



Gannon Real Estate/US Farm Lease

June Newsletter 2015

US FARM LEASE



Inside This Issue

- Challenging Times in Agriculture 2
- Gannon Real Estate/USFL Statistics 2
- The Tale of Two Soil Tests 3
- Current Gannon Real Estate Listings 4

Gannon Real Estate

- Land Sales
- Land Auctions
- Farm Management
- Certified Real Estate Appraisals
- Farm Land & Lease Consulting

US Farm Lease

- Farm Lease Bidding Service
- FAIR Lease Monitoring
- Lease Appraisals
- Record Keeping

Farmland Income is Down and So are Prices

The Realtors Land Institute Spring Farmland Value report showed 7.6% decline in Iowa land prices. This varied across the state and land classes. This is understandable based upon commodity prices being depressed and farm incomes having a considerable decline. The length of the decline will probably depend on the price of corn. Historically farmland prices followed the price of corn but also the gross income of corn. These two charts are on Page 3 of this report. The Gross Income comparison gives some control to farmers and landowners where they can make sure their land is under the best farm operating plan possible. Since price is combined with yield in the Gross Income scenario the higher the yearly or average yield then the more valuable the land in a sale or rental scenario. We advocate and have management tools to help assure the land is in the best condition possible.

Pent up Demand for Farmland Investment

Even though present interest in buying land has dropped there are many farmers and investors waiting on the sidelines to buy when this settles out. It is an everyday discussion where buyers have funds and borrowing ability but want to wait it out until the market bottoms out or they feel comfortable buying again. This makes sense but also know you only get a few chances to put together the right portfolio and some of these opportunities may be missed sitting on the sidelines. Farmland is still on a long term uptrend and prime Iowa farmland will be in high demand the entire time humans need to eat while marginal land in other areas of Iowa, the US and the world are abandoned or returned to pasture, conservation or other uses.

Challenging Times in Agriculture



Mark Gannon
Broker/Manager

We knew this was coming when we had the high grain prices a couple years ago. The old timers say that high grain prices always solve themselves by leading to overproduction. Most high prices are led by poor yields somewhere and it is hard to expect that to continue. Now we have falling grain prices, bird flu, good planting weather (wait, I thought that was a good thing – not for grain prices), water lawsuits and cool weather or hot weather (both are bad according to the Board of Trade).

We see this as time to get our act together and we hope you do also. We will be announcing some changes shortly to get us to a better total farm analysis including environmental, financial and agronomic area that will improve on what we have been building on each year. We think the time is over to taking a casual approach to farm ownership. There are too many people watching and too expensive to not be paying attention.



Andy Mullan
VP of USFL

We know that the best management plan is to have the land be the most productive as possible while maintaining soil health. It is evident that farms with good productivity will provide the tenant with more bushels to sell to make a profit. If traditionally cash rents in Iowa average 35% of corn gross income and soybean cash rents average 40% of gross income then it makes sense that landowners would make a real effort monitoring that statistic. We also keep statistics that show that CSRs are not reliable indicators of productivity and some 50-70 CSR will outyield a lot of the 70-90 CSRs. There are some factors in the yield equation that we cannot control but we owe it to ourselves and the tenant to help the ones we can control. Areas like drainage and fertility are the main ones that an owner can be aware and make sure the farm is where it should be. Every year I am more convinced that operator talent is quite variable, much like a baseball coach wants .300 hitters instead of .200 hitters, you want 200 bu/acre (or more) operators instead of 140 bu/acre operators.

In a continual search to find the best way to be the most productive but also conservation conscious, economically aware plus fair to the owner, tenant and land we are expanding on our farm analysis system in 2015. This will be unveiled later on this summer along with other changes to assist landowners have the best data to better understand the land and the use by the tenant so they and/or their representatives can to make the best decisions possible.



Margaret Gannon
Administrative Officer

Gannon Real Estate/USFL Statistics

-2014 USFL received 91% of all records requested of tenants including Soil Tests, Pre Harvest information and Yield Data

-73 Soil Samples in 30 counties average results PH- 6.47 OM – 3.88 P – 36 K – 189

-2014 Yield Results – Corn Avg 175 bu/acre Bean Avg 48 bu/acre. High Corn Yield 225 High Bean Yield 73

-Farm Management Acres have grown by 37% over the past year.

- We have sold 850 acres so far in 2015 for an average price of \$6,269/acre with a range of \$10,300 for good cropland to \$2,313 for pasture and everything in between.



Patrick Gannon
Creative Director

The Tale of Two Soils Tests

It is always interesting when we get soil tests on land we either manage or are assisting the owner through the Lease Monitoring service under US Farm Lease. Both of the farms are new tracts to our system and neither owner had ever seen a comprehensive soil test.

