

# BETWEEN THE ROWS

*Cultivating Legacies since 1959*



Winter 2024

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## **2023 Farmland Review & Outlook**

**Mike Norgaard, AFM | Licensed Real Estate Broker**

Let me start with a big **“Thank You”** to our seller clients that entrusted Northwestern Farm Management with handling the sale of their property. We do not take this responsibility lightly. I am very proud of our team of professional agents that strive to be cutting edge experts and being the best in the field.

2023 was a much quieter year for real estate sales in comparison to the huge volumes in 2021 and 2022. In reviewing transactions for the past year, we have observed that tillable land values have remained quite strong while the market is enduring a changing environment. A few of those changes include: softer commodity prices; higher interest rates; cash actually has value and can make a good ROI; and despite drought conditions, farmers can raise a pretty respectable crop!

Farmland demand is staying strong as a result of the same factors that we have talked about in previous newsletters. Farmers continue to be the most predominant buyers of farmland and they have done a great job strengthening balance sheets and keeping debt loads low. Investors are still buying land and looking to diversify their financial assets. Land is still an attractive option when coupling cash returns and long-term appreciation together.

I look for 2024 to be quite similar to 2023. It appears that interest rate hikes may be leveling out at the moment and this should be viewed as a positive for borrowers. With improved rainfall and some upward movement in the commodity markets, we will continue to see a very strong land market.

*If you are considering selling your farm property, our team of professionals would be honored to discuss your goals & the best options to meet them!*

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Farm Management

Real Estate Sales

Farm Appraisals



# 2023 Land Sales

## Highlights:

Over \$32.6 million  
in sales

Average Price Per  
Acre: \$8,781

100% of 2023  
listings  
successfully sold

County	Closing Month	Acres	Price Per Acre	Land Type
Lyon	January	80	\$9,000	Tillable
Lyon	January	40	\$12,200	Tillable
Lyon	January	179.57	\$10,250	Tillable
Lyon	January	36.89	\$4,472	Recreation
Lyon	January	19.43	\$7,720	Tillable
Lyon	January	13.03	\$6,523	Tillable/Lake Front
Redwood	January	80	\$3,100	CRP
Redwood	January	80	\$10,438	Tillable
Redwood	January	132.15	\$11,200	Tillable
Yellow Medicine	January	162.25	\$8,000	Tillable
Redwood	February	100	\$1,200	RIM
Redwood	February	310	\$1,500	RIM/Recreational/Tillable
Pipestone	March	162.72	\$9,279	Tillable/Pasture
Murray	April	160	\$7,375	Tillable/Pasture
Lyon	April	80	\$10,500	Tillable
Renville	April	80	\$11,800	Tillable
Renville	April	27.1	\$14,000	Tillable
Redwood	April	35	\$12,500	Tillable
Lincoln	May	160	\$8,550	Tillable
Yellow Medicine	May	131.92	\$11,047	Tillable
Renville	May	54	\$8,796	Tillable/CRP
Lyon	May	64.32	\$9,017	Tillable
Lyon	May	80	\$8,590	Tillable
Murray	May	249.72	\$12,400	Tillable
Pipestone	June	217.94	\$6,883	Tillable/Pasture
Lyon	June	21.6	\$5,093	Building Site/Pasture
Lyon	July	18	\$11,444	Building Site/Tillable
Renville	July	316.98	\$10,400	Tillable
Renville	July	38.87	\$10,590	Tillable
Lyon	September	58.9	\$10,000	Tillable
Deuel, SD	December	80	\$7,500	Tillable/Building Site
Murray & Lyon	December	527.17	\$9,630	Tillable/CRP

Despite the upward trend in interest rates,  
land values remained resilient in 2023.

# Reducing Your Estate “Death” Tax Liability



*“2032A is a good provision for an estate who has not done any estate planning but has developed a large farm wealth.”*



**Brandon Kirk, AFM | Certified General Appraiser, Licensed Real Estate Salesperson**

Estate tax, commonly known as the “death tax”, is a tax on one’s assets following a death. As of January 1, 2024, the Federal estate tax level is \$13.61 million while the Minnesota estate tax level is \$3 million. What this means is any amount over \$3 million dollars will be taxed between 13% and 16% for the State of Minnesota. For example, if the fair market value of the estate appraised at 600 acres x \$10,000 per acre or say \$6 million dollars, the Minnesota tax liability might be around \$390,000!

Fair Market Appraised Value	\$6,000,000
<u>Minnesota Exemption</u>	<u>(\$3,000,000)</u>
Minnesota Taxable Estate	= \$3,000,000
<u>Liability at 13%</u>	<u>x 13%</u>
	= \$390,000 Tax Liability

Fortunately, one of the tools that we recommend considering to reduce your estate tax liability is called a **“2032A – Special Use Valuation”**. The 2032A allows for an alternative method for valuing farmland with the intent to reflect a lower value compared to the fair market appraised value.

