

NW Iowa Progress Report

by Chad Husman, AFM



This spring felt like **weather whiplash**. We started off with one of the coldest and snowiest ApriIs on record, with a major snowstorm in mid-April (when we usually start planting corn). It seemed like winter would never end until conditions started changing quickly in late April. May turned out to be one of the warmest on record. We basically went from winter straight into summer.

Saturated soil from the April snowmelt followed by frequent rainfall in May led to major planting delays in parts of northern Iowa and southern Minnesota. Farms north of Highway 20 were consistently getting more rain. By late May, some farmers started switching to shorter maturity corn or soybeans instead of corn. Heavy rains after Memorial Day caused further planting delays across some of the hardest hit areas of the region, and left water standing in fields that were previously planted. Farmers still not able to finish planting by mid-June had a difficult decision to make, continue trying to plant or file for prevented planting through crop insurance.

Heavy rains in late June caused flooding in the same hard hit areas as well as major flooding along rivers and streams across northwest Iowa. Some areas had 8 to 12 inches of rain in less than two weeks. The Big Sioux, Rock, Floyd and Little Sioux rivers all had major flooding as well as many smaller rivers and streams. Thousands of crop acres were flooded along these rivers, and many roads and bridges were closed due to the high water.

Outside of these troubled areas, crops are off to a good start. Warm, moist soil after planting led to very good stands. Good soil moisture reserves in the top 5 feet of soil could be helpful later in the season if we hit a dry period. Another positive, crops are generally ahead of schedule on size and growth stage because of the warmer than average May and June.

We can track the daily accumulation of heat as Growing Degree Days (GDD), which helps us predict when crops will reach growth stages like pollination or maturity. The late April planted corn is more than eight days ahead of average on GDD accumulation, and the late May planted corn is 3.5 days ahead of average. Crops took advantage of the warm spring weather with faster growth and development. This gives crops the advantage of utilizing a full growing season and ensures they reach maturity before the first freeze. However, a cool-off is beneficial to crops later in the summer. Cooler weather slows down the grain fill process of corn and soybeans, which improves grain quality and yield.

Crops are in good shape nationally. According to USDA's Crop Progress Report as of July 2, the U.S. corn crop is rated 76% good to excellent and soybeans are 71% good to excellent. That's 8% above the 5-year average on corn and 5% above the 5-year average on soybeans. Iowa, Illinois, Indiana, Ohio, Nebraska, and Minnesota all have crop condition ratings above their 5-year average. June crop ratings don't always correlate with final yield. July and August weather will make a huge impact on the crops (good or bad).

Corn and soybeans in northwest Iowa may have highly variable results this fall. The crops that were able to get planted on time with good soil conditions look excellent as of mid July, but extreme spring weather continues to take a toll on parts of northern Iowa. Some of those areas will have reduced acres and yields. The warm May and June helped late-planted crops catch up. As always, we never know for sure what Mother Nature has in store for us next.

Find more up-to-date Crop Progress Reports at
Stalcupag.com or Like us on Facebook 



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.

Stalcup's Team

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Today's Land Owner

Selling Your Farm? Achieve Your Goals with Stalcup Expertise.

By Rex Wilcox, AFM



Deciding which ag real estate company to use to sell your land is an important decision that should be fully researched to make the best choice.

Stalcup Ag Service has an extremely strong resume to review and compare:

- **Nine licensed real estate sales people** including one Iowa licensed appraiser and one Iowa and South Dakota licensed and Accredited Rural Appraiser (ARA). Our agents are licensed in Iowa, Nebraska, South Dakota and Minnesota.
- **In-house auctioneer** with experience in all areas of our territory in Northwest Iowa.
- **76 years of Northwest Iowa agriculture property experience**, including farm management, farm real estate, and farm appraisals. Our real estate staff understands and knows every facet of farmland values from soil productivity through neighborhood area competitive factors down to individual investors interested in your land. Lack of knowledge of the neighborhood could result in unreasonable expectations.
- **A Northwest Iowa land sales database including comparison information** on every sale where information is available. Our database plus appraisal and farm management knowledge are employed to produce a **Market Analysis** which provides our best estimate of the likely market value range of your farm.

