

# Growthland

*Appraisals, Management, Brokerage, & Advising*

Headquartered in Marion, Iowa we focus on **agriculture property and businesses**, amongst several other industries. We specialize in **Appraisals, Ag Property Management, Real Estate & Business Brokerage, and Advising**. Our typical client is experiencing a transition point in their life or business. This can include, but not limited to:

- Family transitions
- Acquisition of additional assets
- Exiting the business; selling of assets
- Asset management requiring a specific skill set

Our goal is to use our **knowledge** to create value for our clients.



## Examples of the Menu of Services we Provide

### Appraisals

- Farm land
- Special Purpose Ag Facilities: Swine, Poultry, Dairy, Beef, Grain Elevators, or Feed Mills
- Minority Interest Discounts
- Certified Business Valuations

### Brokerage

- Farm land
- Swine facilities
- Commercial Ag - Grain Elevators, Agronomy
- Residential (Humboldt Office)
- Business Brokerage

### Management

- Farm land
- Swine facilities - finishing only
- Residential (Humboldt Office)
- Business Development Oversight

### Advising

- Transition/Strategic Planning
- Family Board Membership
- Buy-Sell Agreements
- Transaction Advisory: Mergers & Acquisitions, Negotiations, Deal Structure, and Due Diligence

## Company Overview - Geographical Area & Depth of Services

Our primary service area is the State of Iowa and surrounding states. Our depth in appraisal and real estate services within the agriculture industry, particularly livestock, creates a regional footprint capable of handling large, complex transactions. In 2021 we valued \$900,000,000 in appraisals, brokered approximately \$45 Million in real estate and businesses, and manage around 30,000 acres of land and 65 swine finishers. We were also fortunate to acquire Mid-States Farm Management which established an office in Ottumwa, Iowa and increased our geographical footprint in Iowa, Missouri, and Illinois.

## NEW ADDITIONS TO OUR STAFF

### Rod Leman

Associate Appraiser • Real Estate Sales  
• Business Consultant  
Cell (515) 835-2312  
rod@growthland.com



Rod joined Growthland in January 2022 as an Associate Appraiser, Real Estate Salesperson, and Business Consultant. Rod has 30 years of experience in pork production, business management, and ownership with several large swine companies. He spent the last few years directing business development efforts for a major, packer integrated swine company. Utilizing his pork industry knowledge and relationships, Rod is uniquely positioned to help Growthland to expand its core appraisal business and to explore new opportunities in business consulting. Rod lives in Fort Dodge, Iowa with his wife and five children ages 13 to 25.

### Jake Thomsen

Real Estate Sales • Farm Manager  
Cell (319) 325-4258  
jake@growthland.com



Jake joined the Growthland team in May of 2022. He grew up on corn, soybean and hog farm in northwest Iowa near Spencer and graduated from Iowa State University in 2006 with a B.S. in Agronomy. His career focus has been in crop production working in retail agronomy, a large-scale farming operation and recently, a retail farm equipment dealership. He has a passion for aggregated agronomic data and using it to put towards increasing yields, managing costs and mitigating risk. In addition, he brings a respected set of leadership experiences to the team. Jake resides in rural Kalona and serves clients in southeast Iowa.

### Joyce Ware

Farm Management Assistant  
joyce@growthland.com



Joyce has worked for Mid States Farm Management in Ottumwa since December of 2017. Growthland recently acquired Mid States Farm Management in December 2021. Joyce is responsible for the daily operations in our Ottumwa office and her duties include: communication with clients, individual farm accounting, farm reports, file-database-record keeping management and assisting with appraisal reports. Joyce was raised on a row-crop, pasture, livestock farm south of Ottumwa, she and her husband, Tony live on a small acreage south of Ottumwa and they have three daughters, a son and four grandchildren. Joyce enjoys running, gardening, the outdoors, football and crocheting.

### Kara Boeckenstedt

Comparable Sales Specialist  
kara@growthland.com



Kara started with Growthland in July 2022 focusing on comparable sales. She graduated from Kirkwood Community College with her Associate's Degree in Agriculture Business. Kara grew up in on her family farm located in Jackson County.

