

WITH 2021 IN THE REARVIEW WHAT MIGHT BE IN STORE FOR 2022?

Written by: Brent Gloy,
Ag Economic Insights, LLC



With 2021 rapidly disappearing in the rearview mirror it is time to take stock of where we are in the ag economy and take a look ahead to 2022. The past year will surely go down as one of the best economic years in recent memory. A combination of high commodity prices, low input prices, and another round of government program payments all combined for very high incomes across the farm sector.

Some might say that it is about time, as we were coming off of several years of below average farm incomes and what could best be described as a stagnant farm economy. My how quickly things can change! The stagnant conditions and lackluster farm profitability to begin the year resulted in modest input prices, particularly for fertilizer. Then, commodity prices surged and made 2021 a year to remember.

GOOD TIMES IN THE FARM SECTOR

This rapid improvement in sector level finances is now being felt across many markets, but particularly in real estate and equipment. Prices for both are high, in some cases, spectacularly so. Perhaps the greatest threat to the farm economy in 2022 is over exuberant buying behavior that will drive farm input cost structures to very high, if not record levels.

This optimism can clearly be seen in the farmland market where prices have shot higher. For instance, recent reports by the Iowa chapter of the Land Realtors Institute put the average farmland value increases from September of 2020 to September 2021

at 26.6%. The Kansas City Federal Reserve Bank's recently released a summary of land value surveys throughout the Midwest. Most states showed non-irrigated cropland rising by double digit percentages and several states, Iowa, Minnesota, and South Dakota notching 20%+ gains. To say the land market is hot throughout the Midwest is an understatement.

For the last several years, low interest rates have had to do the heavy lifting to support farmland markets as incomes were modest to unattractive. With higher farm incomes all of the economic fundamentals are pushing land values higher. The key question in the land market will be whether both factors continue to work in farmland's favor in 2022, so it's worth examining these factors.

INTEREST RATES REMAIN SUPPORTIVE TO AG REAL ESTATE

The long-term decline in interest rates has been one of the dominant economic trends of the last 10-15 years. Today, the 10-year Treasury Bond still trades below 2%. These low interest rates have had the impact of lifting asset values across the board. The net result is that market participants are placing a small discount on future earnings. In the farmland market this can be seen through very low capitalization rates (proxied by current cash rent divided by farmland value), often below 3%. At a 3% capitalization rate farmland trades for roughly 33 times current rent. This remains high by historical standards, but interest rates are also very low by historical standards.

WATCH INFLATION CLOSELY

Another factor influencing the farmland market is the arrival of higher inflation rates. After many years of seeing inflation consistently fall below the Federal Reserve's 2% target, the second half of 2021 saw inflation move well above 2%. There is a great debate playing out as to whether inflation is temporary, brought on by short term pandemic related supply chain disruptions, or whether we are now in a situation where inflation may regularly run higher than many of us are used to.

There are reasonable arguments to be made on both sides of this debate, but for now the reality is that

inflation is higher than we are used to and soon the Federal Reserve will be forced to decide whether it wants to act to slow inflation or not. If it acts aggressively, it could trigger a move to higher interest rates. Such a move would likely be negative for farmland values. Alternatively, if the Fed plays it slow rates may remain low. Again, looking at the current level of long-term interest rates, the market does not be too concerned today. However, we all know that the interest rate markets can and do change quickly.

COSTS ARE HEADED HIGHER

With respect to the other major fundamental, farm incomes, the story from the past year was very positive, but it appears that the high-income levels of 2021 might be somewhat fleeting. Input costs have surged higher, led by a dramatic increase in fertilizer prices. Most producers will see their fertilizer budgets nearly double if not more in 2022. Equipment, repair, fuel, chemical, seed, and rent are also headed higher in 2022. The net result of this is a much higher cost structure for 2022. This brings additional risk to the sector if commodity prices were to fall.

CAUTIOUS OPTIMISM FOR 2022

At present the commodity outlook remains relatively favorable across the board. Grain stockpiles of corn, soybeans, and wheat are adequate, but not burdensome. This should make for an active acreage debate in the Spring. As usual, weather will play a key role in determining the outcome, but hints of less than desirable growing conditions should result in strong prices. Likewise, favorable growing conditions could likely push prices below the increased economic costs of production. Finally, one should pay attention to factors that could alter demand such as continuing tensions with trading partners such as China.

The past year was very profitable in the ag sector. The coming year also presents many reasons to be optimistic, but it is important to recognize that there appears to be greater risk in 2022. A great deal of this risk comes from the fact that the cost structure is going to be much higher in 2022 and this will require high commodity prices to generate profitability. Carefully managing this risk should be a top priority in 2022.

