

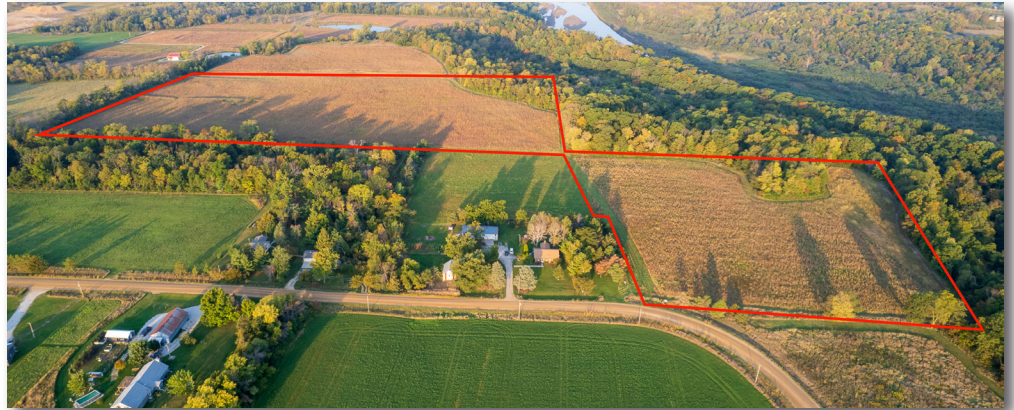


Gannon Real Estate & Consulting 2023 Fall Newsletter



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AS I go into my 44th year in farm real estate after graduating from ISU in Ag Econ I reflect on my long and winding road. From starting as a feedlot manager, to herdsman to lender in the 80s farm crisis and finally becoming self-employed since 1990 with a stint as ISU's Land Manager for six years it has been quite the journey. It all adds up to experiences and lessons you cannot learn in any school. Every day is different with more to observe and learn from.

Recently I saw a property that I was involved in back in 1989 that sold for \$95,000, and last spring sold for \$1,200,000, which comes out to about 12.6 times of the original sale price. That is hard to believe for some people but not those that lived through that period. There were some good tracts sold in Story County for \$1,200/acre that would now sell for over \$15,000. Farm incomes and rents have grown similarly over this time period or land prices would not have gone up like they did.

Land values should be in direct proportion to farm incomes. Rents and land values are primarily based upon the economy but we still have landowners that don't understand this relationship and don't have enough data to figure this out. The CSR2's are somewhat representative of the rental and sale value but more important are the yields and prices. We can't control the prices but we can make sure our land is well drained, highly fertile and has as good of a yield as possible. That is where we fit in for our clients. This is a complicated business and getting more complex and variable each year. We have always tried to do the right thing in agriculture even though that is sometimes not the easiest path. That approach of sticking up for our clients and their land has treated all of us well.

-Mark

Land & Real Estate Q&A

Land Management

1. What are current Rental Rates?
2. What is the role of Cover Crops?
3. What's the current price of Fertilizer?

Real Estate

1. What are current land prices?
2. How will foreign investment affect Farmland?
3. What's the dirty little secret in Agriculture?

Current Listings/Auctions

Story Co. 36.84 acres

Excellent land w/ pond close to Ames w/ building opportunities

Story Co. 84.27 acres

Great CRP/ Pasture & Recreational property. Building opportunities

Boone Co. 30.04 acres

CRP & Timber right next to the Des Moines River. Great recreational & hunting

Recent Sales

Story Co. 71.07 Acres

Total: \$715,000

Boone Co. 74.25 Acres

Total: \$1,150,875

Hamilton Co. 101.91 Acres

Total: \$663,000

Boone Co. 39 Acres

Total: \$588,000

Boone Co. 31.11 Acres

Total: 373,320

Gannon Real Estate & Consulting has been providing farm real estate, farm management and appraisals in central Iowa since 1990. We work on a professional basis that focuses on open communication and making the land better for both the owner and operator. We look forward to assisting you someday.

Mark Gannon, Broker, Farm Manager and Certified Appraiser
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Mark Gannon

Broker/Farm Manager/Appraiser



Adam Daniel

Farm Manager & Real Estate Agent



Patrick Gannon

Creative Director & Real Estate Agent



Margaret Gannon

Administrative Officer

New Farmland Stewards Website



ABOUT SERVICES SERVICE AREA EXPERTS (515) 233-4144

FREE LAND EVALUATION

FARMLAND STEWARDS

Better representation, information & advisement for your land

CONTACT US (515) 233-4144

We are excited to announce that the farm management division of Gannon Real Estate & Consulting is now named Farmland Stewards. As we continue to refine and grow our farm management division, our hope is that this new name will bring more awareness and speak to individuals that need better representation and care of their land in the farming community.