How does it work?

The IRS Tax Code Section 2032A calculation is based on the average cash rents less real-estate taxes of similar quality farmland in the area from the 5-years proceeding the date of death. Then the net income is divided by the IRS determined interest rate, which is updated annually and regionally specific.

Let’s take the same example above with an estate with a fair market appraised value of 600 acres x \$10,000 per acre or say \$6 million dollars. The average cash rent in area for comparable farmland was \$325 per acre less the average real-estate taxes of \$25 per acre equals a net income of \$300 per acre. The \$300 per acre is divided by 4.83% comes to \$6,211 per acre. At 600 acres, that is \$3,726,600 for the 2032A special use valuation compared to the fair market appraised value of \$6,000,000.

A large estate would receive a substantial benefit from the 2032A valuation; however, most clients plan by other means to reduce their estate taxes. 2032A is a good provision for an estate who has not done any estate planning but has developed a large farm wealth. At Northwestern Farm Management Co., we have qualified Appraisers to competently complete both the fair market value appraisal and the 2032A special use valuation.

## **Northwestern Farm Management Co. Appraisers**

Brandon Kirk • Tyler Erickson • Heidi Guttormsson • Dan Sprengeler



# Weather - 2nd Half of 2023

Not your typical white Christmas for Marshall, MN this year. For Christmas we had a high of 52°F with rain showers.



**Corey Prins, AFM | Licensed Real Estate Salesperson**

In the summer edition of “Between the Rows” I wrote about weather conditions for the first half of the growing season. Little did we know that the drought conditions in Iowa and Illinois would get a slight reprieve with much needed rain, while hot, dry conditions would become prevalent throughout most of southern MN in late July and August. Southeast MN and northeast IA received the least amount of precipitation during this period. (*See the Sept 19 drought monitor*)

While the rain in July and August was not enough to eliminate drought conditions completely in IA and IL it was enough to give hope of producing an average crop. Commodity traders noticed the weather patterns shift and as soon as rain showers started reviving corn and soybean plants in IA and IL, grain markets started a downward slide.

Harvest started early in the hardest hit drought areas and many farmers harvested corn before soybeans, which is uncommon in MN. Most yields were below average, but higher than farmer expectations. Producers told me it was amazing how yields fluctuated from one field to another as a result of only a couple of tenths of an inch difference in rainfall. Every drop of water mattered this past year and the improvement in seed genetics really showed in 2023.

The first half of harvest was dry, allowing harvest to progress at very rapid rate, and finally during the second half of October a couple of weather systems provided beneficial rain for the soil profile and gave farmers a break from a rigid harvest schedule. The rain was too late to benefit the 2023 crop, but provided a recharge of soil moisture for 2024 and improved 2023 fall tillage conditions.