IN THIS ISSUE

- FAMILY TRANSACTIONS PG 2
- WHICH KIND OF AUCTION IS RIGHT FOR YOU PG 3
- PROPERTIES FOR SALE PG 4
- SOLD PROPERTIES PG 5
- WE MARKET PROPERTIES DIFFERENTLY PG 6



THREE THINGS TO REMEMBER WHEN CONDUCTING FAMILY TRANSACTIONS

Written by: Marc Reck



Over the years I've been part of hundreds of real estate transactions involving families. Every situation is unique - with specific challenges and opportunities - but rarely are family dynamics truly harmonious and simple. Below are three things that I believe will help families move forward conducting transactions together:

1. Consider bringing in an outside expert to help you move forward as a family.

One of the most memorable transactions I have been a part of involved a family of strong personalities with significant land holdings. Prior to the sale of their property, the family brought in a counselor to work with each family member to identify and work through potential issues. Because of this decision, the family ties were stronger after the sale of the farm. Inversely, I have also seen families and individuals absolutely wrecked by refusing to address their individual and collective issues.

These families left the table fractured and their unhealthy behaviors followed them. There are so many resources for counseling and mental health available today - use them.

2. Identify and examine feelings of entitlement - and then leave them behind.

Entitlement can be described as the belief that an individual has a special right to something above others. People with a high sense of entitlement believe that they should get what simply they want because of who they are—and their rationale is not based on what others would consider to be good reasons. Some feelings of entitlement can stem from childhood experiences, the state of current relationships, or even self-centered tendencies.

As humans, we all suffer from varying degrees of entitlement. We all could benefit from honest self-reflection about what we feel entitled to and why. Consider the following questions:

- What areas of my life do I bring an uncompromising attitude to? Why?
- In regard to these areas - is it worth the damage it can cause myself and others? (This damage often manifests as unhappiness, dissatisfaction due to unmet expectations, conflict in relationships, distress and even depression.)

- Would my life actually be better if I considered the perspectives of others, let go of negatives from the past, and accepted that I can and will earn my own rewards through hard work?

Often feedback from a trusted friend or professional would allow individuals to address the underlying issues and create freedom in their lives - and more harmonious family dynamics.

3. Don't just consider the Golden Rule, apply it.

Ah, the Golden Rule - treat others as you would want to be treated. This principle conveys the simple idea that others are as deserving of respect and consideration as we believe ourselves to be. Still, many difficult situations would have been avoided if adults simply applied this concept. When dealing with family members, take extra care to treat them with consideration (look at things from their perspective) and respect (be polite and kind). You can still express your perspective and maintain necessary boundaries - all while preserving relationships. When emotions are running high this might be difficult - but it will be worth it in the end.

No matter what you're facing, don't hesitate to let us know if Reck Agri Realty & Auction can help. We've seen nearly every situation and would be happy help you navigate it.



UPDATE YOUR CONTACT INFO

Are you getting multiple issues of the newsletter or property flyers? Do we need to update your address or contact information? Please let us know so we can update our database - you can drop us a line at info@reckagri.com, call us at 800-748-2589 or 970-522-7770, or direct message us on Facebook or Instagram (@ReckAgriRealtyAuction). Thank you!



LIVE AUCTION, ONLINE AUCTION OR PRIVATE TREATY – WHICH IS RIGHT FOR YOUR SITUATION?

Written by: Ben Gardiner



Today's seller has choices when considering how to sell their land – is a live auction, an online auction or private treaty listing right choice? Before you make a decision, take a look at some of the benefits of each method.

SELLING LAND AT AUCTION

Selling land at auction has become mainstream since Reck Agri Realty & Auction conducted our first land auction. The process is efficient and timely, and has many other benefits, including the following.

AUCTION PROS

- Auctions increase marketability and affordability for a larger pool of buyers by offering the property in a variety of ways
- Seller dictates the terms and conditions of the sale
- Allows transparency between competing bidders
- Provides finality with a definite sale date

- Entices buyers to prepare and make timely decisions
- Streamlines the transaction and eliminates negotiations, which can preserve relationships in multiple-owner situations
- Determines current value and allows for fluctuations in the market

Auctions can be conducted as absolute or with reserve. When Sellers choose to put a reserve on a property, it means that if the total bids do not meet or exceed an established price threshold on auction day, the property will not sell. The reserve price is often kept confidential between the Seller and Broker. An absolute auction means that the property will sell at the fall of the gavel – no exceptions. Although it appears risky, absolute auctions will often attract more buyers because of the certainty that the property will sell.

