

FALL ISSUE

# FARMLAND UPDATE

LOOKING AHEAD AT HARVEST & BEYOND

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# IMPACT OF INCOMES AND INTEREST RATES

BY: HOWARD HALDERMAN, PRESIDENT OF THE HALDERMAN COMPANIES

US farmland reached the all-time high values in 2022 and 2023, even when adjusted for inflation. For the most part the best farms remain near all-time prices, BUT average and below average land is leveling out in price and/or experiencing a slight downturn. Lower commodity prices (below breakeven) and interest rates that seemingly remain locked at higher levels are driving this trend.

It is clear farm incomes will decline significantly from the last 3 years. Working capital will dwindle for many and could become troublesome. I know multiple ag lenders preparing for a more difficult operating line renewal season this coming winter. This could lead to pressure on cash rental values for 2025. Achieving the “right rent” will be a challenge and that is where Halderman can make your life easier – let us negotiate your rent to create a win-win lease.

As the election nears there will be many legislative topics front of mind. One is tax rates of all kinds; will they stay the same or decline? Another is the policy on renewable fuels and sustainable farming practices, do they change, go away and/or remain large potential consumers of ag products? Finally, when will we see a new Farm Bill and what will it include? Lots to think about as November approaches.

Please ask your Halderman 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 is my dashboard on major farmland issues in the Corn Belt as we enter the 2024 harvest season and prepare for 2025.

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

## 1. 2024 Crop Production (Neutral) –

This year has it all, dry weather, too wet, delayed plantings and wind events. In spite of all the challenges predictions are for record average yields for corn and average for soybeans. If yields are significant, they will help offset the lower prices to a degree. High yields cut both ways, they lower commodity prices, but can increase farm incomes per acre.

## 2. Commodity Prices (Bearish) –

Corn and soybean prices continue their general decline since '23. Prices are below cost of production heading into harvest. Farm incomes decline and “liquidity” evaporates. The excess cash was very supportive of farmland values over the past 3 years.



**3. Interest Rates (Neutral)** – Rates remain high in the 7-8% range for land mortgages and over 8% for operating lines. The Fed remains neutral on rate cuts, most expect one 25 bps rate cut this year. Any downward movement will help, but it appears limited.

**4. Supply of Farms for Sale (Bullish)** – We experienced an increase in farms for sale in each of the past 3 fall seasons. The same appears true this fall with the number of sales ramping up, even earlier than the past 3 years. The low supply of farms for sale last spring and this summer is a supportive factor in land values.

**5. Land Values & Rents (Neutral)** – Land values are trending sideways as we enter the typical farm real estate season. Halderman land rents for 2025 remain steady, depending on the farm and location. Input costs for 2024 were slightly lower, but still well above pre-pandemic levels. Reminder – farmland

declined in value 10-15% in 2014 and 2015 due to lower farm incomes, if you are looking for a reference point from the past.

**6. Renewable Energy Markets (Neutral)** More landowners are showing some interest in renewable energy, especially since farm incomes are down. At the same time the local support for wind and solar projects appears to be waning making it much harder to locate good site locations. The rental rates and income potential are bullish for land values, but the ability to obtain the permits and actually develop projects keeps this point neutral in my mind. The election outcome may also impact renewables significantly.

**Final thoughts:** Farmland is an asset in your portfolio that remains an inflation hedge, steady income producer with historical annual appreciation. If you want to learn more about your farmland investment or how to enter the market 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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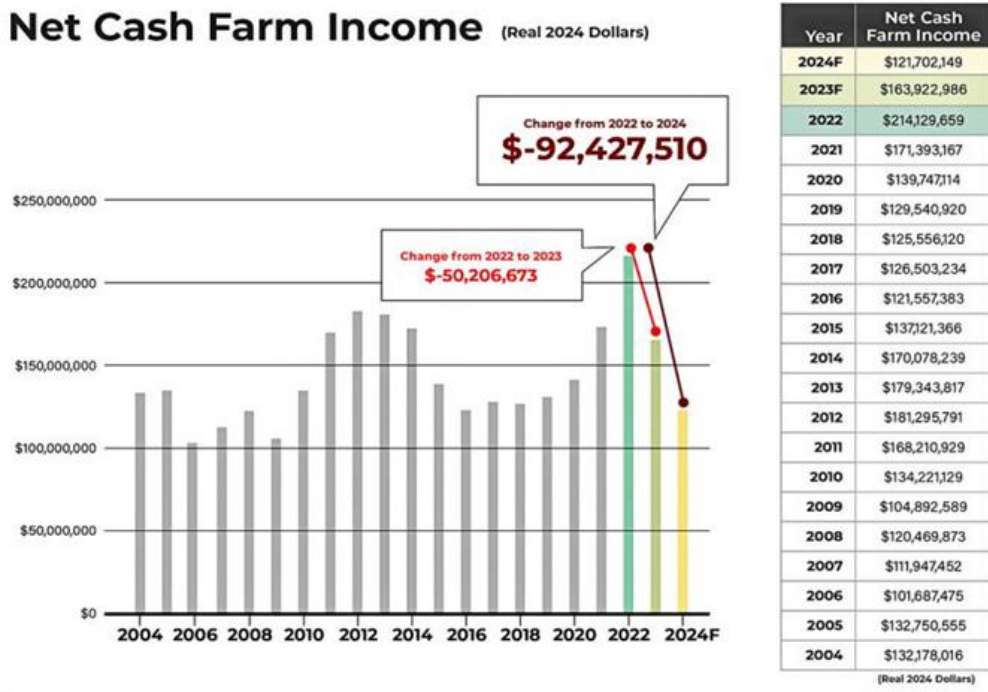
# WHERE ARE LAND VALUES HEADING?