Values calculated without reviewing and analyzing all the information that the market provides can result in disappointing situations on sale day.

A comprehensive advertising program including:

- Auction date and acreage signs placed on the farm
- Regional newspaper and radio advertising
- Full farm information on our website stalcupag.com, including drone videos, maps, tile, conservation improvements, and other information pertaining to the property.
- Social media posts: Follow us on [facebook.com/stalcupagservice](https://www.facebook.com/stalcupagservice)
- Mailings to area absentee landowners & farmers living in the area.
- Personal mailings to area attorneys, bankers/loan officers, CPAs and a database of land investors
- Sale bills posted in retail locations
- Personal contact with area landowners and investors
- **Consultation to provide skilled input** addressing questions including 1031 exchanges, equitable farm divisions, easements, lease issues, or improvements that may provide a profitable increase in value before a sale.

If you want to explore selling your land, contact the knowledgeable, experienced, and courteous Stalcup Ag Service staff.

Today's Land Market

by: Nathan Deters, AFM



The land market has been fairly quiet over the past several months in Northwest Iowa, with one of the lightest volumes of sales we can remember for this period. Sales results that we have seen have been mostly as good as expected, while a few have struggled. As always, location is a big factor.

Areas where there is strong influence from local farmers tend to correlate with the best sale results, while sales where the investor bidders are predominate will often end up at a lower level. This can be explained by human nature. Most farmers are interested in a piece of ground close to them, and chances are they've been looking at it over the fence for decades! In strong neighborhoods, they realize that there may be one chance in their farming career to purchase such a piece. In many cases, local farmers with livestock operations also have the advantage of a ready supply of livestock manure that could easily be transported to a close-by land purchase, an option that an investor may not have. This is a factor in many sales we have seen, especially in strong livestock areas where available land to spread manure may be at a premium.

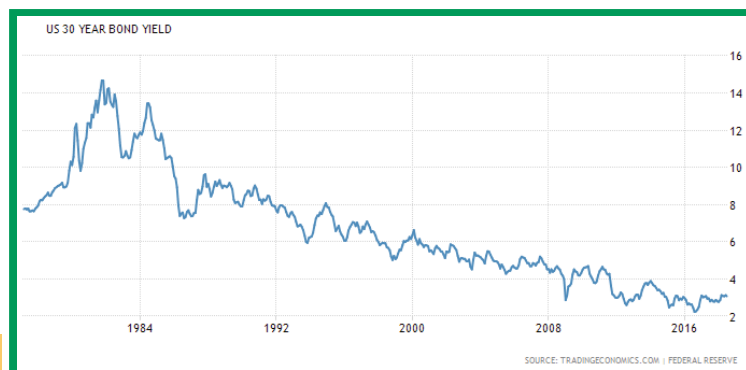
From the investor's viewpoint, the location factor isn't as important. They tend to look more at the return on investment. Parcel size, field configuration for efficient farming with large equipment, and drainage are all factors affecting value. If an attractive property gets to a price level deemed too high for an investor, they will back away and consider a property in another location, whereas a farmer buyer may be more motivated to push the price higher than intended due to the factors mentioned above. The best sales, where prices end up at outlier levels, are usually the result of

two or more highly motivated local bidders.

Each area has a different set of dynamics. Our long experience in Northwest Iowa gives us the knowledge of these dynamics to provide sellers with a realistic assessment of likely sales results. If you are a farmland buyer, our knowledge can be an asset to you as well. We can help guide you to areas or properties that may be able to be purchased at a value. Our management experience can be of help in evaluating drainage, fertility, and returns of a potential farmland purchase.

Interest Rates

Interest rate increases have been in the news recently. We have become complacent with interest rates at very low levels for a decade, a factor that has been a positive for land values over that period. While we have started to see an increase in these rates, nothing dramatic has happened to this point, with long term rates up about ½% from rock bottom lows last year.



Operating loans are tied to the federal funds rate, and have gone up a little more, which may start to affect farm operators if this continues. It is important to remember that we are still at very low rates historically, and are not looking at dramatic increases. Long term real estate loan rates are tied to the 30 year Treasury rates. Monitoring those rates will give an idea where the cost of borrowing is headed. CD rates could also improve to the point that it keeps some money on the sidelines instead of chasing farmland.