LIVE VS ONLINE AUCTIONS

A live auction is a publicly held sale of property on a specific date, time, and location. This auction format allows for the most flexibility to offer a property in a variety of ways – multiple parcels, combinations and/or a single unit. Live auctions by Reck Agri Realty & Auction benefit from our proprietary bidding platform that streams live auctions in real time allowing bidders to bid in-person, online through our website, or by phone call with one of our team members.

An online-only auction is also a publicly held sale of property conducted exclusively through our

innovative web-based auction platform during a specified time period – usually 1.5 to 2.5 days. The timed format is similar to eBay allowing bidders to place bids anonymously in established increments (Reck Agri Realty & Auction holds the identities of buyers confidential). The platform utilizes a 'soft close' which extends the bidding time until 5 minutes have passed without any active bidding. This ensures that bidders will have ample time to place their bids. It is important to note that this format allows for multiple parcels, but the parcels cannot be offered in any combinations or as a single unit – each parcel sells independently of the others.

PRIVATE TREATY

When selling by private treaty, the property is offered at a specific price, and terms of the sale are confidentially negotiated between the Seller(s) and Buyer(s) with the assistance of a broker. This method affords the seller(s) control over both the asking price and terms, and allows the seller to consider offers at his/her discretion. It also provides confidentiality due to the 'private' nature of the process.

In any situation, you can count on Reck Agri Realty & Auction to work with you to determine which method of sale is best for you. Often the best method of sale is determined by the factors discussed above and the location of your property as well as current market conditions. We'll take the same comprehensive approach to marketing your property through our vast network, and you'll enjoy our commitment to customer service.



YUMA/WASH. COUNTY LAND AUCTION

-Online Only Auction-

Bidding Opens March 7 @ 8am,
Bidding Closes March 8 @ 12 noon MST



746± Acres Pivot Irrigated and Dryland in
Yuma and Washington Counties, CO

- 3 Pivots & 3 irrigation wells located 4-7 miles SW of Yuma
- 266± acres dryland located 5 miles NW of Yuma
- 2022 Possession except pivot w/wheat - cash rent to buyer

BREWER TRUST LAND & WATER AUCTION

-Online Only Auction-

Bidding Opens February 23 @ 8am,
Bidding Closes February 24 @ 12 noon MST



408± acres land w/410 paired water shares
Colorado Canal & Lake Meredith water

- 384± acres flood irrigated and pasture with 24± acres roads & ditches.
- 2 parcels to be sold as 1 unit
- Located 1 to 4.75± miles east of Olney Springs, CO

HEARTSTRONG IRRIGATED QUARTER AUCTION

-Online Only Auction-

Bidding Opens February 16 @ 8am,
Bidding Closes February 17 @ 12 noon MST



170± total acres Yuma County, CO

- Located 21± miles southeast of Yuma, Colorado, near Heartstrong
- 125± acres under pivot with grass corners
- Property has had recent work done to improve well efficiency

WEST BRULE IRRIGATED AUCTION

-Online Only Auction-

Bidding Opens February 15 @ 8am,
Bidding Closes February 16 @ 12 noon MST



307± Total Acres in Keith County, NE

- Located 3.5± west of Brule, NE along Hwy 30
- 2 irrigation wells with 243.43 certified acres in the Twin Platte NRD with no pumping restrictions

TESSS FARMS INC LAND AUCTION

March 10, 2022 @ 10:30 am, MST
Country Inn & Suites, Sidney, NE

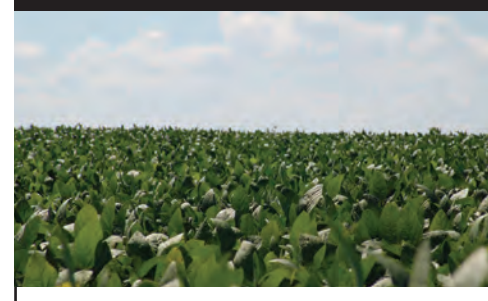


1,822± ac - Cheyenne Cty, NE

- 7.5± mi S of Sunol, NE - 16± mi N of Crook, CO
- Pivot Irr - Dryland - Pasture - Expired CRP
- Offered in 7 parcels, 3 combos, Irr. & Farm Unit

DUNDY COUNTY PIVOT IRRIGATED LAND AUCTION

March 1, 2022, 10:30 AM CST
Red Willow Fairgrounds, McCook, NE



1,704± total acres, 1,013± irrigated
with 691± acres grass/improvements

- 9 pivots and wells, 16± mi N/W of Benkelman, NE
- NO RESERVE



RECK MEANS RESULTS

We've had quite a few very strong sales, and the market continues to stay solid! There is still time to list before the growing season if you're considering it. Concerns about rising interest rates are increasing as the Fed has signaled likely interest rate increases in 2022. Now is the time to act if you are buying or selling.

