

SPRING ISSUE

FARMLAND UPDATE

INVESTING IN FARMLAND | CURRENT MARKET

TOPICS IN THIS ISSUE

- AN UPDATE ON CURRENT FARMLAND ISSUES
- A DEEP DIVE INTO LAND PRICES, IDENTIFYING FARM BUYERS AND HOW FARMS ARE BEING SOLD



HALDERMAN
REAL ESTATE & FARM MANAGEMENT

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In times of uncertainty farmland is a good place to invest.

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

War in Ukraine, commodity prices at or near all-time highs, inflation rates higher than in decades, interest rates still historically low, and drought conditions in South America. All these dynamics lead to farmland setting new record prices across the Corn Belt this winter. These are uncertain times, and the horrific events in Ukraine are causing numerous ripple effects across the globe. Trying to find stability - take a look at US farmland or take comfort knowing you already own it!

Investing in US farmland is placing your money in the "dirt" that produces food for our nation and millions around the globe. You can touch, feel, and smell the "dirt," and it provides stable cash returns every year combined with steady appreciation. Farmland will not go bankrupt and, in the US, will remain in your ownership. In addition, it provides long-term returns in the high single digits.

The last 9 months were unprecedented in so many ways. Farmland values are positively in correlation with inflation; we saw both inflation and farmland increase over the past few months. Based on over 60 Halderman sales since August 1st, our statistics indicate farmland appreciated nearly 40%! Land that traded at \$8,000/acre last year at this time is selling for \$12,000/acre, in some instances.

It is very likely your farmland investment provided a net cash yield of 2.5% in 2021 with average appreciation of 22% according to the Federal Reserve Bank and Purdue University recent surveys. Compared to many markets, this total return of nearly 25% is very appealing.

In addition to the positive news about commodity prices and land values, more opportunities for farmland owners develop each year. The opportunities in the renewable sector (solar and wind) increase each month, and many landowners may see proposals at appealing rates which could diversify income and reduce overall market risk.

In markets like these I encourage you to reach out to your area representative if you have any questions about your farm or how to make an investment

Here are some thoughts on the major farmland issues in the Corn Belt as we enter the 2022 crop year.

1. 2022 Crop Production. The season begins in another month or so. The eastern Corn Belt is in good shape with plenty of moisture. The western Corn Belt and Great Plains are dry. Total acres of corn and soybeans remain up for debate due to shifts in prices and the availability of inputs. Many unknowns, but be assured we will plant the 2022 crop and expectations for record production is the current theme.

2. Commodity Prices. Corn and soybean prices remain near all-time high levels. Wheat set new records in early March. Drought in South America followed by the war in Ukraine caused the price increases over the past 2-3 months. Opportunities for increased profits from the 2021 crop and profitable prices for the 2022 crop exist and are bullish for a

good net farm income year.

3. Government Support. At this point, expect very little. The next Farm Bill debate may begin later this year, and that bears watching to see what emphasis there is on sustainable practices, carbon credits, etc.

4. Interest Rates. Rates remain extremely low (4.03% average for 15 year fixed real estate loans in the 7th District of the Federal Reserve) and most predict they increase slightly this year with 3 quarter point increases. This is a positive for Ag production and land values.

5. Renewable Energy Markets. Across the Midwest landowners are seeing offers for solar and wind leases. Halderman knows this market well and can help you in reviewing a proposed lease.

The key is your property's proximity to a "point of interconnect" where electricity can go into the grid. With so many fossil fuel fired electrical generation plants scheduled for shutdown over the next 2-3 years, this market will continue to grow.

6. Land Values & Rents. From 2016 - 2020, our sales averaged \$49/bushel of corn productivity index point (WAPI). During the first half of 2021, it increased to \$55/WAPI. Today, our sales indicate

at least \$80/bu. of WAPI, a 40% increase. Rents increased 10%-20% for 2022, depending on the farm and location.

