

# BETWEEN THE ROWS

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Summer 2024

*In this issue:*

**2 Weather Update**

**4 Best Method of Sale**

**5 May's Solar Storm**

**6 Investing in Farmland**

## **WEATHER UPDATE By Corey Prins**

There's an adage that says "if you don't like the current weather conditions in MN, just wait 10 minutes and they will change." Well, its longer than 10 minutes but the weather certainly has changed. Remember how dry 2023 was (see the Oct 3, 2023 drought map on page 2)? The entire state of MN was covered in some level of drought. Well, the dry conditions continued during the 2023/2024 winter. Winter provided minimal snowfall and temperatures were mild, with the exception of January 9 – 22 which ranked as one of the top 20 coldest stretches. The end of January and early February ranked as the warmest on record for the last 132 years.

Continue on page 2...

## **WHAT IS THE BEST METHOD OF SALE? By Dan Sprengeler**

By now, most landowners are aware of the significant increase in land values that occurred in 2021 and 2022 as a result of USDA stimulus funds to farmers in 2020 and 2021, COVID relief money to the general public (including farmers), low interest rates, good yields, and stronger commodity prices, which ultimately resulted in higher profitability. What is surprising though, is how resilient land values have been since that time despite recent increases in interest rates, lower commodity prices and higher production costs. However, there is one notable change. From 2021 through 2023 any land that was listed typically sold quickly no matter the method, but today, method matters.

Continue on page 4...

p1

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*Farm Management*

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The average precipitation for the first 6 months of the year in SW Minnesota is 13.2". So far in 2024, the area has received 21.53".

Source: Data from SWROC, Lamberton, MN

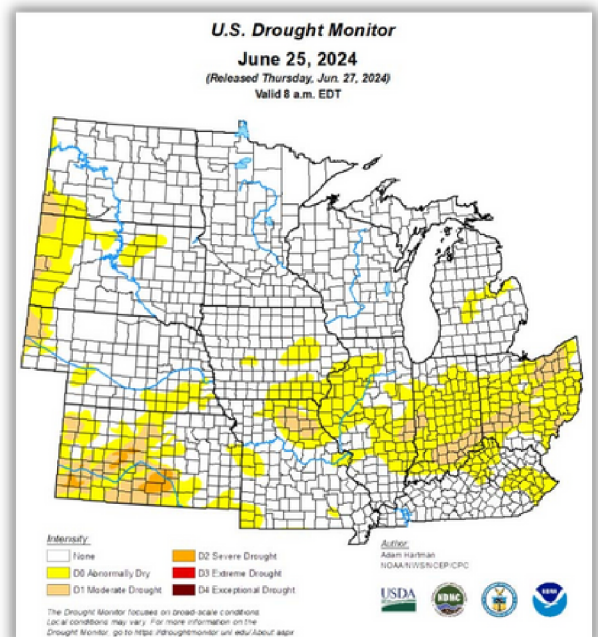
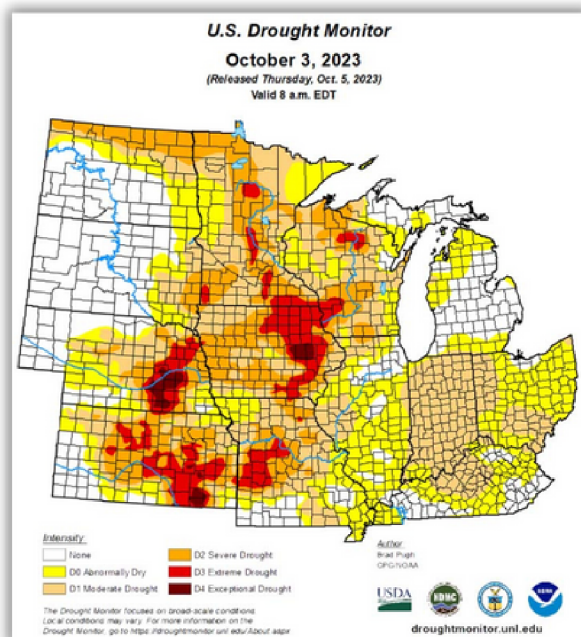
# Weather Update



