

FARMLAND UPDATE

FARMLAND REMAINS A STEADY INVESTMENT

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IN UNCERTAIN TIMES, FARMLAND REMAINS A STABLE INVESTMENT

BY: HOWARD HALDERMAN, PRESIDENT OF HALDERMAN COMPANIES

The winter farmland sales season is drawing to a close as are winter meetings. March/April brings spring like days and the focus on the 2023 crop year sharpens for producers. Since last September Halderman was fortunate to help many landowners sell, manage and/or appraise their farms. In fact the Fourth Quarter 2022 saw numerous sales, a definite increase in supply, and continued excellent results. The market through the first two and one-half months of 2023 continues on the same trajectory in terms of pricing on reduced sales volumes. We can safely say farmland is at the **all-time high of values**, even when adjusted for inflation.

Predicting the remainder of 2023 is challenging. The farmland sales market remains steady at \$85/corn bushel of Weighted Average Productivity Index and we feel the market will remain strong for the foreseeable future. Future increases will be a steady to up 5%. This opinion is a result of record farm incomes in 2022 that generated excess liquidity. Offsetting that positive news is that interest rates are much higher, in the 6-8% range, than in recent years and demand for commodities is dropping due to high prices and the strength of the dollar.

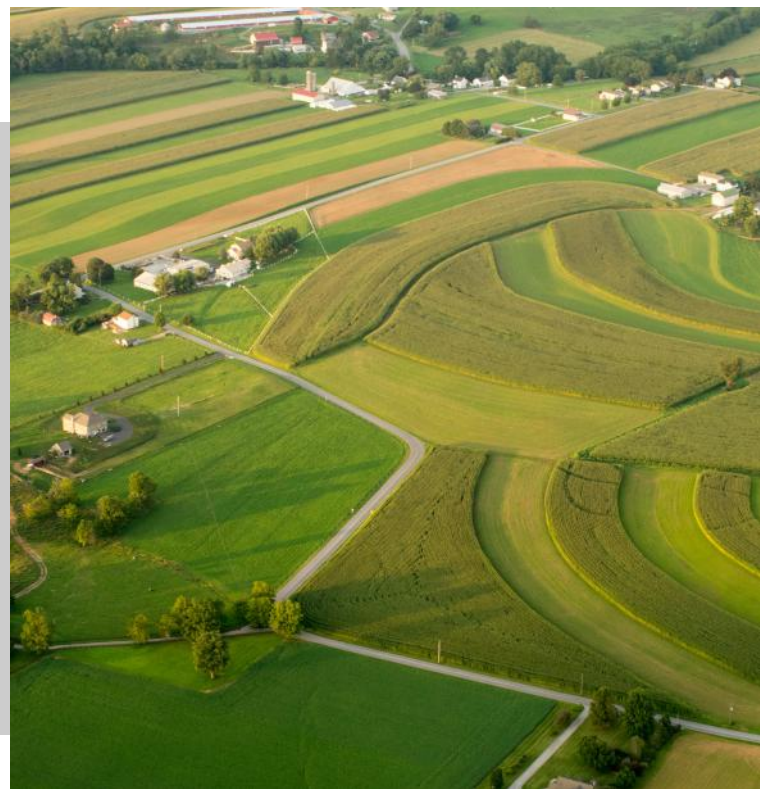
Your farmland investment returned 30%+ mostly due to the rapid appreciation in values. As we think about 2023; cash rent values are increasing and land values should remain steady throughout the year. Our team projects increases in value of 2-5%, therefore generating an overall return to the more typical 5-8%. An excellent return when you compare farmland to other alternatives.

Our topics at our recent corporate spring meeting included solar and CO2 pore space leasing. We had a company active in leasing pore space for CO2 storage talk to our area reps about how it works, lease rates and risks. We also discussed trends in cropland rental terms as well as the direction of the land market and the current economic conditions related to 1031 exchanges. Please ask your representative if you are curious about any of these topics or if you have any questions about your farm, the 2023 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 2023 crop season.

