

FARMLAND UPDATE

SPRING FORECAST, CHALLENGES AHEAD

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SPRING 2024 - CHALLENGES AHEAD

BY: HOWARD HALDERMAN, PRESIDENT OF THE HALDERMAN COMPANIES

This winter Halderman participated in over 35 seminars, webinars, podcasts and meetings across the eastern Corn Belt. These included local seminars in counties throughout Ohio, Indiana, Michigan and Illinois as well as the DTN Ag Summit and the ASFMRA Annual Conference. Our goal was simply education, to share our knowledge of land values and rental trends in our market area with landowners as well as a host of estate planning, succession planning, farm safety, PARP training and other farm related topics. We helped educate thousands of landowners and they gave us great feedback.

Last fall I stated US farmland is at the all-time high of values, even when adjusted for inflation. This remains true through the first couple of months of 2024, BUT there are signs that land is leveling out in price and may experience a slight downturn the remainder of the year. This downward pressure is from much lower commodity prices (below breakeven) and sticky high interest rates. The financial health in agriculture is good as the last 3 years generated a lot of cash or liquidity therefore values remain high in early 2024 and we feel the decline will be minimal.

USDA projects farm incomes to decline another -\$20+B in 2024 following a -\$30B decline last year from the all-time high in 2022. At the current predicted levels farm incomes will be below or near the 20 year average and this will pressure the land market as cash liquidity dries up.

Another hot topic at the winter seminars is the trend in cash rents. Based on a few farms bid as this January cropland rental terms for 2024 are still strong. We saw excellent demand to rent those farms multiple farms receiving 10-20 bids each. This may change for 2025 if crop prices remain at the current levels.

Please ask your representative if you are curious about any of these topics or if you have any questions about your farm, the 2025 lease or how to make an investment in farmland.

Here are some thoughts on the major farmland issues in the Corn Belt as we enter the 2024 planting season.

These are in my order of significance with their respective impact in parentheses.

- 1. Commodity Prices (Bearish)** – Corn and soybean prices continue their decline since last spring. Prices are below cost of production as we head toward planting. There is a slight advantage to planting soybeans versus corn at current prices, but that may not sway acres enough to make a difference. At these levels farm incomes decline significantly from 2021, 2022 and 2023.
- 2. Interest Rates (Neutral)** – Rates remain high in the 7-8% range for land mortgages. Most predict they remain steady for the near term, with the Fed predicting up to 75 bps



1. decrease in 2024. The end of increases and forecast for some relief near term helped the land market in November thru January.

2. 2023 & 2024 Crop Production (Neutral)

– Based on USDA reports, the US will plant 91 Million acres of corn and 86 million acres of soybeans. Corn declines 3 MM acres from 2023 and soybeans increased about the same amount. Projected yields are at trend for both crops due to the time of year. Based on 2023 final yield maps the eastern Corn Belt produced better than average yields and the western Belt was below trend.

3. Supply of Farms for Sale (Bullish) –

We experienced an increase in farms for sale in each of the past 3 fall seasons. However once the next year arrived sales tapered off through spring and summer to below normal levels. The low supply of farms for sale is a supportive factor in land values.

4. Land Values & Rents (Neutral) – Land values are trending sideways as we enter the late winter real estate season. Halderman rents for 2024 remain steady to slightly higher, depending on the farm and location. Input costs for 2024 are slightly lower than for 2023, but elevated interest rates keep a lid on rents and land values .

5. Renewable Energy Markets (Neutral)

– In past issues we discussed solar, wind, and pore space leasing. There remains demand for all three depending on location. If you have interest in any of these please contact us .

6. Government Support (Neutral) –

2023 USDA support was low and likely 2024 will be the same. The next Farm Bill debate continues, but the experts predict if Congress does not complete their work on it by May it will fall into the lame duck session or the new Congress in 2025.

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, ask an expert for assistance! Halderman offers 94 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)!!



If you want to learn the value of your farm, please contact your local Halderman representative today.