7. Auctions. Halderman Real Estate continues to offer farms via live and online events. This winter, two-thirds of the auctions were online only auctions. Our staff reports that auctions remain the best way to maximize your sales price, in my most recent survey.

Final thoughts: US farmland is a symbol of stability in an uncertain world. Enjoy your investment, and if you need help or guidance through the vast questions that exist, ask an expert for assistance! Halderman offers 92 years of vast agricultural experience, and our staff knows their regions very well. Remember we do not charge for answering questions (only for answers where we provide a service)!!

YOU HAVE THE LAND WE PROVIDE THE *Expertise*

AUCTION VS PRIVATE SALE | HIGH PROPERTY DEMAND

We are in a seller's market and farmland is in demand!

At Halderman, we want to ensure you receive the maximum price for your property by discussing the right method to sell (*whether that's an auction or privately*).

We understand these decisions aren't easy, which is why we have a team of highly knowledgeable, experienced brokers that are here for you every step of the way - *many of them farmland owners just like you!*

Contact us today for a free, no obligation chat to see how we can help with your farm needs!



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Halderman Real Estate has
SOLD OVER 150+ FARMS
in 2021 and early 2022.

96% of **FARMS SOLD** in early
2022 and 2021 have met or
exceeded the **RESERVE PRICE.**

We are here to help!

SINCE 1930.



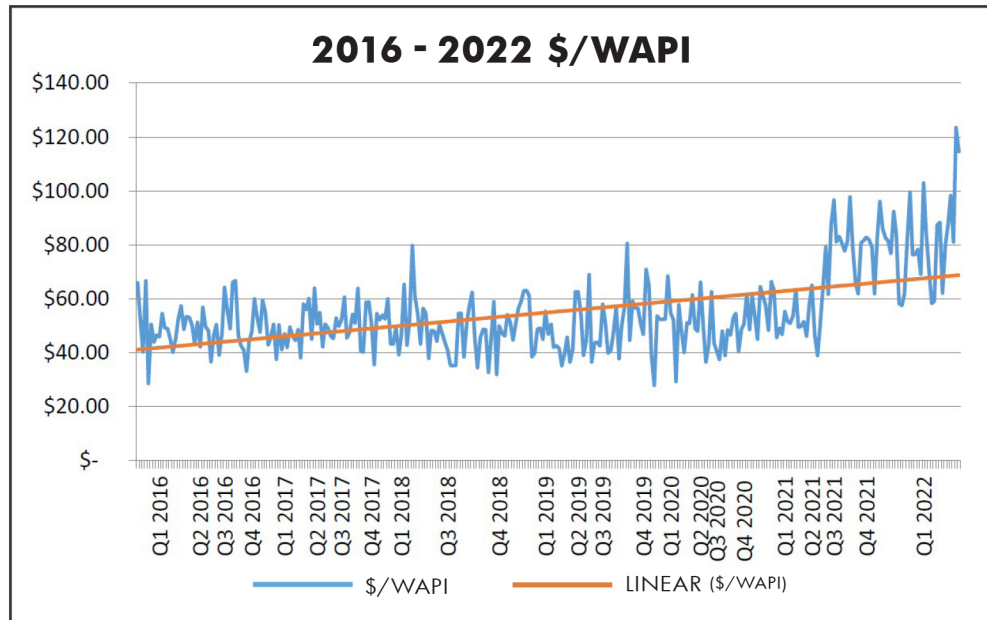
Land Prices

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

You have undoubtedly heard a lot about higher land values. In our Fall 2021 newsletter, we documented several farms that sold for over \$10,000 per acre. We didn't know if that trend had the

legs to continue, but 2022 prices are steady to slightly higher in most areas of the eastern Cornbelt. Let us show you what is occurring in the land market.

We discussed the Weighted Average Productivity Index (WAPI) and its correlation to land prices in previous newsletters. Analyzing the sale price of a farm as a function of the farm's WAPI is simply a method to help us track land values over time and large areas. We simply divide the sale price per acre by the WAPI as indicated by the USDA to calculate the \$/WAPI. We then chart those numbers.