1. 2023 Crop Production. Based on USDA reports, the US will plant 91 million acres of corn and 89 million acres of soybeans. Assuming average weather their predicted yields are up versus 2022. The eastern Corn Belt recently picked up enough moisture to move out of drought status and appears well positioned for a good crop. The western Corn Belt and Great Plains remain dry and in some stage of drought. As the Pacific Ocean moves away from La Nina to ENSO Neutral this generally is positive for growing season weather.

2. Commodity Prices. Corn and soybean prices decreased in March to near \$5.50/bu. corn



and soybeans near \$13/bushel for the 2023 crop. These are still profitable, but margins are narrowing. The February prices locked in for crop insurance were favorable at higher levels. Wheat remains around \$7/bushel. Brazil is producing a record corn and soybean crop this winter which more than offsets the production challenges Argentina and Ukraine face this year. USDA projects Net Farm Income slightly below a near record high set last year (compares to 1973).

3. Government Support. 2023 will be a year where very little support from USDA occurs. The next Farm Bill debate is underway and indications are that the current tenor of the annual programs will continue, crop insurance support remains and there will be more emphasis on sustainable practices, carbon credits, etc.

4. Interest Rates. Rates increased significantly since last year. Today long term fixed rates for farmland mortgages are 6-7% depending on the lender and type of loan. Most predict they increase more, at least through the next few months. Historically rates are middle of the range, but these rates increase costs for land ownership and operating lines.

5. Renewable Energy Markets. Demand for solar leasing remains high. Lease rates are increasing in response to increasing crop lease rates. CO2 pore space storage leasing is a new entrant in the market in some locations. Wind leasing is still an option in certain locations. Halderman knows these markets and can help you in reviewing a proposed lease.

6. Land Values & Rents. The second ½ of 2021 saw land prices increase 40% to \$80/bu of WAPI. In 2022 we saw values rise slightly from \$80/WAPI to \$85/WAPI bushel. Halderman expects rents to increase 5%-10% for 2023, depending on the farm and location. Input costs and elevated interest rates will keep a lid on these increases. So far in 2023 values are holding steady.

7. Auctions. Online auctions remain very popular and generate excellent results. In 2022 75% were on-line only auctions. Halderman reviews every property and provides a recommendation on the best sale approach based in its merits. Our staff reported in my March 1 survey that auctions remain the best way to maximize your sales price.

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 93 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

Over two days in the middle of March, the entire staff of the Halderman Companies gathered in Wabash from all over Indiana, Ohio and Michigan. As you can imagine, land values were a hot topic!

In previous newsletters, I discussed the ratio of the sale price of tillable land and the Weighted Average Productivity Index (WAPI). The WAPI is derived from soil types and the productivity index of each soil type compiled by the USDA. This analysis results in the number of dollars per WAPI point. For example, if a farm sells for \$12,000 per acre and has a WAPI of 150, it sold for \$80 per WAPI point. ($\$12,000/150 = \80) We track this ratio over time to learn about trends in value using data from a large geographic area.