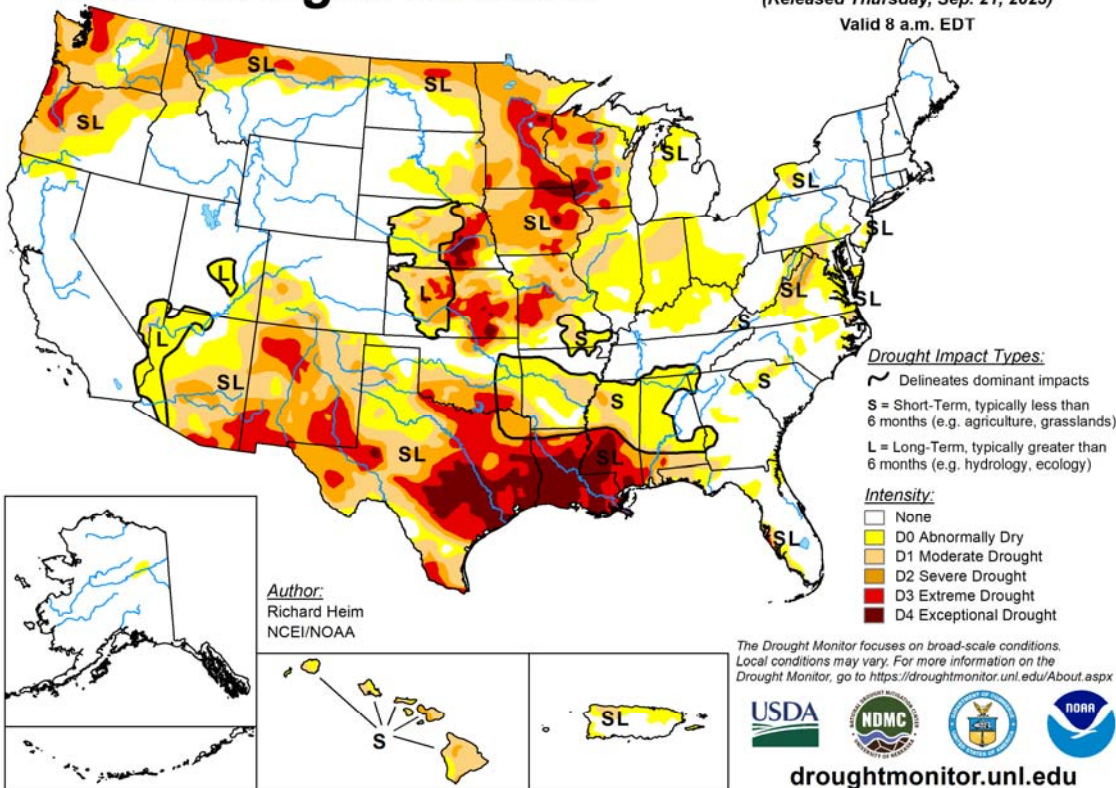
Weather forecasters reported a strong El Niño pattern for late fall and early winter. So far, they are correct! November conditions were dry with above average temperatures and these conditions rolled into December as well. While parts of MN received some snowfall in December, the Marshall area had no measurable snowfall through December. As you can see on the December 21 drought monitor map nearly all of MN and IA remain in dry to very dry conditions. Fortunately, on Christmas weekend most of Southern MN was blessed with 2 to 2.5 inches of rain (the December drought monitor map does not reflect this event). Yes, I said rain on Christmas weekend. There was some icing on Christmas morning, but temperatures rose during the day to the low 40’s melting any ice. This event is an incredible gift as there was no frost in the soil profile and most of the precipitation soaked into the profile to benefit the 2024 crop. If this precipitation would have been in the form of snow, we could have been looking at 24” to 30” of snow! Rivers are flowing more rapidly and ice on many of the lakes disappeared. The outlook for the 2024 planting season is much improved following the Christmas weekend rain system. The only negative of this weather event...it is pretty hard to go ice fishing or snowmobiling with no ice on the lakes or snow on the ground. We’ll take it after last year’s winter!



“Every drop of water mattered this past year and the improvement in seed genetics really showed in 2023.”