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

Where are farmland values headed? Are prices decreasing? How far will they drop? I hear these questions almost every day. Farm owners, bankers, investors, and potential farm buyers are anxious about land prices. They have good reasons!

Effective demand combines the desire to buy land with the financial ability. While many buyers still want to buy land (demand), they may not have the cash flow to pay for it (effective demand). Due to much lower commodity prices and relatively high input costs, farm earnings are drastically lower than they were in 2022 when they set an all-time high. In fact, the USDA chart below shows the dramatic decline in farm earnings. The estimated 2024 farm income is about 44% less than the 2022 income. It is interesting to note that the forecasted income for 2024 is almost the same as it was in 2016 in real dollars.

If farm incomes decline by 40%, it seems logical that the effective demand for farmland will decline. On top of farm incomes declining are much higher interest rates, which make the cost of borrowing escalate. We don't know when the downtrend might start (for some farms it already has), how fast it might decline and how far down it might go. In the last similar cycle, farm earnings peaked in 2012 and bottomed out in 2016, showing a 34% decline over four years. During that time period, land values dropped 15% to 25%.



As the USDA chart shows, we enjoyed three years of exceptional farm incomes. Farm buyers had the opportunity to amass cash reserves, update equipment and buy land. Farmland prices should remain steady or show minor weakness as long as farm buyers have cash to spend.

Although we don't foresee land prices returning to 2016 levels, which would be a 50% decline, it is entirely possible to see prices drop 10% to 20%. With lower earnings, be aware that there may be pressure on landowners to reduce rent for 2025. If you want to learn more about the value of your farm or the proper rental rate for next year, contact your local Halderman representative or contact us at 800.424.2324 or at Halderman.com.



# BOOSTING FARM INCOME WITH SUSTAINABLE TIMBER HARVEST

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

As we continue to navigate the complexities of the current agricultural economy, many farmers are facing the reality of lower commodity prices and increasing operational costs. With these challenges, it's a great time to explore alternative revenue streams that can help stabilize farm income. One such option that often gets overlooked is the sustainable harvest of timber.

Timber sales can be a viable option for land owners looking to diversify their income, especially during times of economic uncertainty. When done correctly, timber harvesting not only provides immediate income but also enhances the long-term value of the property by promoting the growth of high-quality trees. One goal a landowner might set is trying to reach the point where every 10 years or so, a very selective timber harvest makes sense.

Given the current state of the farm economy, where commodity prices have been on a downward trend, the prospect of generating additional income through timber sales is particularly appealing. Land owners who have been holding onto woodlands without considering their potential economic value may view this as a good time to reassess. The sustainable management of these woodlands ensures that they remain a renewable resource, providing periodic income without depleting the land's long-term productivity.

If you're interested in discussing how timber harvesting or any other farm management strategies could fit into your operation, feel free to contact us today at 800.424.2324. We can help you navigate these challenging times and find ways to sustain your farm's profitability and future growth.

A great resource to help with this process is to work with a consulting forester to develop a management plan tailored to the specific conditions of your land. This plan determines the best timing and methods for harvest, ensuring that the ecological integrity of the woodland is maintained. Proper planning can significantly increase the value of timber sold, making it a worthwhile investment of time and resources.

As we look toward the future, the combination of rising input costs and fluctuating commodity markets means that diversifying income streams is not just a strategy, but a necessity. Sustainable timber harvesting offers a way to boost farm income while also enhancing the environmental stewardship of your land. It's an approach that aligns with the growing emphasis on sustainability within agriculture and can provide an immediate supplement to income with long-term benefits.

Locally in Northwest Indiana, we are experiencing cooler-than-average temperatures as we transition into fall. According to the latest forecast from the National Weather Service, the 6-10 day outlook shows normal average temperatures with a slight chance of above-average precipitation. Looking further ahead, the 1-month and 3-month forecasts indicate a higher probability of above-average precipitation and slightly above-average temperatures through November. This weather could help the crops finish strong and usher in an early harvest.



**THE FALL ISSUE**

# FARMLAND UPDATE

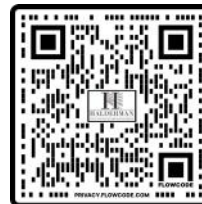
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## INTERESTED IN LEARNING MORE?

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](http://www.halderman.com/events).



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

*- Howard H. Halderman*



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