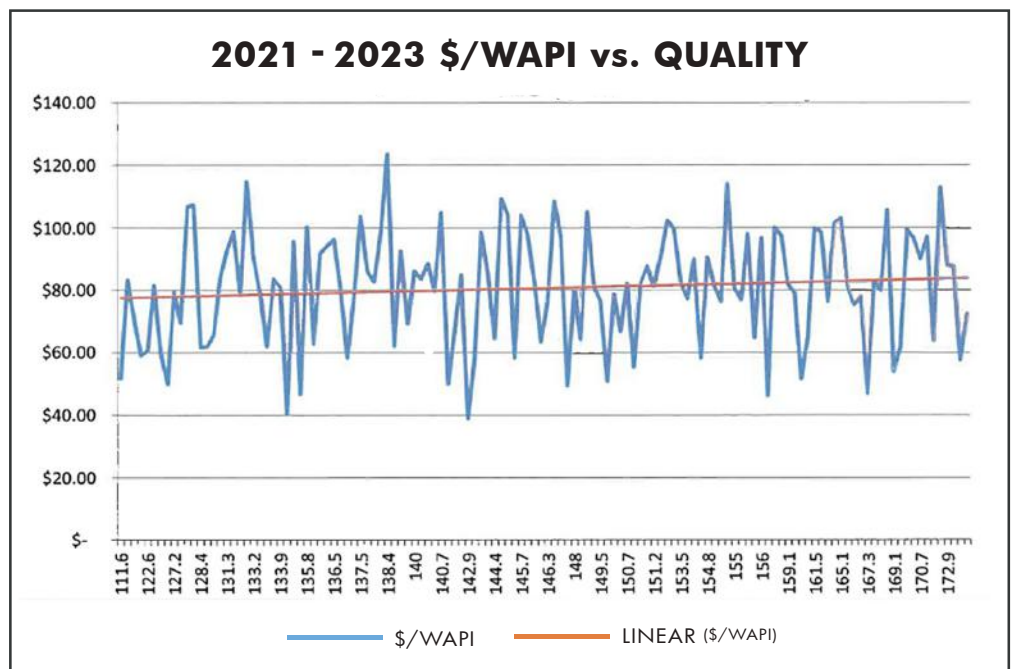
One of our bright, young agents asked if we ever analyzed the \$/WAPI ratio over different land quality levels, so I did. I organized our sales of cropland that were at least 90% tillable from the beginning of 2021 to the first quarter of 2023 and sorted them by land quality/WAPI score. I added the \$/WAPI to the Y-axis and the WAPI scores to the X-axis and the chart below shows the results.

While there is a lot of variability in the \$/WAPI for individual sales, the trend line is nearly flat. Indicating that sale prices per WAPI point, on average, do not vary greatly across different land capability classes.

So what causes all the variability? Location, reputation, size, shape, neighborhood, etc. have huge effects on land value.

The two farms listed below sold at different Halderman auctions on the **same day**. They are similar in size and quality as indicated

by similar WAPI scores and yet the Delaware County farm sold for 100% more measured by \$/WAPI and dollars per acre. Why? The Cass County farm was in a less desirable neighborhood while the Delaware County farm is considered one of the best farms in the county. Location and reputation greatly affected the value of both farms.



Cass County		Delaware County	
• 141 acres	• 148.8 WAPI	• 233 acres	• 145.7 WAPI
• \$8,125/acre	• \$54.6/WAPI	• \$15,127/acre	• \$103.8/ WAPI

In summary, land quality is only one of many factors determining the value of your farm. The seasoned professionals at Halderman can cut through the chaff and help you maximize the value of your land. Halderman does a great job marketing all classes of land! Contact your local representative today!