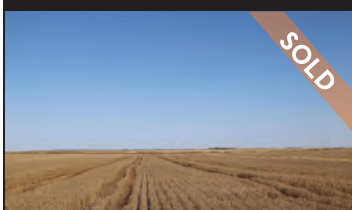
SOLD PROPERTIES

FLAGLER PIVOT IRRIGATED AUCTION



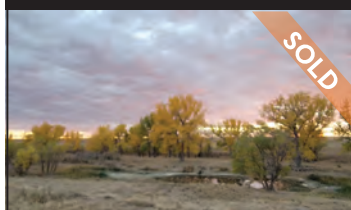
\$2,650,000 - Sold November 2021

SALMONSON FAMILY TRUST DRYLAND AUCTION



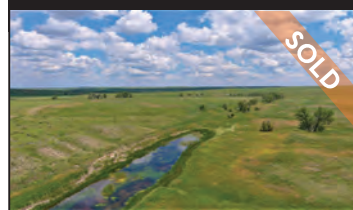
\$1,765,000 - Sold November 2021

BUDIN RANCH AUCTION



\$7,335,000 - Sold November 2021

BOX RANCH AUCTION



\$2,450,000 - Sold November 2021

WE MARKET PROPERTIES DIFFERENTLY

By Jaimee Mollohan
Director of Marketing & Sales

Every property that is listed at Reck Agri Realty & Auction gets the benefit of a customized marketing plan designed to maximize exposure to potential buyers. When a property is listed with our team, we sit down and outline the unique characteristics of the property, its location, the current market conditions, listing type, demographic of potential buyers, and timeframe. We then create a plan incorporating our website, print advertising, digital marketing (including Google ads and analytics), social media, and radio marketing. In addition, we maintain a comprehensive database of landowners, buyers, and industry professionals that we utilize for direct mail, email and text blasts, direct marketing, newsletter and anything else pertinent to the situation. We monitor and adjust each strategy as needed, right up to the date of sale. Our knowledge of agriculture, real estate and marketing allows Reck Agri Realty & Auction to connect buyers and sellers like no one else can. If you're thinking of listing, give us a call and let us put our expertise to work for you.

REFER US

Know someone who could use our help?
Please refer us! We'd love to help!

FYI

What commission rate do we charge?

The commission rate we charge is much lower than most people assume and is negotiated depending on the size of the property and complexity of the transaction. The commission is paid at closing. Advertising costs are included with the commission and are paid for up front by Reck Agri. We charge the same rate if selling by auction or private treaty. When comparing companies to sell your property and asking what rate is being charged, be sure to ask what you will get in return. How will they market your property, what will they (or you) spend on advertising, what is their experience, what track record do they have, and what kind of buyer database do they have? In short – make sure you compare apples to apples. One bid raise at auction, access to a buyer database, and/or experienced negotiating skills can easily make up the difference in commission rates.



LAND NEWS

TRI-STATE LAND OWNERS

PO BOX 407 // STERLING, CO 80751

ADDRESS SERVICE REQUESTED

VISIT RECKAGRI.COM
FOR CURRENT LISTINGS
AND INFORMATION
ABOUT UPCOMING
AUCTIONS.



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RECK AGRI REALTY & AUCTION FFA SCHOLARSHIP WINNERS TO BE ANNOUNCED SOON!

We're looking forward to announcing the winners of Reck Agri Realty & Auction's first ever scholarship! Winners from western Kansas and eastern Colorado will be chosen through the national FFA Scholarship application process – no additional work needed on behalf of students. This option was not available for students in western Nebraska at this time, so each chapter in this area will be receiving grant funds through the 'I Believe in the Future of Ag' program administered through the Nebraska FFA Foundation.

"Investing in the future leaders in rural America is so important to me," said Marc Reck. "I can't wait to announce these winners and see the great things they accomplish."

You can learn more about the Colorado FFA Foundation at: coloradoffafoundation.org, the Kansas FFA Foundation at ksffa.org/foundation, and the Nebraska FFA Foundation at neffafoundation.org

WHAT OUR CLIENTS ARE SAYING:

"The decision to sell the land was significant, and we wanted to make sure it was done well. We weighed the pros and cons of selling via auction versus a traditional listing and decided to auction the land. We interviewed several brokers and liked that Reck Agri Realty & Auction specializes in auctions. They offered the most experience, marketing, and auction capabilities."

-Sara Glinatsis

"Marc and his team handled the entire transaction professionally, took care of all the things that needed done, and kept us informed. It was so much simpler than I anticipated it to be."

-Clint Fiscus



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