

SPRING ISSUE

FARMLAND UPDATE

**LOOKING AHEAD AND OVERVIEW OF
CURRENT FARMLAND ISSUES**

TOPICS IN THIS ISSUE

- WHAT IS CONSERVATION? WHAT RESOURCES COULD YOU BENEFIT FROM?
- AN UPDATE ON CURRENT CONDITIONS AND THE FUTURE.



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REAL ESTATE & FARM MANAGEMENT

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NEW!
**LOOK TO OUR
NEWSLETTER**

SPRING 2021 - OPTIMISM RETURNS

BY: **HOWARD HALDERMAN**, PRESIDENT OF HALDERMAN COMPANIES



Last fall commodity prices increased due to weather events and demand from the Chinese Phase 1 trade agreement. As harvest progressed yield results were above average and prices continued to strengthen. This winter we saw commodity prices hit high levels last experienced in 2013 and for both 2020 and 2021 crops are profitable. Interest rates remain historically low and the supply of farms for sale is tight. Optimism reigns this spring in the agricultural industry!

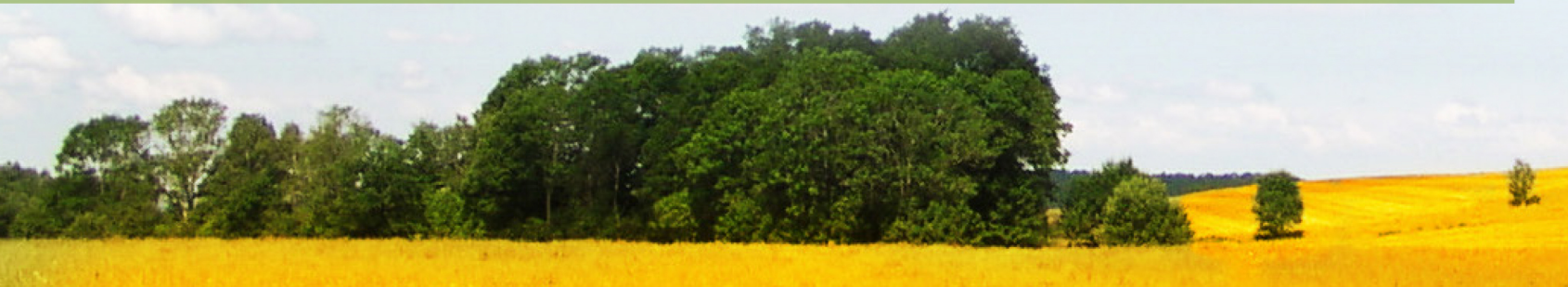
This led to an increasing farmland market this winter/spring as demand outpaced supply. Similar to the current housing market farm real estate is very desirable. Interestingly cash rents for 2021 tended to remain steady with 2020 as many completed their lease negotiations before the increases in commodities in December-March. Cash flex leases will allow our clients to benefit from a profitable year in 2021, even if the base rent remained the same as last year.

The election of President Biden may lead to changes in the future. Legislation to watch revolves around the climate change initiatives undertaken by the administration and any tax law changes proposed to pay for all the debt the government incurred to help the US through the pandemic. Changes to estate taxes, capital gains taxes and income tax rates will affect agriculture and farmland owners.

It is very likely your farmland investment provided net cash yields of 2.5% to 3% in 2020 with average appreciation of 9% according to the Federal Reserve Bank. Compared to many markets this total return of 11-12% is very appealing.

Here are some thoughts on the major farmland issues in the Corn Belt as we enter the 2021 crop year.