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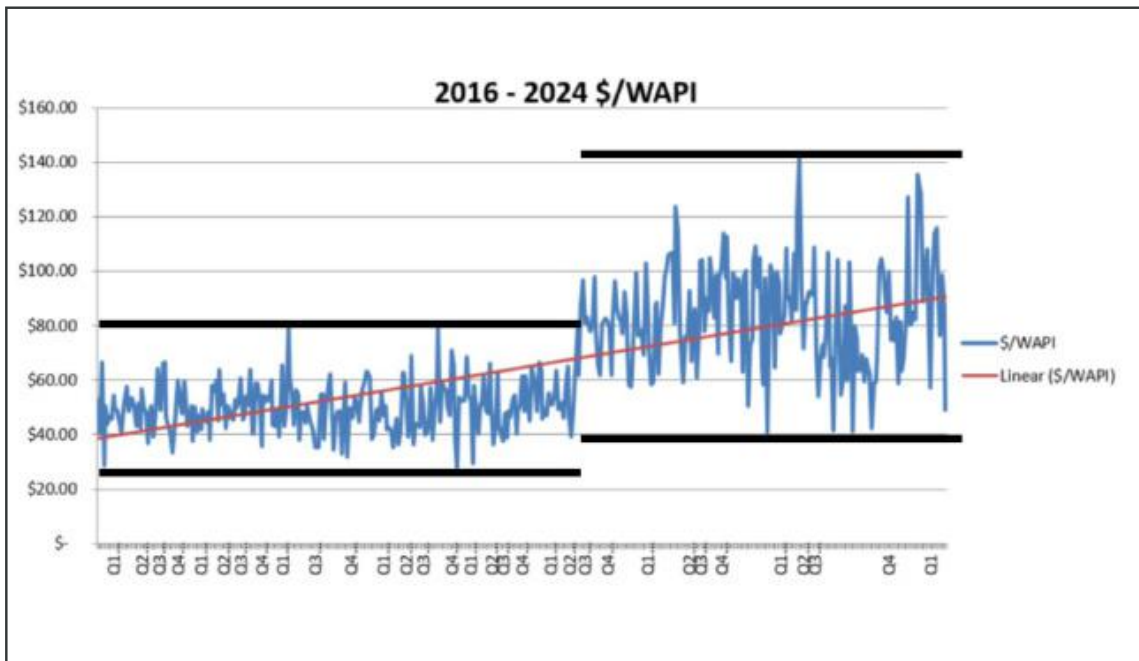




CURRENT LAND VALUES

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

Is there more risk and volatility with higher land prices? The chart below clearly shows that price volatility of farmland increases as the price per acre rises. This data is taken from the WAPI analysis of our sales you hear us discuss in seminars and previous newsletters.



What investment risks rise as land prices increase?

1. **Market Volatility:** In many cases, higher prices increase market volatility. This means that there's a greater chance of prices fluctuating or experiencing sudden changes. Rapid price fluctuations can pose risks for investors, especially if they need to sell their assets when prices are low.
2. **Potential for Losses:** When prices are high, there's often a greater potential for losses if the market experiences a downturn. Investors who buy assets at elevated prices may find themselves facing significant losses if prices subsequently decline.
3. **Overvaluation:** High prices can sometimes indicate that assets are overvalued relative to their underlying fundamentals. This means that the price of an asset may not be justified by its earnings, cash flow, or other relevant metrics. If a large number of investors realize that an asset is overvalued, they may sell their holdings, causing prices to drop.
4. **Decreased Margin of Safety:** A higher price reduces the margin of safety for investors, meaning that there's less room for error if the investment doesn't perform as expected. Investors who purchase assets at lower prices typically have a larger margin of safety, which can help protect them from losses.
5. **Potential for Corrections:** Markets tend to go through cycles of expansion and contraction. When prices are high, there's an increased likelihood of a market correction, where prices decline to more sustainable levels. Investors who bought assets at high prices may experience losses during a market correction.