Get Your Farm Data Analysis today , which includes

-Harvest Data

-Soil Test

-CSR2 rating

-Land Stewardship recommendations and more!!

Contact Adam Daniel at:

adam@gannonre.com | 712.830.7961

www.farmlandstewards.com

What are current Rental Rates?

by Adam Daniel

Here we go again with another fall and another set of circumstances. Corn and soybean prices are over \$1-2/bushel less than a year ago. We had a dry to very dry year in most areas of Iowa but many areas are having surprisingly good yields. We had very few down areas with the best yields in traditionally poorly drained land. The land with good management and soils did the best again, as it should be.

Due to the variable yields, this is an especially important year for landowners to truly know and understand how their land performed in 2023 and how to use this information to get your lease on track for 2024. With our cash plus flex lease, the cash portion is guaranteed like all cash rent leases and there is a potential bonus (flex) paid when the combination of yield and price exceed a determined threshold. We set up the guaranteed portion to fit the landowner's needs with some receiving flex payments on farms with good yields, but maybe not as much on average or below-avg. yields. This way we share with the operator in tougher times and when times are better.

The only fair way to rent land is through data and information on a yearly basis. Still, many landowners renting out their land in Iowa do not have any verified information and if they did then they may not know how to interpret it. That's where we can and will help.

What's the role of Cover Crops?

by Adam Daniel

Iowa's rich topsoil is its greatest asset, but it's also susceptible to erosion, especially during heavy rains. Cover crops, such as cereal rye, oats, and clover, act as a protective blanket for the soil. They anchor the soil in place, reducing erosion and sediment runoff into nearby rivers and streams. This not only preserves precious topsoil but also helps maintain the integrity of Iowa's waterways. Cover crops can also improve crop resilience by stabilizing soil temperature and moisture levels. They also mitigate the impact of extreme weather events by reducing soil compaction and promoting healthy root systems. This leads to more consistent yields and less susceptibility to droughts and floods.

Nutrient management is also an important role that cover crops perform. They absorb excess nitrogen from the soil, preventing it from leaching into water sources. When the cover crops are terminated and decomposed, this stored nitrogen becomes available for subsequent crops, reducing the need for synthetic fertilizers and cutting down on nutrient pollution.

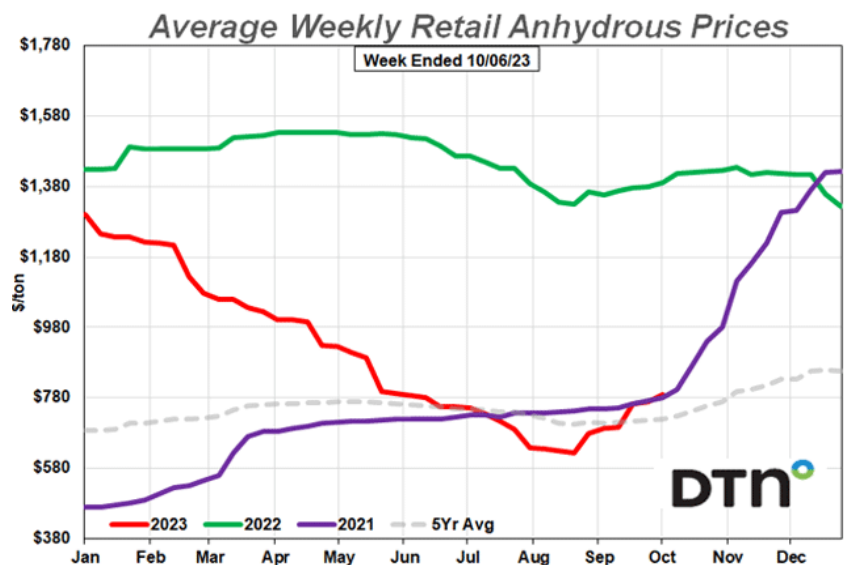
Iowa's government and agricultural organizations have recognized the importance of cover crops in sustainable agriculture. Incentive programs and cost-share options are available to encourage farmers to adopt cover cropping practices, making it more accessible and financially viable for them.

The adoption of cover crops represents a significant step toward more sustainable and resilient farming practices. The use of cover crops helps mitigate soil erosion, manage nutrient runoff, enhance crop resilience, and reduce the need for chemical inputs. As more Iowa farmers use cover crops, they're not only safeguarding their livelihoods but also contributing to the preservation of Iowa's fertile farmland and water resources for future generations.