Selected Sales of Good Farmland

Date	Acres	County	\$/Acre	CSR2	%Tillable
March	150.0	Ida	\$10,250	87.8	96%
March	37.4	Monona	\$6,000	66.0	96%
March	68.5	Plymouth	\$11,400	85.7	90%
March	158.8	Clay	\$12,800	97.0	98%
March	152.0	Cherokee	\$9,600	89.9	97%
March	40.0	Plymouth	\$10,000	66.3	96%
March	148.8	Greene	\$10,000	81.7	97%
March	188.8	Lyon	\$13,100	67.6	93%
March	70.0	Humboldt	\$9,300	89.0	99%
March	65.0	Sioux	\$13,300	88.6	97%
April	72.1	Cherokee	\$11,100	96.8	97%
May	40.0	Lyon	\$13,300	86.7	93%
May	108.1	Pocahontas	\$7,800	81.7	96%
June	80.7	Clay	\$12,000	96.1	95%
June	79.6	Clay	\$12,950	97.3	95%
June	118.5	Dickinson	\$5,559	64.2	100%
June	80.0	Sac	\$9,400	89.7	96%
June	64.0	Monona	\$8,000	86.1	93%
June	98.0	Lyon	\$8,500	69.7	99%
June	152.0	Buena Vista	\$9,000	85.5	99%
June	79.0	Buena Vista	\$8,300	83.4	99%

* bold denotes Stalcup-brokered sales

Upcoming Stalcup Land Auction:

November 6, 2018: Scott Township, Buena Vista County
236.13 gross acres, more or less, 223.4 Cropland Acres, 81.8 CSR-2, Sold in 3 parcels as choice

See our website for more details on this auction.

Grain Marketing Update

By Dennis Reyman, AFM, ARA



The corn and soybean markets enjoyed their best sustained uptrends of the past three years from mid-January into late May. Since Memorial Day, it has been another story. Both crop prices did a major nosedive in June based mainly upon excellent crop condition ratings plus rising concerns over tariffs and trade wars.

First, let's discuss January-May price activity. From October 1st to January 12th, local cash corn prices languished between \$2.90 and \$3.16, averaging \$3.04. Beans ranged from \$8.68 to \$9.28, averaging \$8.92. After USDA's final production report for 2017 on January 12th, prices finally began improving.

By March 8th, cash corn had risen to match last year's high at \$3.48, while soybeans had reached \$9.78 by that date. That is a major improvement which takes most farm operators from a loss to a minor profit in today's economics. Beans, in fact, had just posted their high of \$9.91 on March 5th. That price represented the highest cash bid at this particular elevator since mid-July 2016, nearly 500 marketing days. Corn continued to march upward to its 2018 high of \$3.64 on May 2nd. That was matched on May 23rd and was also the highest cash corn closing bid since June 2016. Bids for October delivery of 2018 crops similarly rose to multi-year highs during this time frame. These are not exactly wonderful prices but when they represent nearly two-year highs, they are surprisingly refreshing.

This all occurred despite threats of tariffs and a looming trade war. A USA Today headline from March 6th proclaimed, "Trump escalates trade war rhetoric with threat of European auto tariffs." It was interesting that farmers had the opportunity to sell at multi-year highs during a time of trade war threats. It reminded me of advice found in the Book of Matthew: **"There will be wars and rumors of war, but see to it that you are not alarmed."** If you made sales during these times, you are less alarmed about trade wars.

However, since Memorial Day, trade wars realities have gained steam. USDA's weekly crop condition ratings for corn and soybeans are some of the highest in years. These two factors have weighed heavily on the market and precipitated a steep slide in prices in a short period of time. In fact, cash soybeans posted its lowest price in years at \$7.69 per bushel on July 5th. There have been 14 days since September 4, 2007 with cash closing price below \$7.90. The most recent was December 9, 2008. Corn held up better, but still dropped to a low of \$3.03 for cash delivery.

