a good crop but Mother Nature will deliver what she wants. Prices will respond accordingly.

With that, we look forward to 2021 as a year that offers better potential than we've seen in seven years.

Partners Serve as Presidents of ASFMRA State Chapter & National Group at Same Time



Dennis Reyman, ARA, AFM & Nathan Deters, AFM

Dennis Reyman, Accredited Farm Manager and Accredited Rural Appraiser, was installed as the 84th President of the American Society of Farm Managers & Rural Appraisers at a virtual ceremony & reception held at Kings Pointe in Storm Lake on November 9, 2020. The appointment is one year which runs from October 1st. As with most events in 2020, the original week-long meeting scheduled for San Antonio TX was converted to an abbreviated online event. However, Reyman feels fortunate to serve at this time when Zoom and other virtual communications force change and new ways of doing things. He served as ASFMRA Co-chair for Government Relations from 2008-2019 and helped lead its Leadership Institute in Washington DC those years, which acquainted him with many ASFMRA members from across the country. He has served on several state and national committees as well as Iowa Chapter president in 2009. Dennis joined Stalcup Ag Service in 1993 and currently serves as corporate treasurer.

Nathan Deters, Accredited Farm Manager, was installed as President of the Iowa Chapter of the American Society of Farm Managers & Rural Appraisers at their virtual annual meeting on February 4, 2021. The Iowa Chapter meeting has normally been held on campus in Ames but moved to virtual this year due to Covid. Nathan will serve a one-year term, then will serve one year as president of the chapter's Education Foundation. He has served on several chapter committees including scholarship and government relations. Nathan joined Stalcup Ag Service in 1998 and currently serves as corporate Vice-President.

Stalcup Ag Service has a long history of ASFMRA leadership, beginning with H.E. "Buck" Stalcup who held the Executive Vice-President position for 15 years before serving as national president in 1965. Other past and present Stalcup Ag Service partners that have served as Iowa Chapter president include Kent Smith, Dennis Reyman, Rex Wilcox, Dwight Young, and Arne Waldstein.

It cannot be verified whether this is the first time that partners in the same firm have held national and state presidencies simultaneously, but it is certainly a rare occurrence.

Aschinger Awarded Early Career Achievement Award



Grant Aschinger, Accredited Farm Manager, was awarded the Early Career Achievement Award by the Iowa Chapter of the American Society of Farm Managers & Rural Appraisers at their state chapter meeting on February 3, 2021. Grant began at Stalcup Ag Service in 2013 after 8 years in the agronomy sales and seed industries.

Grant earned his Accredited Farm Manager designation in 2015, attended Leadership Institute in Washington DC in 2016, has served on several state chapter committees and currently serves on the Iowa Chapter Board of Directors.

Grant joins Chad Husman, AFM, as winner of the Iowa Chapter Early Career Achievement award. This award is selected from those members of 10 years or less, and who have demonstrated exceptional participation and leadership skills in their job, chapter, and community.

In the community, Aschinger serves on the Galva-Holstein Community School Board, the Holstein Country Club Board and the Holstein Community Rec Center Advisory Committee. Aschinger also coaches youth baseball, softball, basketball, and football in the community.

New Administration - New Ag Program Focus



Nathan Deters, AFM

The Biden administration is in the process of putting together an agriculture policy agenda. Since the election, it is quite apparent that “green” agriculture and using agriculture to fight climate change will be USDA's focus. The big question is how they plan to achieve their goals.

In what should be good news for Corn Belt agriculture, Tom Vilsack is back. A former Iowa governor and two-term Ag Secretary under President Obama, Vilsack will bring some bipartisan credentials along with knowledge of issues, such as biofuels - which are important to Midwest producers. Secretary Vilsack has made it clear that he will work to find ways to meet ambitious carbon reduction goals through agriculture, likely by promotion of **regenerative** agriculture and a “**carbon bank**.”

The theory behind these practices is that growing plants take in carbon through photosynthesis and hold it in the soil, thus mitigating greenhouse gas emissions from other sources. The key is that **no tillage** can be done on these carbon bank soils which would then release the carbon back into the atmosphere. While an attractive theory, the carbon bank idea is not settled science. Many have questions of how long is “long term” in carbon sequestration. Different soil makeup plays a part in how tightly carbon is held. There is also the question of how a new operator or owner of a particular farm will be tied to carbon practices contracted by a previous owner.

Administering and monitoring any such program is a huge logistical job. Funding is another question. Current talk is government funding through the Commodity Credit Corporation (CCC). Historically, the CCC has been the vehicle to administer farm program payments during times of low crop prices. During the Trump administration, the CCC was tapped to provide supplemental payments for farmers affected by trade disruptions and for Covid relief.

The way it will likely work is that the USDA will act as the middleman, with CCC payments funding carbon credits earned by farmers

through approved regenerative practices, which can then be purchased by industries to offset their carbon emissions. There are already many private entities getting a start at purchasing carbon credits. The USDA would take the practice to a much higher level if it can be made workable. It will likely take a big boost in funding to cover both traditional farm programs along with climate initiatives through the CCC.

In addition to the carbon bank, we can expect much more focus on **sustainability** with the new administration. Cover crops, increased Conservation Reserve Program (CRP) acres, and soil health are all becoming more prevalent topics as we go forward. Our hope is that these programs are administered as collaborative and voluntary efforts rather than enforced by mandate further up the bureaucratic chain.

In professional farm management, we are reminded often that one size doesn't fit all, and that what may be a good practice for one farm and one operator may not be for another. One universal fact is that being a good steward of soil and water is important, and something we work at constantly. We will be examining what appears to be many opportunities going forward to work with new conservation practices, and to see what the best fit may be for the landowners we work with. Most details are yet to come. We will keep you updated as they develop.

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Spring Newsletter 2021



Checkout what's
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