What's the current price of Fertilizer?

by Adam Daniel

Fall harvest has come upon us quickly this year with weekly stints of hot and dry temps in the upper 90 degrees, drying down crops quickly. Combines have started slowly rolling in the fields in the first week of September with soybeans in the 13-15% moisture range and corn in the mid 20% moisture range. As we look forward at fertilizer prices for this fall, we have seen a continuous decline in fertilizer prices. All fertilizers are now lower by double digits compared to one year ago. But as of late there has been a slight up-tick in anhydrous prices as you can see from the chart to the right.



<https://www.dtnpf.com/agriculture/web/ag/crops/article/2023/10/11/anhydrous-leads-half-fertilizer>

Trivia: How many crayons can be produced (approximately) from one acre of soybeans?

Find the answer on the next page!

- a) 20,000
- b) 40,000
- c) 80,000
- d) 100,000



What are current Land Prices?

by Mark Gannon & Patrick Gannon

Land prices have leveled off, if not backed off on good tillable acres. These acres are still in demand since they will always produce good yields under good management. Many times there are financially strong landowners and producers in the area that will still bid up but if those buyers are lacking then sellers might be disappointed. The interest rates are making a difference with buyers that are having to borrow funds at 6-8% when they could have borrowed at half that rate in the last two years. We all hope the rate hikes are over. These rates along with the lower commodity prices are hurting operator cash flows. Fertilizer prices are lower so that helps considerably. It's a complicated business with a lot of moving parts so you need a professional on your side.

The economics has shifted where not too many years ago you could get a 3% return on the current value of land and almost nothing in a CD at the bank or anywhere else. Now you can get 4-6% in a CD at the bank and a 1.5- 2% return on the farm based upon current land values. This is one reason heirs are more interested in selling inherited land where they get a stepped up basis with no income tax liability. They can then reinvest at a much higher CD rate than they could get owning the land plus the CD value is guaranteed for their term. They won't gain potential land appreciation but most are concerned about not losing value in today's uncertain climate. This is the case also with some owners that have to pay some tax when they sell land that bite the bullet since the bullet may not be that big once it is figured. Most people over estimate what the capital gains tax would be so they need to visit with their accountant to make sure.

RLI (Realtors Land Institute) - September 2023 Iowa Land Trends And Values Survey

RLI has just announced the release of its bi-annual survey, which comes out in March and September of every year. Participants were asked to estimate the average value of farmland as of September 1, 2023. These estimates are for bare, unimproved land with a sale price on a cash basis. Pasture and timberland values were also requested as supplemental information. Our office contributes to these statistics.

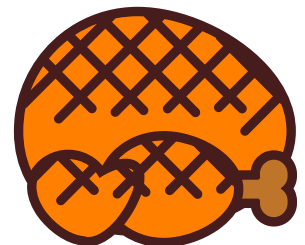


September 2023 REALTORS® Land Institute (RLI) - Iowa Chapter Survey of Farm Land Values In Dollars Per Acre

	Land Classification By Potential Corn Production										Percent Change in Tillable Cropland Values Past 6 Months
	High Quality Crop Land		Medium Quality Crop Land		Low Quality Crop Land		Non - Tillable Pasture Per Acre		Timber Per Acre		
	September	March	September	March	September	March	September	March	September	March	
Central	16,036	15,924	11,619	11,629	7,758	7,883	4,380	4,383	4,075	4,005	-0.1%
East Central	16,049	15,844	12,661	12,571	8,781	8,879	4,731	4,642	4,221	4,191	0.5%
North Central	14,995	15,092	11,604	11,674	7,602	7,716	4,422	4,367	3,694	3,713	-0.5%
Northeast	15,823	15,722	12,404	12,419	7,956	7,951	4,441	4,377	4,268	4,232	0.3%
Northwest	17,054	17,465	13,333	13,735	9,128	9,475	4,618	4,607	4,085	4,127	-2.9%
South Central	11,180	11,011	8,287	8,198	6,038	5,977	4,294	4,213	4,494	4,438	1.3%
Southeast	15,218	15,078	10,807	10,812	7,037	6,991	4,355	4,270	4,333	4,183	0.6%
Southwest	12,988	12,787	9,953	9,872	6,728	6,706	4,894	4,772	3,967	3,911	1.0%
West Central	15,958	16,092	12,436	12,596	9,065	9,121	4,707	4,657	4,388	4,300	-0.9%
State	15,034	15,002	11,456	11,501	7,788	7,855	4,538	4,476	4,169	4,122	-0.2%

Answer : C, 80,000

Soybeans, specifically soybean oil is a key component to making crayons. Soy crayons are easier to use as they glide smoother and don't flake. The colors created using the soybean oils are brighter, are less toxic to children and are entirely biodegradable.