**Corey Prins, AFM | Co-Owner, Licensed Real Estate Salesperson (continued from page 1)**

It wasn't until late March that the region received beneficial snowfall. I say "beneficial" because there was no frost in the ground and the moisture from the snowfall soaked into the soil profile. Early April brought very warm conditions to the region and planting started in some areas on April 11, the first day for planting under crop insurance. Soil conditions were very warm at the time, but colder temperatures were in the forecast so many farmers chose to wait until April 20 to begin planting. Field activity was fast paced April 21-25. Following this short, but productive, few days the region was rainy and cool for nearly two weeks. With rainfall measuring 4" to 9". This calmed any concern for long term drought conditions and also negatively affected corn and soybean emergence on farms with below average drainage. The middle of May provided another small window of planting opportunity to finish up but some fields weren't fit for planting in northern Iowa until early June. I don't remember a year where corn was planted for nearly a 2-month window. I've seen corn planting reports with a planting date of April 11 and as late as June 9. Planting dates and field conditions really varied this year from field to field, township to township, and county to county based upon drainage and rainfall!

The good news is drought concerns are removed from the entire state of Minnesota. No part of the state is registered on the drought monitor map (See June 25, 2024 drought monitor map below). Unfortunately, this means parts of the state have received excessive rainfall that has led to flooded fields and washed-out roads.





June 20 – 22 proved to be devastating for parts of southwest Minnesota, northwest Iowa and southeast South Dakota where 7" to 15" of rain fell in a 36-hour period causing rivers to flow over banks and levies, flooding entire communities. While crop loss is significant in these areas, it doesn't compare to the financial losses of homes and businesses.

So, what do we learn? One obvious answer is "we can't control the weather". That's true, but there is something landowners and farmers can do to prepare for above average precipitation. Install tile drainage! One thing that is obvious this year is that farms with pattern drainage systems and good drainage outlets were planted earlier, had better and more consistent emergence, had better crop rooting and less standing water. I anticipate seeing dramatic yield differences from field to field based on tile drainage. The farms with pattern tile drainage and good outlets will yield significantly more than farms with average to below average drainage (below average drainage would be defined as no tile or main tile lines to only the depressional areas of the farm).

As farm managers we assist clients in evaluating the drainage on their farm and work out short-term and long-term drainage plans! Many of our clients have found that tile drainage installation has a great return on investment (ROI). Call one of our professionals if you need help managing your farm asset!

*"...tile drainage installation has a great return on investment (ROI)."*



← Field without pattern tile drainage

Field with pattern tile drainage →



We serve  
Minnesota, Iowa,  
North & South  
Dakota

# What Is the Best Method of Sale?



**Dan Sprengeler, AFM | Licensed Real Estate Salesperson (continued from page 1)**

The two most common sale methods are the auction method and the conventional listing method.

For an auction, the auction date is typically set for a future date and the property is marketed to the public ahead of the set auction date. The auctioneer, or broker, fields questions about the property from interested buyers for a few weeks ahead of auction day. Then the interested buyers come together on auction day to bid up the property.

During bullish periods, selling land via auction method typically generates the best return as there is typically more than one party interested in the property and competitive bidding drives the selling price up. This was proven true from 2021 to 2023 where the auction sale price often exceeded seller expectations. The key ingredient for a successful auction is having two or more parties interested in the property to drive the price higher.

During the 2021 to 2023 time frame, auctions were heavily attended. However, in the 4th quarter of 2023 higher interest rates and increased cost of production reduced the number of people attending land auctions.

This was because many potential buyers were not willing to stretch their finances and make land purchases due to changing economic conditions. The number of “No Sales”, when the price at the auction does not meet the seller’s goals, has increased in recent months due to lower auction attendance and higher cost of borrowing.



A conventional listing (sometimes referred to as “private treaty”) on the other hand, has an asking price, similar to selling a house. Advertisement of the property includes the asking price and interested buyers make offers to the owners. One possible advantage of a conventional listing is the property is open for purchase immediately and can sometimes be sold within days of going on the open market, compared to an auction that has a date scheduled in the future. Another advantage of a conventional listing is it works well with a limited buyer pool. With a conventional listing, it only takes one interested party to negotiate directly with the owners on an agreed upon selling price.



