



## *Cultivating Legacies*

# BETWEEN THE ROWS

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***Spring has sprung!*** Which means producers and landowners alike are itching to get in (and stay in) the fields. Once again, Mother Nature reminds us how much we all rely on the weather. In recent years the Midwest region has been fortunate to have favorable planting conditions, and this spring reminds us of just three years ago when we were met with a wet planting season much like 2022. Those in the agricultural community are known to take things in stride and have an unparalleled faith that things will work out the way they should in the end. And that is what **farming** and **cultivating legacies in land** is all about. We do the best we can with what we have been given and the rest is up to the elements.

Through the unknown, NFM continues to work closely with our clients to achieve their goals for the year ahead. Farm Managers are on the road this time of year doing spring inspections in the field, evaluating any changes from last fall and confirming with producers that the plan for the year is the on track. We will learn what those spring inspections look like in this issue.

**We would like to congratulate Tyler Erickson on receiving his Certification as a General Appraiser!** He put in many hours of work and completed education courses to better serve his clients in need of appraisal services. Read on to learn more about the input costs of 2022, where land values stand and where they are headed, the future of land auctions, and how you can benefit from an appraisal from the professionals at NFM.





# When Do I Need An Appraisal?

Our appraisers will work with you to find the best *Approach* as they develop your appraisal.

NFM provides professional, reliable, high quality Certified Appraisals & BPOs in MN, IA, ND, & SD.

## **Brandon Kirk | Farm Manager, Licensed Real Estate Salesperson, Certified General Appraiser**

A certified appraisal is the process of developing an opinion of value while following the Uniform Standards of Professional Appraisal Practices (USPAP). The most common use of a certified appraisal is for:

- Estate Planning, Settlement, or Inheritance Tax Valuation
- Lending / Loan Documentation
- Condemnation
- Investment Analysis
- Divorce Settlements
- Charitable Giving
- Litigation

The certified appraisal is a fully comprehensive 30+ page report, which includes a market area description, detailed analysis of your farm with several different maps, an on-site inspection, and at least 1 of the 3 approaches to value (Cost Approach, Income Approach, and or the Sales Comparison Approach).

**The Cost Approach** estimates how much it would cost to duplicate any property improvements. An approximation of the formula is the cost of reproduction minus depreciation. **The Income Approach** involves an in-depth study of rental income and expenses for the property. **The Sales Comparison Approach** analyzes recent sales of comparable real estate transaction in the area. Deciding which approach to use depends on the property and is chosen at the discretion of the appraiser.

If you are considering selling or just want to know what your farm is worth, a Brokers Price Opinion of Value (BPO) would be more appropriate. A BPO is a 7-to-12-page report, which includes analysis of your farm with several maps, may or may not include an on-site inspection, and a detailed search of comparable sales to help form an opinion of value. The BPO is going to be less expensive and is typically quicker to turn around.

**It is important to hire an appraiser who is not only qualified, but who specializes in the type of appraisal you need.** Northwestern Farm Management is staffed to complete professional, reliable, high quality Certified Appraisals and Brokers Price Opinions in Minnesota, Iowa, North and South Dakota. We are ready to produce an appraisal or BPO on your property to meet your needs.

## The Appraisal Team at NFM

Tyler Erickson | Brandon Kirk | Dan Sprengeler

*Call today for a consultation!*

507-532-5120

# Spring Has Sprung

Dallas Mahoney | Accredited Farm Manager, Licensed Real Estate Salesperson

## Preparing for the Year Ahead

As weather begins to warm up and the snow disappears each spring, our managers are eager to get back in the field to stay on top of important management tasks. Before spring planting, it's important for managers to work in conjunction with our tenants to inspect the condition of each farm. This allows time to assess areas of concern that may have developed through harvest and/or over the winter.

One issue that can be observed during this time of year is how saturated a property is. Are there areas that could benefit from tile drainage? Is the current drainage system in working order? Inspecting farms to make sure all tile lines, intakes, and outlets are clear of debris/sediment and working properly is very important and a high priority on the inspection checklist.

Other notable items include soil erosion concerns, conservation enhancements (waterways, terraces, buffer strips, etc.), building conditions, and boundary lines.

When problems are identified, our staff communicates with the landowner to develop and implement a plan to address the concerns. Our experienced managers take pride in these stewardship practices to help preserve your assets.



Left:  
Drain tile outlet



Right:  
Plugged intake



Spring inspections are vital to ensure the farm is well prepped for the growing season.

Many issues can arise over the winter; simple fixes in the spring can make all the difference!

## *Did you know?*

Producers surveyed across the U.S. intend to plant a **record high 91.0 million acres** of soybeans in 2022, up 4% from last year

Source: NASS

## *How can we serve you?*

**Farm Management | Real Estate Sales & Auctions**

**Farm Appraisals | Farmland Investments**

We value the opportunity to grow personal relationships and help our clients reach their goals with integrity and confidentiality

The building expansion is close to finished. Once the brick work is complete outside, we will just need furniture and finishing touches in the new office space!