- 1. 2021 Crop Production.** In March there are some dry regions in the Corn Belt. That might be good for planting as long as rains follow. Predictions are for 90-92 M acres of corn and 90 M acres of soybeans. These are large amounts.
- 2. Commodity Prices.** Corn and soybean prices continue to trend upward. What started as a supply driven market switched to demand based. This provided profitable prices for the 2020 crops as well as the 2021 crop. Corn over \$4.20/bu and soybeans over \$11/bu. for 2021 production are both very profitable, assuming average yields. This will lend support to rents and land values.
- 3. Government Support.** The past 3 years saw billions in government support to agriculture in the form of MFP's, CFAP's and the annual farm programs. Expect much less support in 2021 since the farm income picture is profitable and the annual program payments may not trigger. Congress will be less likely to provide as much support as they work to reduce the deficit.
- 4. Interest Rates.** They remain extremely low (4.1% average for real estate loans in the 7th District of the Federal Reserve) and most predict they will remain at these levels till 2022. This is a positive for Ag production and land values.
- 5. Labor.** The labor markets indicate unemployment above 6% currently. In spite of the large number of unemployed, versus pre-pandemic times, farm labor remains a challenge to find, hire and retain.
- 6. Land Values & Rents.** Farmland values appreciated significantly in 2020, mostly in the fourth quarter. This trend continues in early 2021 due to limited supply and good demand due to better financials. For the past five years, our sales averaged \$49/bushel of corn productivity index point (WAPI). Today that rests at \$55/bu. of WAPI, a 10% increase. Rents will likely increase for 2022 assuming average yields in 2021.
- 7. Auctions.** Halderman Real Estate continues to offer farms via live and on-line events. All live auctions offer on-line bidding. We practice COVID safety measures at our auctions and work with each location's health department regulations. On-line auctions work very well so we work with each seller to meet their needs and goals within the current rules.



Final thoughts: The world is full of unknowns, let Halderman make your farmland investment 110% known to you. If you need help or guidance through the multitude of questions, ask an expert for assistance! Halderman offers 91 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)!!

LET'S TALK CONSERVATION

BY: PAT KARST, VICE PRESIDENT, REAL ESTATE, FARM MANAGEMENT, & CERTIFIED APPRAISER



We read tons of articles, blogs and information about conservation. These include tillage practices, cover crops, water quality, etc. What is conservation? Is it the same as sustainability? Where can you turn for technical assistance with these problems? The Natural Resources Conservation Service (NRCS) is part of the United States Department of Agriculture (USDA). Maybe you've heard of some of their programs like CRP, CREP, WRP, CREP, EQUIP etc. This can be a veritable vegetable soup for the untrained landowner which leads to confusion and unwillingness to take advantage of these programs.

NRCS has financial and technical resources to help with the following issues and more:

- Water quality
- Erosion control
- Soil Health
- Wetlands Preservation
- Timber
- Livestock pasture

NRCS can help...

- Construct grass filter strips along creeks to slow or stop nutrient runoff into the creek.
- Develop cover crop plans and costs to reduce erosion, improve soil health and reduce nutrient pollution into rivers and streams.
- Conservation Stewardship Programs assist with correct rates, products, methods and timing for fertilizers and pesticides.
- Technical advisors to plan and design grass waterways, sub-surface drainage, and other water retention structures to reduce erosion and increase productivity.
- Plant trees to create woodlands.
- Improve timber stand quality with technical and financial help for controlling unwanted and invasive species.
- Plant pollinator plots for butterflies, bees, etc.

This is a partial list of programs designed to help landowners be great stewards of their farm investment. If you are like me, you want to leave your farm better than it was when you inherited or purchased it. How can you take advantage of all the NRCS offers? Contact your local Halderman representative to inspect your farm and help identify which programs may be right for you. They know the local NRCS staff and how to utilize their services.



FARMLAND UPDATE

CHECK OUT
OUR NEW
NEWSLETTER
LOOK



OPTIMISM ABOUNDS

BY: **NOLAN SAMPSON**, DIRECTOR OF BUSINESS DEVELOPMENT



The Purdue/CME Group had a February 2021 reading of 165, down 2 points from January and similar to last year's pre-Covid reading of 168. Despite a challenging year, optimism seemingly returned to producers as this is the third-highest reading on record. This is consistent with what we've seen in recent land sales – with several auctions and private sales outperforming seller expectations and bringing above average \$/WAPI point scores. This is largely due to a resurgence in commodity prices as well as governmental support payments to producers.

Despite the higher reading, producers don't seem to be as confident in future expectations, many citing environmental regulation and tax policy changes which could negatively impact the ag sector. This can be visualized in the chart below with the Index of Current Conditions (brown trend line) reading 200, and the Index of Future Expectations (green trend line) reading 148.

If you're interested in discussing how Halderman can help you manage your farm and achieve your goals – please reach out to me at 219.575.1486.

