

BETWEEN THE ROWS

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Cultivating Legacies since 1959



Summer/Fall 2023

Another year unlike any other, but that's what keeps things exciting! Thank you for returning for another issue of *Between the Rows*. The professionals at Northwestern Farm Management Company have been hard at work doing what they love—serving you. Dive into this issue and catch up on weather, farmland markets, and much more.

WEATHER UPDATE *By Corey Prins*

Weather conditions affect all of our lives on a daily basis no matter what our occupation is or where we live. But there is no other industry that relies on the weather like agriculture. This year is unique, just like every year prior. Above average snowfall in January through early April had us believing it would be a late spring. However, the warm second half of April and a lack of frost (a result of an insulating snowpack) allowed water from snow melt to percolate through the soil profile and recharge rivers and streams from 2022's dry conditions.

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FARMLAND MARKET UPDATE *By Mike Norgaard*

After a few years of extremely high volume, farm real estate sales activity has slowed a bit. For those of us that have been in this business for a long time, we know this is typical for the industry and the market tends to go through these cycles. Sometimes sales activity is fueled by profitability and margins, other times by the prospects of changes to the tax code or something at the macroeconomic level.

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“Farms with pattern drainage tile systems... will produce higher yields this year.”



Corey Prins, AFM | Co-Owner, Real Estate Salesperson

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Most planting occurred in early May with a few areas in southern MN starting in late April. Field conditions were nearly ideal, but then came May 11-13. A rain event of a lifetime for areas of Watonwan, Blue Earth, Cottonwood, Brown, and Redwood Counties that provided 10+ inches of rain. The closer the field was planted to these dates the poorer the emergence and more likely the field was to be replanted. The heavy rain caused crusting and drowned out low lying areas. For the counties outside of the ones listed, the rain was ideal to get the crops off and running. **Farms with pattern drainage tile systems certainly minimized the flooding and soil saturation early this season and will produce higher yields this year.**

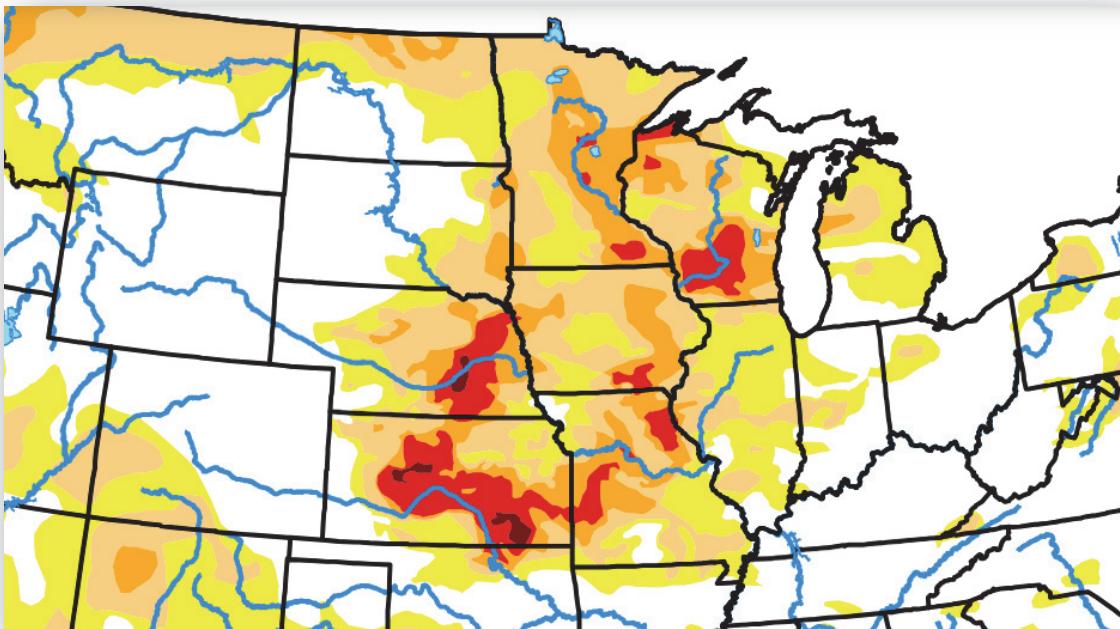
Following the mid-May rain event, we were blessed with above average temperature which advanced the corn crop ahead of schedule. You can see in the Growing Degree Unit (GDU) chart provided by Southwest Research and Outreach Center (SWROC) in Lamberton that SW MN is ahead of 2022 and the long term GDU average. This bodes very well for advancing corn and allowing it to make full maturity prior to a frost and will likely allow farmers to harvest corn at lower moisture levels reducing production costs!

