

FARMLAND UPDATE

EXPERIENCE. **KNOWLEDGE.** PROFESSIONALISM.

SPRING 2020 - NEWS & VIEW

A NEW WORLD

COVID-19

That is all we've heard about since mid-February. This is a Presidential election year, yet the only issue holding the US and World's focus is the pandemic at hand. Stay at home orders across the world, unemployment increasing faster than ever, worldwide economic shutdowns, an oil price war, a stimulus package larger than ever in the US, what does it all mean?? What sort of new world results from this pandemic?

I believe in agriculture! I believe in the people in our industry who have a heart to serve and feed the world. I believe it is darkest before the dawn and April 2020 is pretty dark. The economy and the agriculture industry were in good shape in February. That foundation was strong and therefore once the pandemic ends, which it will, the bounce back in our economy should be good. Business will be different, travel may be less, more Zoom meetings, but we will return to near normal.

There are so many unknowns in the world today, April 2020. Here is what I do know: 1) Agriculture is an essential business and we are/will plant the 2020 crop just like normal. 2) Landowner's and tenant's business relationships should proceed according to their leases. Different than other types of rental real estate, farmland will maintain a zero vacancy rate and farmers will pay their rent. 3) The US government is/will provide support again in 2020 to US farmers. Some qualify for the PPP loans and there will be other programs offered. Farmland values were steady through March and April sales.

1) **2020 FARM INCOMES:** This is a huge unknown. First we need to raise a crop. That begins now. Second we need to market it well. Some people sold some of their 2020 crop at better prices than today. Some likely have little sold. Prices today are low, below cost of production. A summer rebound, if any, is needed to achieve break-even or profitability for most.

2) **SUPPLY OF FARMS FOR SALE:** The number of farms for sale remains below average. We saw an increase in sales late in 2019 and the first quarter of 2020 was steady with one year ago. We have a few sales this April, but based on what I see the market is very quiet – which is good in the face of the economic and health challenges our world faces currently.

3) **INTEREST RATES:** Interest rates continue a downward trend. In early March, the Fed Funds rate went to zero and dropped interest rates for mortgages significantly (.75-1.5%). These rates existed

for a couple of weeks and then popped back up. They remain historically low and due to the most recent stimulus package from the government liquidity at banks should be better.

4) **TRADE WARS:** These are taking a back burner to more significant concerns. One reason is that we've seen positive movement! In January, the US and China did agree to a phase 1 in their trade negotiations which calls for China to buy up to \$40 B of US ag products. This is great news, if they follow through and make actual purchases. The virus outbreak slowed purchases to date. Also the new USMCA agreement is mostly in place. Prior to the COVID 19 outbreak in the US trade negotiators were focusing on deals with the EU and Japan.

5) **2020 LEASE TERMS:** Based on our survey results this March, Halderman Area Representatives saw lease rates remain steady with 2019. Contact your Halderman Area Representative to help you

navigate these tumultuous waters.

6) **FARM LAND VALUES:** Farm land values tend to be more resilient than most markets. Odds favor a slight downward trend due to the halo effect from the overall economic collapse, but the degree should be in the 1-5% range. Low interest rates, consistent lease terms, and a low supply could keep them steady if we experience a good crop and renewed government support to help overcome the low prices.

FINAL THOUGHTS: Last fall I wrote about dealing with so many unknowns – little did I know about the current "Black Swan" event 6 months later. I wrote to our staff a few weeks ago that agriculture was made for times like this. We feed people, we serve people, we help people, every day, every year. It is what we do, what we believe and what God called us to in this profession. Control what you can, focus on your farm and your crops, take care of your family and do what you do best – feed the world and your farmland asset will not let you down!

Howard Halderman
President, Halderman Companies



If you need help or guidance in this world full of questions, ask an expert for assistance! Halderman offers 90 years of vast agricultural experience and our staff knows their regions very well. If you have a question about your farmland asset, simply ask – we do not charge for answering questions (only for answers where we provide a service).

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FINANCIAL UPDATE

LAND VALUES

The overall supply of land on the market is below average, but Halderman Real Estate Services sold a typical number of farms in Q1 2020 as compared to prior years. Demand was good and the land sold very well. Then COVID-19 hit in mid-March. What was only a month ago seems more like several months!

We had five auctions scheduled for April 14, 15 and 16, 2020. Three were originally planned to be live events and two were online only. Due to the Indiana Governor's stay at home order, we changed all of them to online

Our biggest concern was the effect of the economic downturn on land values. As you know, the stock market and commodity prices tumbled sharply, unemployment rates skyrocketed but interest rates dipped slightly lower. How will all of this change play out for land prices?

We are in the early weeks of this economic downturn and we have a lot to learn. What we learned from the past five sales is that good land in strong farming areas is still selling well. The demand for houses and rural home sites is down. Farms with blemishes like small, irregular shaped fields, wet areas, and low percentage of tillable soil will struggle to hold their value. Recreational land values trend with the general economy. Their prices decline when the buyer's disposable income goes down. This is a challenging market to navigate, let us help you do so successfully.

If you are concerned about your land investment or think the time is right to buy a farm, call the pros at Halderman. We have the experience, knowledge and professionalism to answer any of your questions.

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FARMS
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EVEN MORE
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FARM MANAGEMENT

Halderman Farm Management Service

provides complete or partial management services to **over 650 farms across 19 states and 2 countries**. Consulting and financial services are provided to many other clients. All of our services are tailored to the individual

"To do for your farm what you would do if you had the time and the experience."

--Howard H. Halderman

Pat Karst

Vice President, Real Estate, Farm Management, & Certified Appraiser



"We've been conducting online only and live simulcast auctions with online bidding for several years."

Below is a brief summary of our most recent auctions:

4/14/20: 40 Acres in Randolph County, IN

This farm had limited road frontage and sold for \$6,250 per acre. The WAPI was 130.3. The farm sold for \$47.97 per WAPI point.

4/15/20: 39.9 Acres in Shelby County, IN

Good farm in a good area with a WAPI of 146. It sold for \$9,649 per acre or \$66.09 per WAPI point. This price is significantly higher than we expected.

4/15/20: 111 Acres in Preble County, OH

Good farm with a WAPI of 155.3. It sold for \$7,654 per acre or \$49.29 per WAPI point which was the top of our expectations. We also offered a nice home and shop building on 1.5 acres. It sold for \$160,000 which was near our expected price.

4/16/20: 106 Acres in Warren County, IN

We offered this farm in three tracts. It has relatively small tillable fields, rolling woodland and flood prone river bottom crop land. The WAPI on the cropland was 114.2 which is well below average for the state. The cropland sold for \$4,182 per acre or \$36.62 per WAPI point. The recreational land and river bottom sold for \$3,461 per acre.

4/16/20: 36.919 Acres in Delaware County, IN

This land is on the west edge of Muncie in the path of residential development but it is considered a wet farm. The WAPI was 142. The farm sold for \$6,094 per acre or \$42.92 per WAPI point.



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