How will foreign investment affect Farmland?

by Patrick Gannon

A hot topic here in Iowa, and across the United States, is the continued buying and investing of land by foreign people or companies. As was written about in Chris Clayton's "Overseeing Farmland Sales to Foreigners" in last month's Progressive Farmer, US senators have been discussing strategies and pieces of legislation in an effort to put ownership controls around foreign ownership for a handful of countries, notably China.

On September 20th the U.S. Senate Agricultural Committee had a hearing on these purchases, with emphasis on collecting more data on which foreigners are buying American farmland, with consensus on preventing buyers from China, Iran, North Korea & Russia.

Agriculture Secretary Tom Vilsack was asked at the White House press briefing on September 25th about Chinese purchases of farmland and whether it is a national security issue. He pointed to the situation over the past year when a Chinese company tried to build a corn mill about a dozen miles from a major Air Force base in North Dakota.

USDA Foreign Holdings Report

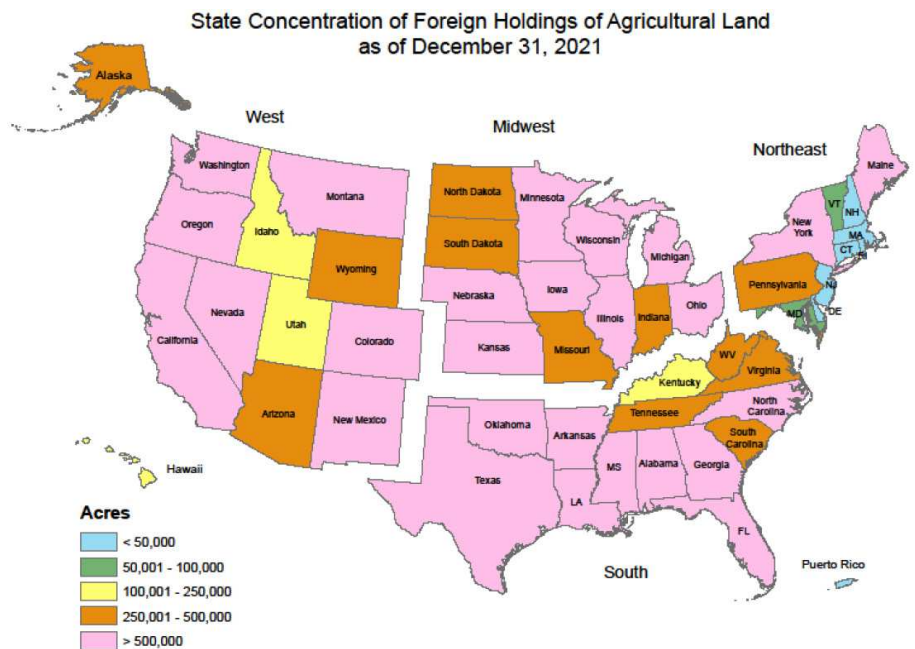
Earlier this year (revised on 7/12/23) the USDA put out a report "Foreign Holdings of U.S. Agricultural Land." They summarize as follows:

"Foreign investors held an interest in approximately 40 million acres of U.S. agricultural land (forest land and farm land) as of December 31, 2021. This is an increase of over 2.4 million acres from the December 31, 2020 report and represents 3.1 percent of all privately held agricultural land in the United States...Forest land accounted for 47 percent of all reported foreign-held acreage cropland for 29 percent, pasture and other agricultural land for 22 percent, and non-agricultural land for 2 percent.

In my opinion the real concern is not foreign ownership of farmland but the foreign ownership and involvement in agribusiness. This includes Chinese ownership of Smithfield Foods (largest hog producer in US) and Syngenta Seeds. Bayer (German) is the largest chemical company.

JBS (Brazil and worldwide) is the largest meat producer in the world and heavily involved in Iowa. There are many others to the point Iowa farmers are at the mercy of outsiders and this is not slowing down. There are no laws on foreigners owning business and they like agriculture.