If you are thinking of selling your land at the highest prices in history, or if you own land and are concerned about protecting your asset's value contact our local Halderman representative or call the office at 800.424.2324 to learn how Halderman can help with your farmland investment needs.



WEATHER & PRODUCER OUTLOOK

BY: NOLAN SAMPSON, DIRECTOR OF BUSINESS DEVELOPMENT

According to Ag Producers surveyed in the January 2024 Ag Economy Barometer by Purdue University and the CME Group, producer sentiment is down 24 points compared to January 2023. Both current conditions and future expectations are down by 23 points each, while financial performance is down by 8 points versus January 2023.

Top concerns cited by producers were lower crop and livestock prices, along with higher input costs. The capital investment index is also down by 8 points compared to January 2023, with producers feeling uncertain about future profits as the primary reason for making fewer large capital investments into the farm.

With farmer sentiment down and potential land value headwinds, you might be wondering how you can maintain or increase your farm's value despite the uncertainty. To explore this, let's first delve into the concept of "value". When assessing a farm's value, some factors we consider are comparable sales, potential income, and soil quality.

Regarding comparable sales, we may not have control over the general farm real estate market or what neighboring farms sell for, but we can control how our farm is perceived in the community. Several instances demonstrate that two adjoining farms can fetch very different values despite selling in close proximity. How is your farm viewed locally? Do you have a well-maintained entrance with sufficient space for large equipment? Is there a sturdy stone base that facilitates easy entry and exit during harvest? Do neighbors observe regular soil testing and fertility adjustment activities on your farm? Is your weed and pest control managed well? These factors may not directly correlate with the dollar value of your farm but can help protect its value during land value headwinds and potentially command a premium during bidding for rent or sale.

Regarding potential income, if you have a straight cash rent negotiated annually, depressed commodity prices and other agricultural economy challenges can lead producers to resist cash rent increases. or even ask for a reduction!! You might consider implementing a flex lease that offers fairness to the producer during tight times with a lower base rent but also provides greater rewards when times are prosperous through a bonus payment based on yields and commodity prices. Additionally, if your farm includes wooded acres or wetlands, leasing those portions out for hunting could be considered.

High-quality soil that is nutrient-rich, retains moisture during dry spells, and drains excess moisture effectively is crucial for farming and contributes significantly to the value of your farm. Short-term improvements can be made by conducting soil testing every other year, adjusting fertility based on soil test results, employing cover crops to enhance soil structure, and transitioning to minimal or no-till systems if suitable for your farm conditions. Longer-term investments that can enhance your farm's value include drainage tile installation, clearing ditches and fence rows and installing waterways to reduce erosion, and installing irrigation systems. Although these long-term investments entail greater costs, they can lead to higher values in the future.

There are numerous other ways to enhance your farm's value, ranging from capital-intensive projects to simple operational changes. At Halderman, we take pleasure in collaborating with landowners and tenants to develop both short and long-term plans to enhance farm values. Regardless of the economic climate, you can be assured that you are maximizing the value of your farmland asset.

THE SPRING ISSUE

FARMLAND UPDATE

INVESTING IN FARMLAND, CURRENT MARKET AND MORE

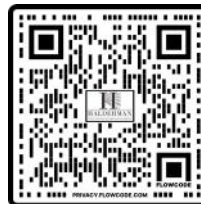
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INTERESTED IN LEARNING MORE?

Be sure to be on the lookout for invitations to our local Halderman seminars. These are an excellent opportunity to get a full update on what we are seeing in real estate as well as the general farm economy and learn from our local partners. The demand has been high so we added new seminars in several places to be sure that everyone who wants to attend has an opportunity!

Our website hosts a vast array of upcoming events along with recordings of past newsletters, podcasts, blogs, and webinars. To view our current events and RSVP please utilize the QR code below or visit www.halderman.com/events.



**"TO DO FOR YOUR
FARM WHAT WE
WOULD DO IF YOU
HAD THE TIME AND
THE EXPERIENCE."**

- Howard H. Halderman