The first one is a rolling farm in western Iowa that after review of past yield information we knew there was a problem somewhere. The tenant was saying he couldn't pay more rent due to the low yields and this eventually led the owner to ask our help. As it turns out the entire farm on average was low to very low in lime, phosphorous and potassium. As like most this varied wildly with some areas ok but the really bad areas made up for the good areas. We do not have good records on what had happened in the past but it is obvious it has been under-fertilized for many years and now we had a problem. Our solution was to require the operator on an aggressive fertilizer build program which lasted one year and then he cancelled the lease since this was not profitable.

The second farm in central Iowa was also a situation of disappointing reported yields and the owner wanted help getting his property figured out. The difference here is that most of this farm received hog manure annually from a finishing unit so fertility should not be a problem. The owner did not have soil tests and the owner of the hog unit for which this farm was under the manure management plan said they didn't have any soil tests. This was hard to believe so the farm was grid sampled using 2.5 acre grids. This farm showed good lime levels but phosphorous and potassium levels averaging 3-6 times the very high level for these nutrients.

An agronomist we showed these two farm's results said the western Iowa farm was one of the poorest soil tests he has ever seen and the central Iowa farm was one of the highest. The farm in poor condition will take as much as 5 - 10 years to get back to average. The one with the high levels may have too much and the high nutrient levels could actually be causing a problem with the yields.

The owners of the land were simply guilty of trusting the tenants and outside suppliers with overseeing their land like most Iowans renting their land. The tenant on the low test farm was doing what he had done for a long time and been getting by with it. It was only the last few years that the landowner asked for more rent. Before that the lower rent fit the low yields. He also said the farm was that way when he started renting about ten years ago but had no evidence to prove that. The other farm has been following the philosophy that more is better and like the fact they didn't have to buy much nitrogen when going to corn but too much of a good thing may now be a potential problem.

Most written leases require fertilization data but few owners follow through and many of those don't know how to use the information. This is just one of the areas that we can assist.

2015 Iowa Cash Rent Surveys

Survey of Farm Land Values In Dollars Per Acre (March 2015)

Area	Av. Rent	Change %
NW	\$259	-4.0
NC	254	-6.0
NE	273	-1.0
WC	265	-8.0
C	261	-8.0
EC	255	-6.5
SW	242	-3.0
SC	187	-7.5
SE	217	-5.0
STATE	\$246	-5.0%

Area	High Q Crop Land	Med. Q Crop Land	Low Q Crop Land	Pasture	Timber	%
NW	11,619	8,704	5,913	2,885	2,529	-6.8
NC	9,807	7,657	5,189	2,378	1,885	-8.1
NE	9,863	7,352	4,968	2,938	2,520	-11.0
WC	9,991	7,990	5,305	3,000	2,488	-8.8
C	10,207	7,634	5,085	2,756	2,236	-7.5
EC	10,425	7,413	4,831	2,873	2,180	-8.4
SW	9,207	7,125	4,884	3,400	2,340	-4.6
SC	7,775	5,631	2,977	2,594	2,419	-7.6
SE	10,427	6,867	4,192	2,392	1,958	-5.6
STATE	9,924	7,375	4,816	2,802	2,284	-7.6

Cash Rent Source: www.extension.iastate.edu/agdm/wholefarm/pdf/c2-10.pdf | RLI Survey: www.extension.iastate.edu/agdm/

Current Listings

Sonsken Farm

Hamilton Co., IA | Asking \$822,570 on 78.34 Acres

The land is cash rented for 2015 but open for 2016 and beyond. The lease and CRP payments are planned to be prorated to closing with the Buyer. The farm reportedly has a good yield history and fertility program that can be shared with serious buyers. The CRP ends in 2017 and these acres could be farmed in 2018. There is a drainage ditch along the north boundary that assures a good outlet for additional tile.

Liebert Farm

Warren Co., IA | Asking \$280,000 on 65.68 Acres

This is a 65.68 acre tract in Warren County with 48.9 tillable acres according to the FSA. Currently there is 43.5 acres farmed plus hay acres. The east fields are terraced and the west field is pattern tiled creek bottomland. This land is well located with great access on County Highway G76. The property is approximately 1 mile east of Lacona.

15 acres, Ames

Story Co., IA | Asking \$175,000 on 15 Acres

This is an excellent opportunity to purchase a tract of land with great visibility along the south east corner of I-35/US-30. Zoned commercial this property is an excellent spot for a future business with the possibility to have a large pond built.

1.14 acres, Ames

Story Co., IA | Asking \$400,000 on 1.14 Acres

Located at 1613 S. Dayton Place just north of Hwy 30 and south of the Baymont Inn. There are 7 motels now in the immediate area and two more on the way (including a new Hampton Suites to the west) but very few food possibilities (Subway, DQ and local Mexican) and other services. As of DOT reports from 2011, there are currently 67,800 cars that pass by daily on Hwy 30 and I-35 so roadside visibility is very high.