See a full list of our land sales and auctions on our website!  
[www.nfmco.com](http://www.nfmco.com)



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Both methods of sale have proven to be successful! The key ingredients to knowing which type of sale will be most successful is understanding the seller's goals, knowing the market conditions at the time of sale and determining if the property will be highly sought after by buyers based on its current uses (tillable, CRP, pasture, permanent easements, etc.). All these factors influence buyer demand.

Northwestern Farm Management Company has extensive experience in both auctions and conventional listings and is a proven leader in farm sales. Our comprehensive marketing program and exclusive network of investor contacts are benefits to many of our sale clients. As realtors, and members of ASFMRA, we value our loyalty to our clients, adhere to strict confidentiality, and uphold the highest ethical standards.

Give one of our professionals a call to discuss the property you're considering selling. No matter the sale method, we're confident we have the expertise to meet your goals!



*“[NFM] has extensive experience in both auctions and conventional listings and is a proven leader in farm sales.”*

## May's Solar Storm Troubled Farmers' GPS

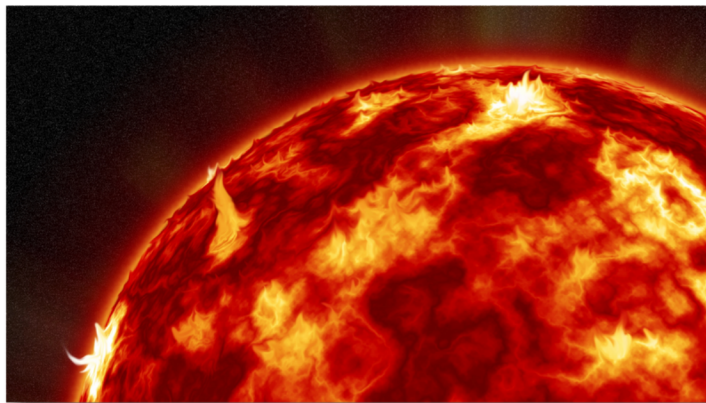


**Heather Werpy | Marketing & Communications**

On May 10, 2024, a powerful solar storm captivated many as it caused the northern lights to be visible much further south than usual. Typically confined to higher latitudes, the northern lights were seen as far south as Alabama, providing a stunning display for millions of residents. However, this awe-inspiring celestial event brought with it significant challenges for farmers in the Midwest, particularly those relying on GPS technology

for planting their spring crops.

The solar storm, classified as a G5 (the highest level on the geomagnetic storm scale) geomagnetic storm, was the strongest we have seen since 2003. Solar storms occur when the sun emits bursts of solar wind and magnetic fields into space. When these charged particles interact with the Earth's magnetic field, they can create geomagnetic storms that manifest as the northern lights. The strength of this particular storm pushed the northern lights much further south than usual, creating a rare sight for many.



While the vibrant lights mesmerized skywatchers, the storm's impact on...

*“The GPS issues added stress and uncertainty during planting season potentially impacting crop yields and farm productivity.”*

technology was less welcome. Farmers in the Midwest, who increasingly depend on GPS for precision agriculture, experienced significant disruptions. GPS systems are crucial for modern farming, aiding in planting, fertilizing, and harvesting with high efficiency. The geomagnetic interference caused by the solar storm led to inaccuracies and outages in GPS signals, complicating the planting process during a critical time.

For many farmers, this disruption meant delays and increased labor as they had to revert to manual methods or wait for GPS systems to stabilize. The timing was particularly problematic, as May is a peak period for planting corn and soybeans in the Midwest. The GPS issues added stress and uncertainty during planting season, potentially impacting crop yields and farm productivity.

Despite the beauty of the northern lights, the solar storm's consequences highlighted the vulnerabilities of modern technology-dependent agriculture. As solar activity is expected to increase with the approaching solar maximum, it raises concerns about future disruptions and the need for improved resilience in agricultural practices.