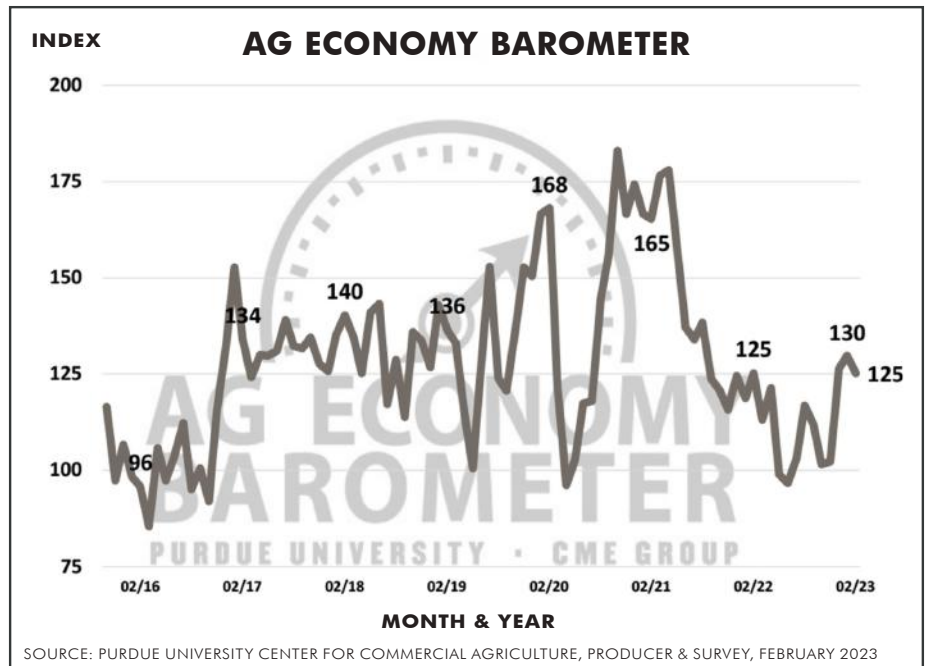


WEATHER & PRODUCER OUTLOOK

BY: NOLAN SAMPSON, DIRECTOR OF BUSINESS DEVELOPMENT

The spring planting season of 2023 is nearly here! One of the main factors we look at regularly in agriculture is the weather and I find a lot of interesting data and charts on the NOAA/National Weather Service website. On March 16, the National Weather Service updated their spring outlook. The 6-10 day outlook shows much of Indiana and the Cornbelt with average temperatures and above average precipitation. Looking further out, the one month outlook and three month outlook both show that we have higher probability of above average temperature and precipitation from April through June. While this is just a trend-line, it does help to forecast some of the operational conditions as well as what sort of growing season we might expect. I am optimistic about our farm operators' ability to cover a lot of acres in a short time-frame and having above average precipitation through June gives me optimism about the crop getting off to a good start.

The Purdue University CME Group Ag Economy Barometer for the month of February decreased 5 points from January to 125. The Barometer compiles economic sentiment data from in-depth surveys of 400 ag producers from **across the US**. The decrease this month indicates that producers are less confident in the future financial position of their farm than they were a month ago – which can be related to a lack of confidence in the weakening agricultural export market. Producers surveyed are largely concerned about lower commodity prices than a few months ago. Other topics of concern include interest rates, higher input prices, increases in prices of farm machinery, and general uncertainty about farm profitability.



Despite what is shown in the CME Purdue Ag Barometer, Halderman auction results continue to remain strong, both in values and the amount of people bidding at each sale. Pat Karst has an article in this newsletter that discusses our sales results based on the Weighted Average Productivity Index (WAPI). Our sales results based on this WAPI score continues to have a very slight upward trend.

Locally – Precipitation has been below average and when fit, some spring fertilizer applications are underway. This is also a great time to meet with your farm manager to take a look at the year ahead and discuss your goals and put a plan together to achieve them. There is time to get some spring soil testing done. If you're considering a capital improvement project to help manage risk, there is still some time to get a few things done before field operations start. If you're interested in discussing how Halderman can help you manage your farm and achieve your goals – please reach out to me, *Nolan Sampson at 219.575.1486*





THE SPRING ISSUE

FARMLAND UPDATE

INVESTING IN FARMLAND, CURRENT MARKET AND MORE

Appraisal | Farm Investment | Real Estate | Farm Management | Auctions



HOW DO I DETERMINE A FAIR RENT?

The market determines the rent for any given farm. Therefore, the best way to determine a fair rent is to do a competitive bid process on the lease terms you seek OR find out rents in the surrounding area and use them to compare to your farm and make your own analysis.

Halderman Farm Management can execute both of these strategies on your behalf making leasing your farm very simple. *Considering finding a new tenant? We can help! Within just a few weeks, we can deliver a few viable tenant prospects - saving you time and money.*

Contact your local representative today, by calling **800.424.2324** or visiting **halderman.com/farm-management**.

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

- Howard H. Halderman



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