The chart summarizes the sale prices over the past six years. As you can see, the value of farmland was trending in a narrow band between \$40 and \$50 per WAPI point until the middle of 2021. Land prices shot up nearly overnight, and it is currently trading around \$80 per WAPI point.

Who are the farm buyers?

We receive calls regularly from potential farm buyers looking for land. They are farmers, small investors, large investors, and people selling land in a metropolitan area for high prices who want to conduct a tax-deferred exchange to defer their capital gains tax. We track the buyers at our auctions. In 2021, it was nearly 50/50 with farmers and investors each buying equally. In 2022, farmer buyers have a slight edge at auctions. Private sales are entirely different with farmers buying most of the land offered privately.

How are farms being sold?

Halderman sold the majority of our listings at auction this past 12 months. In times of rapidly rising prices, it is difficult to set a good asking price. For example, we auctioned a farm in Ohio and the farm sold for \$6,000 per acre more than what the owners expected based on similar sales from 2021. It might have been difficult to set an asking price high enough to match the auction results.

70% of our 2022 auctions have been online only, and the balance were conducted live with simulcast online bidding. We conducted simulcast auctions since 2013, but Covid restrictions in 2020 forced more online events. Many buyers and sellers found they appreciated participating in auctions without traveling to a physical destination. We also noticed a large uptick in online participation at live simulcast auctions, because buyers can bid from their own homes or offices without having to bid in front of their friends and neighbors.

What is the best method and time-frame to sell your farmland to maximize the price? Ask your Halderman representative today!

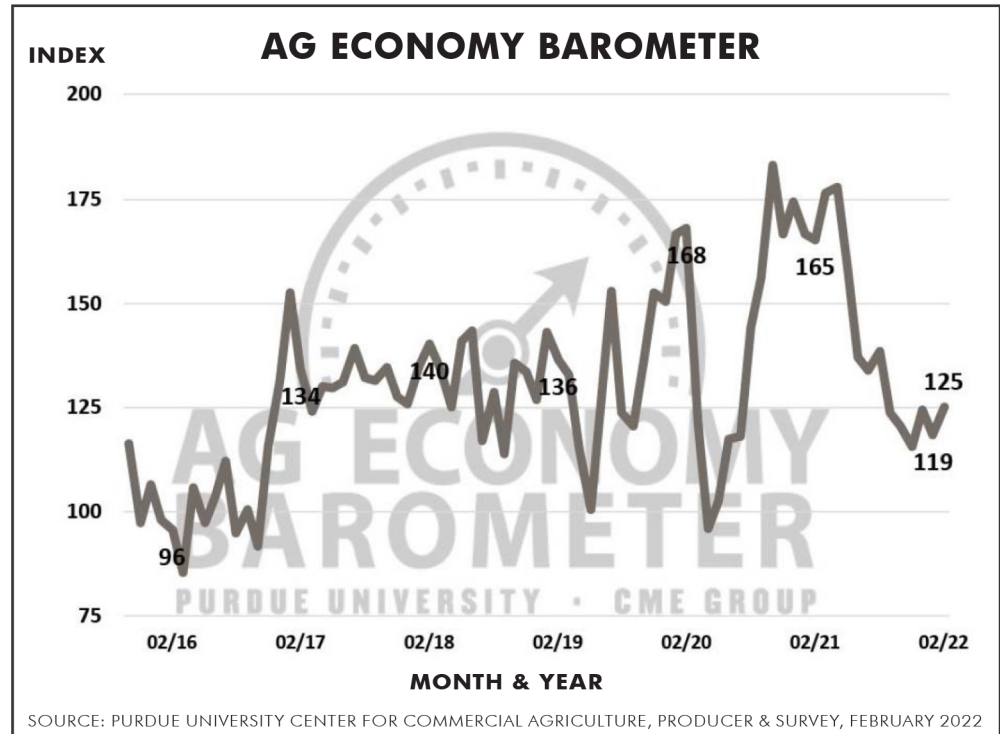


Producer Sentiment on the Rise

BY: NOLAN SAMPSON, DIRECTOR OF BUSINESS DEVELOPMENT | 219.575.1486

According to the Ag Economy Barometer released March 1 – producer sentiment improved from the February results. The 400 ag producers and 100 agribusiness thought leaders, from across the US, surveyed show a 6-point increase over the previous month, almost entirely due to the commodity price rally. 125 is the exact reading we had in December 2021, up from 119 in January.