**Sources:**

1. Geomagnetic Storms, NOAA. <https://www.swpc.noaa.gov/phenomena/geomagnetic-storms>
2. How NASA Tracked the Most Intense Solar Storm in Decades, NASA. <https://science.nasa.gov/science-research/heliophysics/how-nasa-tracked-the-most-intense-solar-storm-in-decades/>

## Investing in Farmland: A Long-Term Perspective



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

**Heidi Guttormsson | Farm Manager,  
Licensed Real Estate Salesperson, Real  
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We are often asked about investing in farmland and why we believe it's a good move. The reasons behind the motivation to

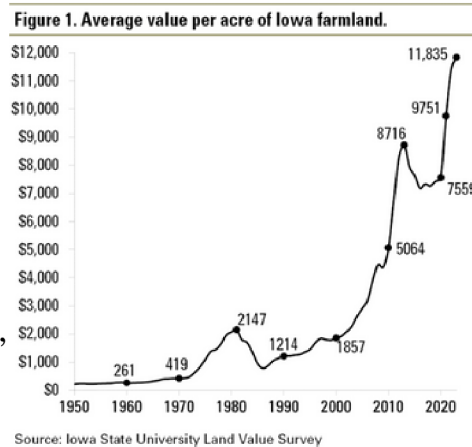
buy land are as numerous and diverse as the goals of each individual buyer.



Investing in land as an asset class is a long-term strategy. The most common metric prospective buyers analyze is the anticipated cash yield (net revenue divided by the total investment cost). Cash yields today for high quality tillable farmland are ranging from 2-3%. This is considerably lower than most savings accounts are paying today. So why are buyers still active if the financial yields are low?

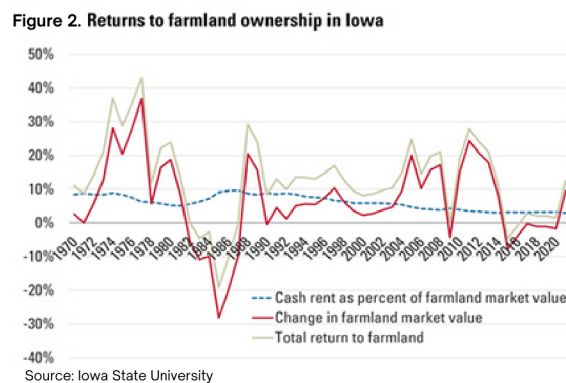
For the sales that we've brokered over the last several years, we've observed that farmers are the most predominant buyers in the marketplace, accounting for 70-80% of the buying activity. Investors make up most of the remaining market. Farmers are partial to purchasing farmland for internal growth, stability, security, etc. Investors choose farmland because it diversifies their portfolio and it's generally viewed as a safe place to park capital. Our observation is that the strongest motivating factor is the belief in the high likelihood of long-term value appreciation of the land.

Figure 1 was taken from "2023 Farmland Value Survey Iowa State University". It displays the average value per acre of farmland in Iowa since 1950. From 1950 to 2023 we have seen the average land values in Iowa increase by approx. \$11,500. Land values periodically decrease from time to time, but the overall the trend has increased dramatically.



When considering land as a long-term asset, we can assume that it will appreciate over time given the consistency and trends.

Figure 2 was taken from "Returns to farmland ownership in Iowa" written by Iowa State University. It displays the volatility of average returns on farmland in Iowa. The chart shows the rate of return can vary from year to year. Although there are periods where we see a negative rate of return, the trend is above 0%. The blue line shows a cash return anywhere from 2% to 10% depending on the year.



Furthermore, the red line displays the appreciation/depreciation of land from year to year. As we can see, years that show less of a return are often rebounded by a strong rate of return and land appreciation. Just like the stock market and other long-term assets, we see ebbs and flows.

Farmland continues to show a more consistent return and steady appreciation when compared to other investment streams. Refer to the tan line which shows a combination of the appreciation / depreciation and the cash rate of return. The take home message clearly states that over the past 50 years, farmland has generated a very competitive annual rate of return of approximately 8% to 10%.



*“Farmland continues to show a more consistent return and steady appreciation when compared to other investment streams.”*

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