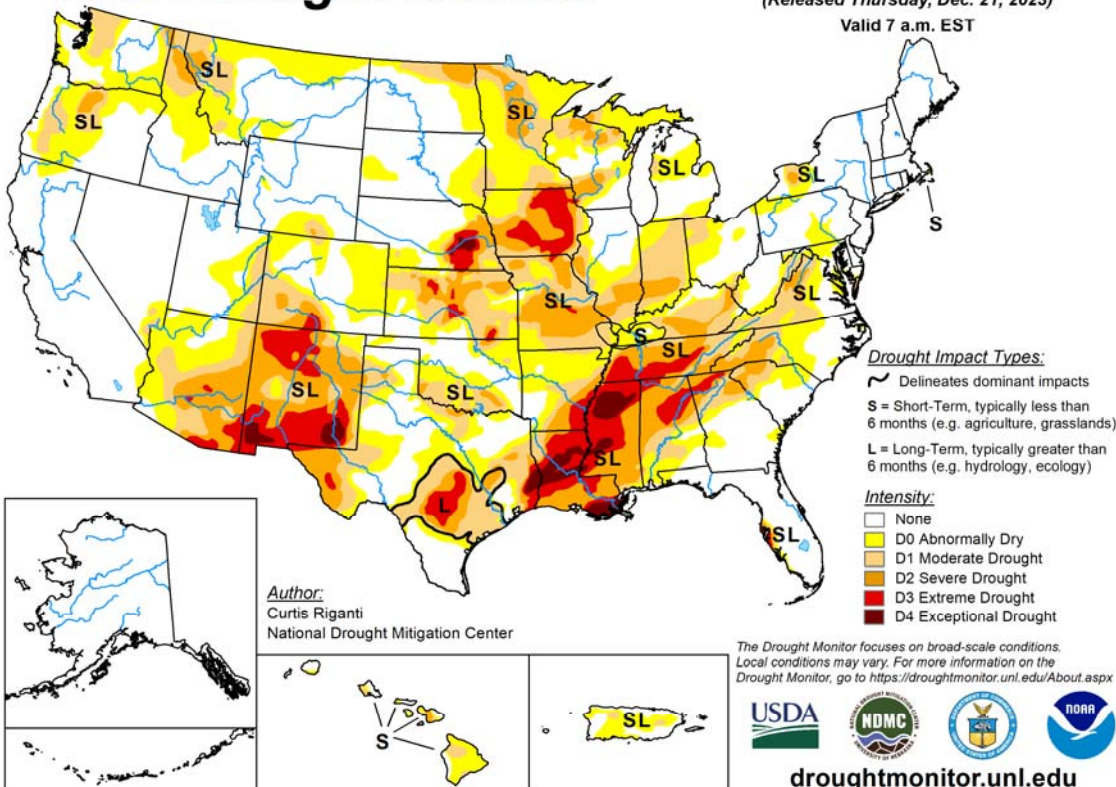
# U.S. Drought Monitor

**September 19, 2023**  
(Released Thursday, Sep. 21, 2023)  
Valid 8 a.m. EDT



# U.S. Drought Monitor

**December 19, 2023**  
(Released Thursday, Dec. 21, 2023)  
Valid 7 a.m. EST





# Looking at the Horizon & Planning Ahead for Your Farm Assets

*"It is estimated that 68% of Americans do not have a will or a trust in place."*



**Mike Norgaard, AFM | Licensed Real Estate Broker**

Succession planning for your assets is likely one of those topics that you have kicked down the road a few times. I know I have been guilty of saying "I'll get to that as soon as I get caught up." And then a week, a month, and pretty soon a year passes by and I start the process all over again. It is estimated that 68% of Americans do not have a will or a trust in place. It is a complex topic that requires a lot of planning. The process forces you to think about the uncomfortable topic of your own eventual passing away. Having been through the planning process myself, with my parents, and many clients. I can assure you that it is not as daunting as it seems.

Farmland assets are unique and one of a kind. We have been very fortunate over the years to work for many clients that have multi-generational legacies that are tied to their farmland. In our business, these are some of the most fulfilling stories to hear. In my own family, I am beyond blessed to be a part of our small farm operation as a 5th generation farmer and I hope someday to hand down the reigns to the 6th generation. Much like your business, keeping our farm going will take continued attention and planning.

I am confident changes to our laws and the tax code will happen over time and you likely will need to tweak or adjust your plan. However, I think most farmland owners will find comfort in having a good plan in place. We are not attorneys or tax specialists here at NFM, but we have worked with several firms over the years that have expertise in farm real estate and succession planning. It is not a topic that you should wait until next year to address if you do not already have a plan in place.





# Staff Highlights



## *Meet Our Newest Staff Member!*



*Katie Boettger joined us in November 2023. She is our new Office Manager and will be the friendly voice answering your calls. We are excited to have her on board and cannot wait to see the positive contributions she will make to our team!*

*Beyond her professional expertise, Katie is a loving wife and a proud mother to a wonderful son.*

*Please join us in extending a warm welcome to Katie!*

## *New Beginnings*

*Please join us in congratulating Heather Werpy, who has transitioned into her exciting new role as our Marketing and Communications Specialist. Heather has been a valuable member of our team since 2018. Her wealth of experience and dedication to our company's vision make her the perfect fit for this role. We look forward to seeing her thrive in this new capacity!*



## *Celebrating Excellence: Part 1*

*We are thrilled to announce a remarkable achievement within our team—Dan Sprengeler has earned his well-deserved **Accredited Farm Manager** designation! This prestigious accreditation is a testament to Dan's dedication, expertise, and commitment to excellence in managing rural properties. Dan's accomplishment not only reflects his personal commitment to continuous growth but also enhances the overall capabilities of our team.*

*Join us in congratulating Dan on this outstanding accomplishment!*



## *Celebrating Excellence: Part 2*

*We are overjoyed to share the extraordinary news that Corey Prins has been awarded the H.E. "Buck" Stalcup Excellence in Education Award for the fourth time. This award is presented to individuals who have contributed their knowledge and countless hours toward the advancement of the ASFMRA's education and event programs.*

*Help us celebrate Corey and his unparalleled dedication to education.*



*"The magic in new beginnings is truly the most powerful of them all."*

*- Josiyah Martin*

## **Why Accreditation Matters**

*To earn & maintain accreditation, ASFMRA members must demonstrate heightened levels of knowledge through testing, continuing education, practical field experience and ethical accountability within their designated discipline.*





*Cultivating Legacies*  
*Since 1959*

“ *Words cannot express our gratitude for all Tyler has done to make the sale of our family land successful and smooth. His communication, expertise and kindness throughout the process was exceptional. Tyler consistently kept us informed throughout the progress of the sale and answered all of our questions. The sale was handled with the utmost professionalism and with a positive outcome. I give my highest recommendation to Tyler!* ”

*- Jodi, December 2023*