Precipitation since the May 11-13 event has been very sporadic and spotty. SW MN has been fortunate to receive timely rains in most areas, while our neighbors to the west in SD and south in IA, NE, and IL experienced prolonged drought conditions, as you can see by the recent drought monitor map. In late June and early July, the drought monitor map was looking similar to 2012 when significant drought reduced yields in the central corn belt of IN, IL, and IA. Concerns about the drought lowering 2023 corn supply had market traders bidding aggressively for corn, until the USDA reported that it “estimates there were 4 million more corn acres planted than anticipated”. Northwest IA and Southeast SD received much needed rain the week of July 3rd which reduced the long-term drought impacts for now. Until ears per acre, kernels per ear, and weight per ear can be calculated we won’t know the impacts dry conditions have had on the US corn crop.

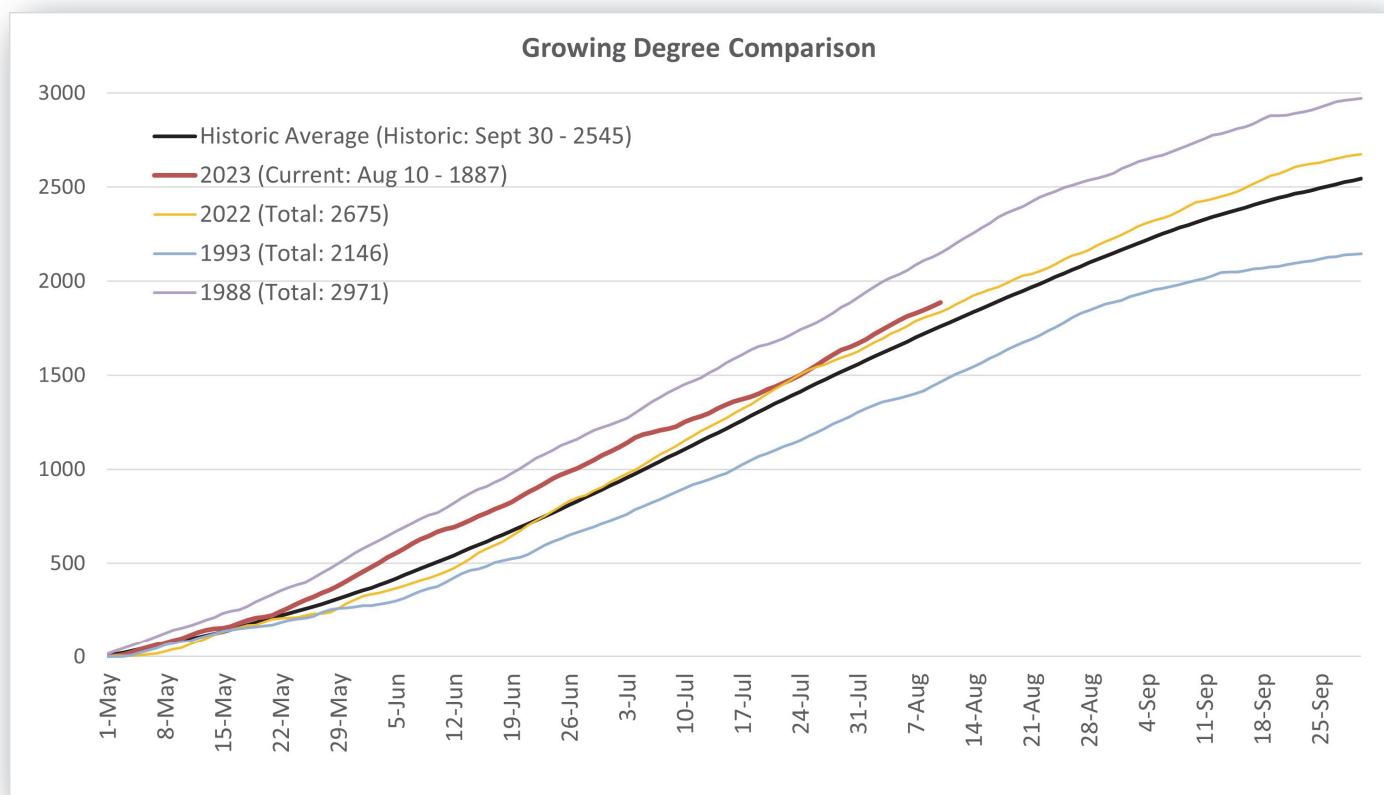
Soybean growth this year has been highly variable. Some fields look great while other fields appear shorter than normal, and some are suffering from IDC (Iron Deficiency Chlorosis) worse this year than previous years. There are multiple factors into why IDC is worse this year than in other years. They include higher soluble salt levels in soil (carryover from 2022), increased soybean cyst nematode pressure, poor drainage, and a shift to a different herbicide resistant soybean that doesn’t have as many strong IDC genetics yet.