By the time you read this, these prices will likely be obsolete. Demand for both crops remains strong and any relief on the

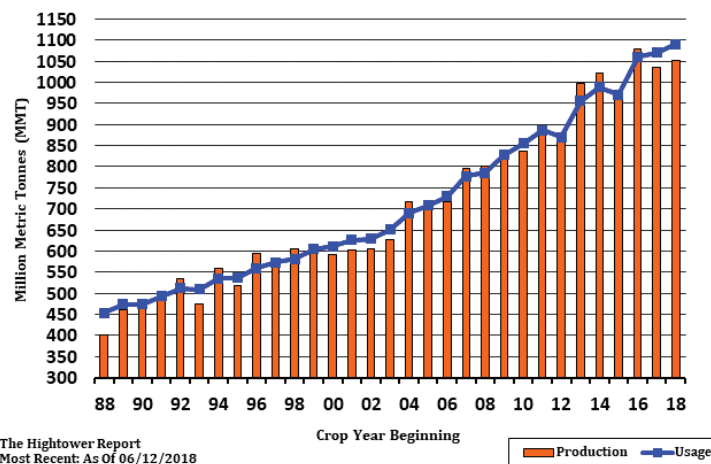
trade front, and/or crop production concerns could bounce prices considerably higher. Continuation of the current situation could push prices lower, but it does seem the low is near.

Let's look in the crystal ball for some good news. The World Corn Production vs. Usage chart is a good place to look. Note on the chart below that demand will significantly exceed production for the 2nd straight year in 2018. As you can see, the gap is as significant as it has been in the past 30 years. This will draw down supplies and set the stage for better corn prices. This includes a near record yield estimate of 174 bushels per acre. With soybeans, production and usage appear to be similar; however, that will not build supplies, so prices have a good chance to bounce within a similar range.

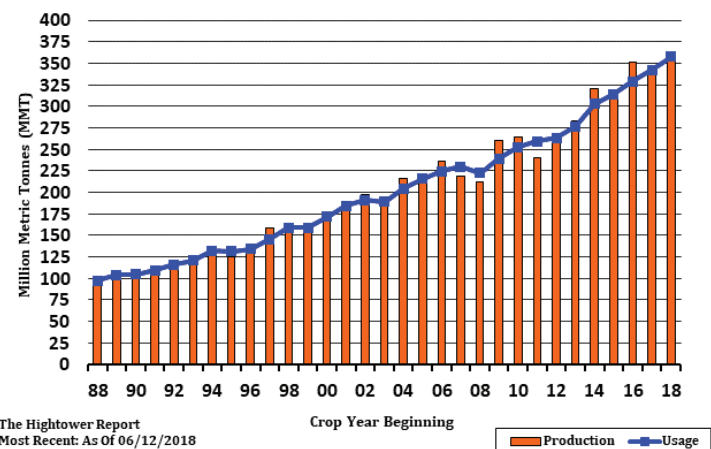
USDA's June 12th crop report also included their first price range estimate for the 2018 crop. These estimates generally start out pretty wide. Corn was given a range of \$3.40 to \$4.40

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World Corn - Production vs Usage



World Soybean - Production vs Usage



and soybeans a range of \$8.75 to \$11.25. That's more room on the upper end than we've seen for several years, coupled with a higher bottom side. Of course, this can be considered early guidance only, but they have as much information to work with as anyone. The July 12th report will be the first price estimates which incorporates trade war ramifications.

A show of price strength occurred in response to USDA's June 29th Quarterly Grain Stocks & Planted Acreage Report. Despite planted acres for corn and soybeans coming in slightly higher than the March 31st estimate and slightly higher stocks than a year ago, corn had its 2nd most positive day in over a

month, gaining back 5 cents while beans lost another 3 cents that day.

South American crops were not huge, US corn acreage is down, and the world continues to consume our products. Be aware that the price range of cash corn since October 1st, 2014 has been \$2.68 to \$4.03 with a \$3.29 average. Soybeans have ranged from \$7.69 to \$10.84 with a \$9.10 average. Most trading days have been \$3.05 to \$3.55 corn and \$8.50 to \$9.65 beans. This is the trend of the past 950 marketing days. These are local elevator prices, not CME. Bottom line is, be thankful for recent sales and look for better opportunities than we have today.