Our staff is most excited for the new conference room. **This is where families, large or small, can meet with our team** for all management, sale, auction, and appraisal needs.



## Word Search

E	S	S	T	C	O	R	N	C	C	T	O	L	O
F	E	B	C	P	F	T	U	C	N	O	E	A	C
E	I	S	M	U	L	F	I	E	N	D	I	N	Y
O	C	R	T	T	L	A	M	F	E	W	E	D	T
A	A	E	N	C	S	T	N	C	O	N	N	O	I
F	G	M	N	O	S	O	I	T	R	R	I	W	D
I	E	I	R	E	T	V	Y	V	I	O	P	N	O
N	L	I	V	L	R	S	A	B	A	N	P	E	M
T	E	N	E	E	I	P	I	N	E	T	G	R	M
D	I	A	S	O	T	N	A	A	M	A	I	S	O
S	U	S	T	A	I	N	A	B	L	E	N	N	C
U	R	E	E	W	T	F	I	E	L	D	I	R	G
T	M	H	I	G	E	E	Y	I	E	L	D	S	U
F	W	G	W	M	A	N	A	G	E	M	E	N	T

INVESTMENT  
SOYBEAN  
CULTIVATING  
SUSTAINABLE  
COMMODITY  
WHEAT  
YIELD  
LANDOWNERS  
FIELD  
MANAGEMENT  
PROFIT  
LEGACIES  
SERVICE  
CORN  
FARM  
CROP  
PLANTING

# Input Costs, Revisited

**Tyler Erickson | Accredited Farm Manager, Licensed Real Estate Salesperson, Certified General Appraiser**

In our January newsletter I talked about the increasing cost of production. Today the talk remains the same about high production costs. Fertilizer, seed, herbicides, fuel, equipment, and labor all remain at high levels with no sign of retracting in the near future. I spoke with many producers throughout the winter and most producers said they took advantage of buying the majority of their inputs last fall when prices were lower and cash discounts were available.

At the end of February, the spring crop insurance prices were determined with corn price being set at \$5.90 per bushel, soybeans at \$14.33 per bushel, and wheat at \$7.08 per bushel. **This is the highest ever spring crop insurance price for soybeans, second highest for corn, and fourth highest for wheat.** With these higher spring crop insurance prices, producers have an excellent safety net/revenue guarantees to help mitigate their financial risk even with higher input cost. Since the end of February, commodity prices have held at higher levels giving producers opportunities to forward contract a portion of their 2022 anticipated production at very attractive prices. While there are many uncertainties in today's market, the 2022 crop year is looking to be an attractive year financially for crop producers.

As we look to the future of 2023 profitability and leasing rates, the ongoing Russia-Ukraine War, higher interest rates, continued inflation, supply chain disruptions, and unpredictability with COVID-19 make it very difficult to predict this early in the season. We know land values, crop production costs, commodity prices, and interest rates all impact production costs which will influence crop budgets and cash rents for 2023. By hiring the professionals at Northwestern Farm Management Company, you can keep current with rental rates and crop margins in a fast-changing and volatile market. **Call us today to discuss your farm and our services!**



With higher spring crop insurance prices, producers have an excellent safety net and revenue guarantees to help mitigate their financial risk even with higher input cost

**Specializing in  
Farm Real  
Estate Services  
since 1959**

**We serve  
Minnesota,  
Iowa, North &  
South Dakota**





# Land Values—Up or Down?

**Corey Prins | Partner/Owner, Accredited Farm Manager, Licensed Real Estate Salesperson**

In our last newsletter, we spoke about the factors that influenced the sharp increase in land values in 2021. Historic tillable land values have maintained their strength through the 1<sup>st</sup> quarter of 2022, but uncertainty is developing as to how long these values can be sustained.

One of the underlying influences of strong land values is/was historically low interest rates. **Interest rates increased approximately 2% in the last quarter** depending on the length of loan buyers are looking at. The stronger interest cost increases the borrowers payments and typically means they have less purchasing power resulting in lower sale prices. While lower sale values are not immediately evident in recent sales, there is reason to believe values could weaken in the future as a result of higher interest rates.

Another first quarter event that also impacts agriculture is **Russia's invasion of Ukraine**. Approximately 25% to 33% of the worlds Potash and Phosphorus is produced in Russia/ Ukraine and neighboring countries in the Black Sea region. Exports of fertilizer from this region have been halted and other countries in the Asian region have banned exports of fertilizer which is driving up the cost of fertilizer worldwide. While the war isn't taking place on our soil, these types of events have a global impact on our world agricultural markets.