Yields will be disappointing in the worst IDC areas, but with timely rains in late July and August some soybeans will grow out of the injury! **August is the most critical month for soybean production and it's too early to predict soybean performance.** Despite the May 11-13 rain event, crop growing conditions have been favorable with “just-in-time” rain, with seasonal to above average temperatures. However, the areas that missed rain (most of SW MN) the last week of July have likely suffered yield loss as a result of dry conditions and 90+ degree heat. Yields will vary from one farm to the next based on soil type, early season precipitation and late summer precipitation. Agriculture producers make the best management decisions they can for their crops and then pray the weather cooperates.

U.S. Drought Monitor
Contiguous U.S. (CONUS)



Map generated on August 10, 2023
www.droughtmonitor.unl.edu





“There continues to be motivation to turn farmland assets into financial assets”

Farmland Market Update



Mike Norgaard, AFM | Co-Owner, Real Estate Broker

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Values have stepped back slightly from the highs of 2022 due to several economic factors. However, if you look at a 3-5+ year time horizon, land values are still very close to their all-time highs. We look for values to remain relatively stable in the near future.

A consistent narrative that we hear from sellers is that they are very interested in simplifying their estate and succession plans. **There continues to be motivation to turn farmland assets into financial assets as it greatly simplifies the distribution of estates to their heirs.**

In our business, we are engaging with buyers and sellers of farmland daily. We know that demand is still high even though the market is metabolizing higher interest rates. Farmland investors are noticeably less active lately as other financial investments have been producing attractive returns. We think this will result in more farmers and local buyers in the near term.

As we near the last stage of the growing season, we'll be starting to think about harvest soon and prepping the fields for the next season. **If you are considering selling, this may be a good time to think about keeping your options open and not encumber the land with a lease or other restriction that could impact the sale process.** Please be sure to reach out to our team for a free and confidential consultation.



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Landowners and producers saw history in the making in the last five growing seasons.

The market can ebb and flow, and our farm managers are well prepared for all of the ups and downs in this industry. While some land prices at public and private sales set records and made history, we have the knowledge and expertise to guide you through all the varying markets based on your land's geographical location, the demand in the market area, and many other factors.

Proven Results. Trusted Advice.



“You will receive professional, reliable, easy to read appraisals from our experts.”

Sales Comparison Approach



Heidi Guttormsson | Real Estate Salesperson, Real Estate Appraiser

What is it?

The Sales Comparison Approach is a real estate valuation method in which an Appraiser uses recently sold properties to make a value estimate of the Subject property. This is only one of three methods used in valuing real estate properties, and our experts are trained to determine which approaches to value are needed based on your property type.

Multiple sales of similar properties are used to compare to the subject property and adjustments are made accordingly. Our appraisal team is up to date on the latest comparable sales in the areas we provide service. This way we are able to provide the most accurate reports for you. The real estate market can change rapidly, and it is critical for our team to be on top of the latest market trends.

How do our Appraisers use it?

So how do we find the *ideal* comparable property? We don't overcomplicate things. We locate at least three-to-five properties that match the general details of the subject property. It is evident that there are no two identical properties, therefore, we find the need for adjustments. There are different types of adjustments that can be made based off of land mix, location, physical characteristics, and crop productivity index.

Recently sold properties offer better valuations than properties that were sold months or years earlier. If limited comparable sales are available in the direct market area, the geographical radius is expanded. However, time adjustments can be determined by using data trends which make the sales being compared more accurate to the effective appraisal date. The Sales Comparison Approach is heavily dependent on recent sales data. If current sale data is not available, it may be decided that a different approach to value is more appropriate.

Why is it beneficial to you?

The Sales Comparison Approach is most useful to you whenever you need a land valuation. It can help educate you on the local market trends. The sales comparison approach most accurately correlates with supply and demand and makes it easier to see where the market is trending. **The majority of our appraisals contain the Sales Comparison Approach along with at least one other approach.**

You will receive professional, reliable, easy to read appraisals from our experts. With nearly 25 years of combined experience, the appraisal team at Northwestern Farm Management is able to get your appraisal turned around in a matter of 10–14 days of receiving certain appraisal related documents. Whether you are looking to buy or sell, or even split property, the Sales Comparison Approach may be the right method.



Staff Highlights

Congratulations

to Brandon & Karly on the birth of
their son, Kashton David!



Dan Sprengeler, AFM
Licensed Real Estate Salesperson
Real Estate Appraiser

Congratulations

to Dan Sprengeler, who received his
accreditation from the ASFMRA in
early August!



American Society
of Farm Managers
& Rural Appraisers



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Contact the
Professionals
today!

Mike Norgaard-AFM

Corey Prins-AFM

Tyler Erickson-AFM

Dallas Mahoney-AFM

Brandon Kirk-AFM

Dan Sprengeler-AFM

Heidi Guttormsson

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Cultivating Legacies

Since 1959

“

The NWM team handled the sale of our family farm. We received a very fair price and the process was smooth and without complication. I highly recommend Northwestern Farm Management for management or sale of your farm property.

”

-James, February 2023