Is Custom Farming or Modified Crop Share Lease a Good Fit for Your Farm?

The operating method you choose for your farm is an important and individual decision. One size does not fit all. Many of our clients have enjoyed the long term benefit of operating their farm under custom farming or modified crop share alternatives. Under these methods, the landowner contributes operating capital for purchasing all crop inputs and receives all crop and government farm program income (custom farming) or a 75-80% share of income (modified crop share). In custom farming, the farm operator receives a negotiated fee for the machinery and labor input, while under the modified share alternative they receive a 20-25% share of the crop for this input.

What are the benefits to the landowner from these operating alternatives? Two words – **control & profit**. For landowners who like to have full say in how their land is operated, what inputs are used, and want to see the fastest and fullest benefit from farm improvements such as grain storage and tile drainage, custom or modified share operation is the method of choice. If no-till farming or use of cover crops are a priority, these operating methods give the owner the best ability to see that the practices are implemented. Farm owners utilizing these alternatives can see and fully utilize gains from new technologies such as GPS soil sampling, fertilizer spreading, and yield mapping – technology that can help improve the farm well into the future. Net profits over time have provided excellent returns on the farming investment. It's been one of the best unknown investment opportunities out there.

by Kent Smith, AFM

Is now the time to make a change to one of these operating methods from a cash rent lease? Some considerations that are favorable for a switch:

- Crop input costs are steady to lower
- Grain prices seem to be bottoming and could move higher with a resolution of trade disputes
- Cash rent levels are the lowest in many years



One misconception that we often run into is the idea that custom or modified share operations are higher risk compared to cash rent leases. Virtually all of our farm owners with these arrangements utilize crop revenue insurance, which provides a good floor for price and/or yield losses. To turn the argument around, cash rent leases can be risky from the standpoint of leaving money on the table by not benefiting from a significant grain price rally or excellent crop yields.

If it is time to re-examine how your farm is operated, Stalcup Ag Service is here to help. We believe that your priorities and objectives in land ownership always come first, and can knowledgeably discuss with you alternatives that best meet them. Give us a call as you consider plans for 2019.

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 2019 lease year which is March 1, 2019 to February 28, 2020. 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.

Investing in Drainage on Your Farm

By Grant Aschinger, AFM



The springs of 2016 and 2018 demonstrated the huge benefit of tile drainage. In each of these two years, most pattern-tiled farms were planted in April. Those farms needing additional tile drainage were not planted until later in May. Mother Nature can throw you some curves with too much rain. Sometimes even pattern-tiled farms cannot be planted timely, which happened in areas of northern Iowa this year.

Each growing season is different in how planting dates affect yield. In 2016, even late planted corn and soybeans had record yields. Iowa State University studies show that corn planted after May 10th begins losing yield potential. That lost yield may worsen if planting occurs after May 15th. Final planting date for corn to get full coverage under Federal Crop Insurance is May 31st. Today's hybrids may not show as much loss from delayed planting as several years ago; however the optimal planting date for corn is usually April 15th to May 10th.

An investment in tile drainage is a good one, especially in crop-share and custom operations. You directly benefit from improved drainage, especially in wet springs like this year. The advantage to cash rent farms is an increase in land value and small increase in rent over time. A number of farmers noted this spring that the only fields fit to plant in April were pattern-tiled.

Benefits of adequate tile drainage:

- Earlier planting date
- Plant the entire farm at one time and on a timely basis
- Drier soil warms faster
- Better yields in the wider areas around the wet pockets.
- Better air to moisture ratio in the soil improves the rooting zone
- Less compaction

Greg Brenneman, Iowa State University Agricultural Engineering field specialist, conducted nine years of research on conventionally drained fields versus undrained fields, which resulted in a 13 bushel per acre increase in corn yield and 6 bushel per acre in soybeans. This \$30 to \$40 increase per acre would cover most major tiling projects over 10 years. Some years can provide much more dramatic returns.