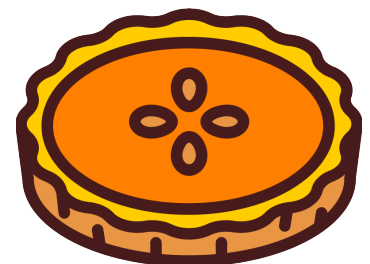
- Mark Gannon



www.fsa.usda.gov/programs-and-services/economic-and-policy-analysis/afida/annual-reports/index

Trivia: During the 1980's, the average U.S. Farm produced enough food for 110 people. What is that number today?

- a) 118
- b) 132
- c) 151
- d) 166



The Dirty Little Secret in Agriculture

This is a tough topic to talk about but we've all seen (and some, experienced) for years that landowners and trust beneficiaries are not being treated fairly. Far too many elderly landowners are being mistreated financially and sometimes verbally about their leases or other farm related issues. We are seeing a lot more landowners, family members and minor percentage owners taking charge on their farm ownership and leases. This is all about money and power; the strong win and the weak are too afraid and lack the knowledge and strength to demand to be fairly compensated. I have three of these cases right now but there are many others out there. One such case in 2004 led to a decision by the Iowa Supreme Court related to a farm real estate matter. Another was just last winter where someone was forced out of the farmhouse where they had rights granted in a trust. I got involved and helped get that settled out of court with a significant amount paid to our client.

One of the big issues is family trustees that are not properly managing the trust to the detriment of some or all of the beneficiaries. Many of these family trusts are managed by people that are not prepared for this large responsibility or are intentionally mishandling the trust to their or someone else's benefit and assume no one will question them. We are seeing more people taking to legal measures to protect their rights, and many more should! For instance, I was contacted by a woman landowner a couple years ago quite early on a Sunday morning. She had to meet with her farm tenant and hated their yearly meeting; she was crying and wanted advice so I tried to help but didn't fully know her situation. I told her I could manage the land and handle it for her but she said her kids would not allow that since they wanted to keep the tenant because he was a long time family "friend." With a friend like that you don't need enemies but you'd be surprised how common this situation is.

Maybe it is my nature but I like to try to tackle and resolve these issues before they get worse. Some of these owners live exclusively off the rent and need to have the opportunity to live better. I know of another case involving a woman landowner that is getting only enough rent to pay the real estate taxes while living exclusively off social security. She owns over 1,000 acres but won't address this low-rent issue with the tenant, thereby allowing this issue to continue un-addressed. She needs help but won't ask for any for fear of the operator.

We like helping people that are being oppressed and especially senior citizens that need help defending their rights in land related issues. Fairness in farm country is especially needed with the size and strength of operators getting larger all the time. I know this might not sit well with some people but this is one of the "dirty little secrets" in our world that no one wants to discuss.

A significant number of our farm management clients come from situations where the owner's main need is someone knowledgeable and confident to get the farm managed well with a fair market lease.

This helps take a load off their mind and allows them to live a better life.

We are here to help.

-Mark, Adam, Patrick & Margaret



Answer: D, 166

In addition, Iowa has roughly 86,000 farms. More than 90 percent of Iowa farms are family owned, and the average size of an Iowa farm is around 355 acres.

www.iowafarmbureau.com/ANF/Tailgate-Trivia



Pumpkin Cookie Recipe



A fun fall recipe for you and your family to try!

Instructions

Step 1

Preheat oven to 350° F. Grease baking sheets.

Step 2

Combine flour, baking soda, baking powder, cinnamon, nutmeg and salt in medium bowl. Beat sugar and 1/2 cup (1 stick) butter in large mixer bowl until well blended. Beat in pumpkin, egg and 1 teaspoon vanilla extract until smooth. Gradually beat in flour mixture. Drop by rounded tablespoon onto prepared baking sheets.

Step 3

Bake for 15 to 18 minutes or until edges are firm. Cool on baking sheets for 2 minutes; remove to wire racks to cool completely.

Step 4

Combine sifted powdered sugar, milk, 1 tablespoon butter and remaining 1 teaspoon vanilla extract in small bowl until smooth. Drizzle over cookies.

Ingredients

2 1/2 cups all-purpose flour

1 teaspoon baking soda

1 teaspoon baking powder

1 teaspoon ground cinnamon

1/2 teaspoon ground nutmeg

1/2 teaspoon salt

1 1/2 cups granulated sugar

1/2 cup butter (1 stick), softened

1 cup canned pumpkin puree

1 large egg

2 teaspoons vanilla extract, divided

2 cups powdered sugar, sifted

3 tablespoons milk

1 tablespoon butter, softened