As mentioned in the "Input Costs, Revisited" article on page five, 2022 should be a financially sound year for producers based on strong crop insurance protection and good business decisions of purchasing inputs in the fall of 2021 before fertilizer prices reached all time market highs. However, as we set our eyes to what 2023 production costs might be, there is concern as to what production costs for the 2023 crop will be. Will commodity prices maintain current prices to support the increased cost of production? Will fertilizer prices retrace by this fall? These are all factors that could result in land values retracing from record levels.

**What should you do if you're considering selling your farm?** We can't predict whether farmland values will continue to increase as investors look for a place to park money as a hedge against inflation. It is uncertain whether values will retract because of higher interest rates and increased production costs, but we do know that crop land values are at all time highs for most properties.

Please give one of our real estate professionals a call to discuss your individual or unique land ownership situation. We can talk about specific trends in the area around your farm property and how the land market is responding to all the market influencers listed above. We look forward to hearing from you.

Crop land values are at all time highs, though the future remains uncertain due to higher interest rates and production costs.

**How many more acres of Soybeans** are expected to be planted in 2022 than in 2021?

- A) 490,000
- B) 400,000
- C) 375,000

*Find the answer in our next issue!*

*Cultivating Legacies  
for more than 60 years*

# Internet Auctions: The New Frontier

Courtney Vroman | Marketing & Communications Lead

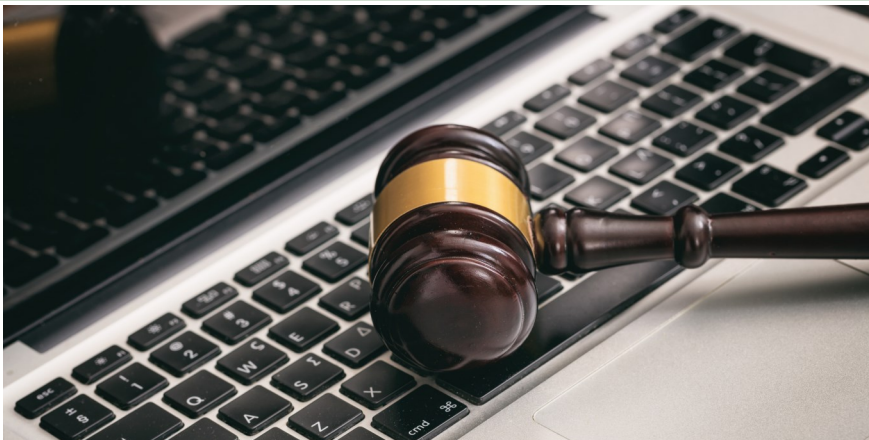
Businesses everywhere had to make changes when Covid-19 disrupted our world. Real estate was not unaffected. Realtors and auctioneers had to innovate as buyers were apprehensive to attend in person auctions. **The concept of internet auctions is not new, as eBay sold its first product in 1995.** Using the internet for land and real estate auctions has been growing ever since. Virtual auctions, traditional in-person auctions, and hybrid auctions are the most common forms of selling farmland. Each has their advantages and challenges.

**Virtual auctions** offer a flexible setting, where all parties involved come together online. With this auction style, the property is offered up for sale online for a limited amount of time. All bids are taken online and when the time runs out, the bids stop. This auction type poses challenges such as online bidders having connection issues or missing announcements given at the beginning of the auction. The virtual option allows for people to attend who would normally not be able to. This also opens it up for more bidders and more buyer opportunity.

**In-person auctions** were most common prior to the pandemic and are what most people imagine when discussing land and property auctions. Sometimes that looks like a crowd of people listening to an auctioneer crying out the bids; other times, a registered group of bidders is gathered with the agent taking bids. In-person auctions allow bidders to see who they are bidding against and offers a crowd atmosphere, giving a traditional and local feel. Most people in this industry have attended an in-person auction in some capacity.

Incorporating both of these auction types creates the **hybrid auction option**. This is an opportunity for in-person and virtual bidding to take place side by side. To be done well, all bidders fully understand the terms, contract, title commitment, and are aware that not all bidders are on site at the auction. Hybrid auctions offer the local feel of bidding with a number card in hand, as well as allowing online access to investor buyers or anyone who could not attend in person. While over-the-phone bidding with a proctor at a live auction is a form of a hybrid auction, the industry is transitioning to on-line and live bidding.

**At NFMCO, we conduct sales based on the needs and preferences of our clients.** If you would like more information about selling land or attending an auction, speak with an agent today by calling 507-532-5120 or visit our website, [www.nfmco.com](http://www.nfmco.com).



We will help you choose the sale type that is best for you. The options are endless, but the worry doesn't need to be.

*Follow us on social media!*



See a full list of our current land sales and auctions on our website!

[www.nfmco.com](http://www.nfmco.com)



## *Cultivating Legacies*

for more than 60 years!

“ The NFM staff is amazing. We all commented on the professionalism and courtesy you all showed everyone in the room and throughout the sale. Your guidance through the process has been more than appreciated. You certainly made the process streamlined with no worry about getting everything covered. Great job!

-Cheri, June 2021