There are several factors evaluated to come up with the overall number which helps to shed light on what causes the change one month over another. The indices of current and future conditions show what producers feel the current climate is and compares that to what they expect the future conditions to be. From January to February, the index of current conditions dropped from 133 to 132. Future expectations however rose from 112 to 122. The farm financial performance index is unchanged from January to February at 83, which is a sharp drop from the 2021-year results which saw a high of 138 and a low of 99.



The main concerns producers cited are higher input costs outpacing the commodity price rally, environmental policy changes, and farm policy. The capital investment index declined 3 points to 42 January to February. Farm machinery inventories available for purchase are low, causing a decline in equipment purchases. Respondents did show a slight increase in grain bin and farm building construction plans from last month, but the results show that over half (56%) have new construction plans lower than in 2021. According to those surveyed supply chain issues show that herbicides are increasingly difficult to purchase, but insecticide, fertilizer, and machinery parts remain at similar or reduced levels of difficulty to purchase.

The barometer also includes the long term farmland value expectations index. They survey short term value changes (12 months) and long term (over 5 years). The short term shows a 3 point increase to 145 while the long term rose 9 points to 154. **Both indices indicate that producers feel the land market will be strong in the next 12 months and beyond.** We see similar results of this at our sales. We've conducted over 60 cropland auctions since last summer and each one enjoyed strong bidding and sales results.

Locally – Temperatures are on the rise and it feels like spring. According to the NOAA, this trend is likely to stay. The 3-4 week, month, and 3 month outlook shows slightly above normal temperatures and above average precipitation. Some fertilizer and herbicide applications started locally and soon we will see most operations operating at full capacity. Have you done soil testing lately? With fertilizer prices higher than ever – there is value in maintaining your farm's fertility and soil tests are a great check system. Talk to your local Halderman rep to schedule a time to discuss what this means for your farm and let Halderman help you navigate the current farm climate!

THE SPRING ISSUE

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INVESTING IN FARMLAND, CURRENT MARKET AND MORE

Appraisal | Farm Investment | Real Estate | Farm Management | Auction

Halderman Farm Management Service

provides complete or partial management services to over 650 farms across 19 states. Consulting and financial services are also available. All of our services are tailored to the individual landowner.

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

- Howard H. Halderman, Founder of Halderman Farm Management

As farm managers, we become your fiduciary and manage your farm like it is our own - but the amount of involvement is up to YOU! Our clients include a variety of people such as farm owners, investors, tenants, bankers, lenders, attorneys and accountants. In fact, we help anyone involved with a farm.

Interested? Contact us at 800.424.2324.

You can expect a *farm manager* to:

- **BECOME FAMILIAR WITH THE FARM, FARM OWNER, OPERATOR** (WHERE APPLICABLE) **AND THE EXPECTATIONS FOR THE FARM OPERATION AND PERFORM A COMPLETE INSPECTION OF THE FARM**
- **EXECUTE BEST MANAGEMENT PRACTICES TO MAXIMIZE RETURN ON INVESTMENT WHILE PROTECTING LONG TERM VALUE OF THE FARM**
- **LEASE NEGOTIATION**
- **COMPLETE FINANCIAL RECORD KEEPING AND SERVICES**
- **MONITOR PARTICIPATION & COMPLIANCE WITH APPLICABLE GOVERNMENT PROGRAMS**
- **DEVELOP A SOIL TESTING & MONITORING PROGRAM FOR LONG-TERM FERTILITY OF THE FARM AND SUSTAINABLE OPERATIONS**