Technology has helped identify areas that need tile and how significant yield losses can be. In the past we reviewed several years of aerial photography to see how large an area was affected in wet years. Now, in addition to aerial photography, we can use yield maps from multiple years, drone photography during the growing season, and LIDAR imagery

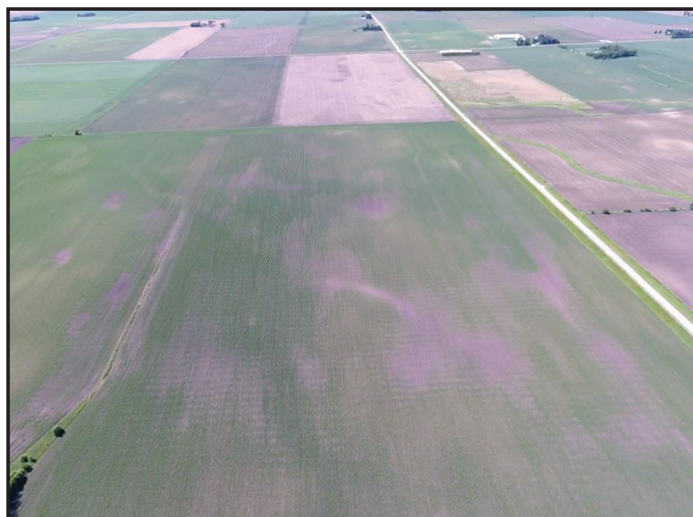
(maps showing the elevation throughout the field).

Not all soils need tile drainage. Wind-blown loess soils have good natural drainage except for the draws and soils adjacent to them. Missouri River bottoms are tight clay soils and tile drainage does not work very well. These soils are surface leveled to get the water to naturally move off.

The key to a good tile system is an adequate outlet. If the outlet is on your farm, you will reduce the cost of your project. Cooperating with a neighbor to secure a good outlet may be necessary, but can cost more. Farms in a drainage district or crossed by county tile may be limited on the amount of additional tile that will be connected to an overloaded system. Many of the county tile in Drainage Districts are overloaded and need to be updated; however, that process takes time and is very costly to the entire district.

Our farm managers recognize the benefits of tile drainage and have been active in improving our clients' farms. Clients who have chosen to invest part of their farm earnings into drainage have been rewarded.

If you would like a free assessment of your farm's drainage, give us a call.



Drone photography can show a much different picture than what you can see from the ground. The brown spots show areas that would benefit from tile drainage in the field to the left of the road.

This is a letter we recieved from a landowner after the last newsletter:

April 2, 2018

Stalcup Ag Service
Box 67
Storm Lake, IA 50588-9922

Dear Sir:

I have read your Spring 2018 edition of "Today's Land Owner" and what a 'bunch' of great articles about land. Your articles were very positive about land and that's what people like to read.

I started buying land early (I'm 71 years old) and when I got my college degree, I already owned 400 acres. I didn't have a dollar in the bank, but I have been blessed with bankers that believed in me. I now own almost 8,000 acres located in Nebraska, Iowa, South Dakota and North Dakota. I was very lucky that I believed in land ownership early in my life.

I am still farming in Nebraska. I strongly believe that agriculture will be very "bullish" in the future. Everyone looks at a 2+ billion bushel carry-over, but I look at the 14.7 billion usage. If we have a hick-up in production, the corn price will be much higher. We have had 4 good record crop production years and we cannot keep that up.

Keep writing about the land facts and keep your articles factual and positive. Over the years, I have gone to lots of seminars that stated, "the world needs food". I firmly believe today that this statement has come into being very true.

Thank you.



Darrell

Thanks Darrell for sharing your thoughts on Farmland Investment and our newsletter.



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Check items below you would like additional information on:

Professional Farm Management

- _____ Management Procedures
- _____ Leasing Alternatives
- _____ Custom Farming

Real Estate

- _____ Selling
- _____ Buying
- _____ Exchange

Appraisal

- _____ Estimate of Market Value
- _____ Estates

List items particular to your farm you would like to discuss with a professional farm manager:

NAME _____ FARM LOCATION: _____

ADDRESS _____ - SECTION _____

CITY/STATE/ZIP _____ - TOWNSHIP _____

PHONE _____ - COUNTY _____

☐ Please remove name listed above from mailing list