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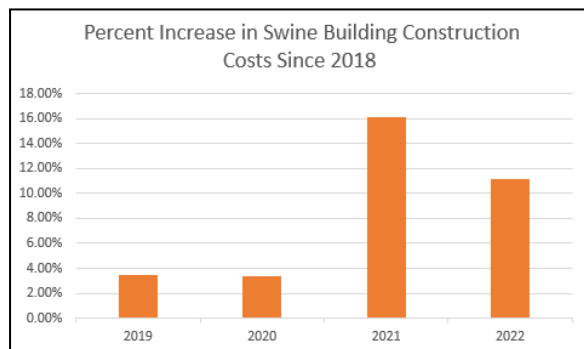
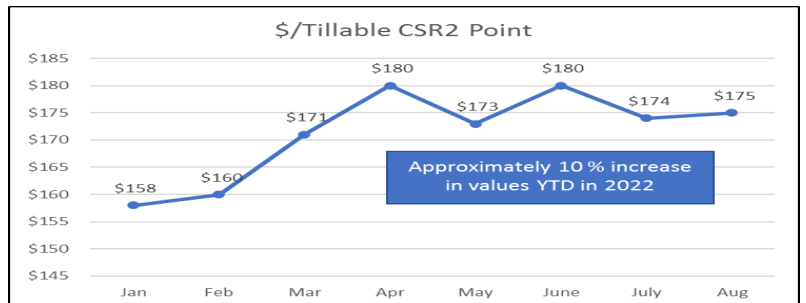
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## AGRICULTURE REAL ESTATE & FARM MANAGEMENT UPDATE

### LAND VALUES

Similar to 2021, land values has continued to be the highlight of 2022. The graph to the right is from our internal comparable sales database that consists of 445 auctions or listings of farms with 70 % or higher tillable land across 73 counties in the state of Iowa.

The rating we calculate is \$/Tillable CSR2 Point (CSR2 is a measurement of the productivity of the soil with 0 being the lowest and 100 being the highest), which allows for a trend to be identified regardless of the quality of the farm. **As you can see, most of the increase occurred in about one month, which is when Russia invaded Ukraine and caused Corn & Soybean prices to increase rapidly.**



### BUILDING COSTS

Another factor we closely track are construction costs. In particular, our company appraises many swine facilities across Iowa and across the nation. In the chart to the left we identify the percent increases in the cost to build a new swine building since 2018.

**Overall, this is nearly a 40 % increase since 2018.** The increases are apparent in other real estate sectors as well, which has reduced the amount of new construction. However, the impact on existing facilities has been a dichotomy: facilities that are the preferred design and in good condition have seen increases in value with many selling higher than its original cost to build them, while facilities that are in fair condition with an obsolete design have declined in values. One factor for the decline in value is the cost to remodel has increased as well, so a buyer factors this into their purchase price.

### CROP CONDITIONS AND IMPACTS ON FARMS WE MANAGE

Nationally, crop prospects are a tale of two halves. The northeast half of the Cornbelt has received adequate precipitation while the southwest half is facing drought conditions in many areas. **Recently the Pro Farmer crop tour indicated a drastically lower national corn yield for 2022, 168.1 bushels per acre, than the August USDA prediction of 175.4 bushels per acre.**

Stronger commodity prices continue to provide tailwinds to cash lease rates as we look towards the 2023 crop year. December 2023 corn futures have been trading between \$5.50 and \$6.00 (equaling \$5.20 to \$5.50+ cash prices for the 2023 crop). November 2023 soybeans have traded \$12.50 to \$13.50 recently, putting cash soybeans for fall 2023 in the \$12.00 to \$13.00 range. These prices are below the highs for 2023 seen in early June as the "inflation" trade in commodities began to subside, but recently regained some of this with the lower yields indicated by the Pro Farmer tour.

The increase in land and non-land costs have increased breakeven costs considerably for both corn and soybeans. Projected breakeven for corn for 2023 are at \$5.00 to \$5.50+ per bushel and breakeven for soybeans at \$13.00 or better in many cases. With higher breakeven, risk levels have increased for farm operators.

These factors, plus others, are constantly evaluated when managing a farm and used in our decision making for custom, crop-share, and cash rent agreements. We have spent most of August negotiating leases on the cash rent farms and used this information when determining the appropriate rental level for 2023. For our crop share and custom farms, the research we have conducted recently has caused us to pull the trigger on purchasing fertilizer for the 2023 crop season on some of these farms due to supply concerns in the winter or next spring.

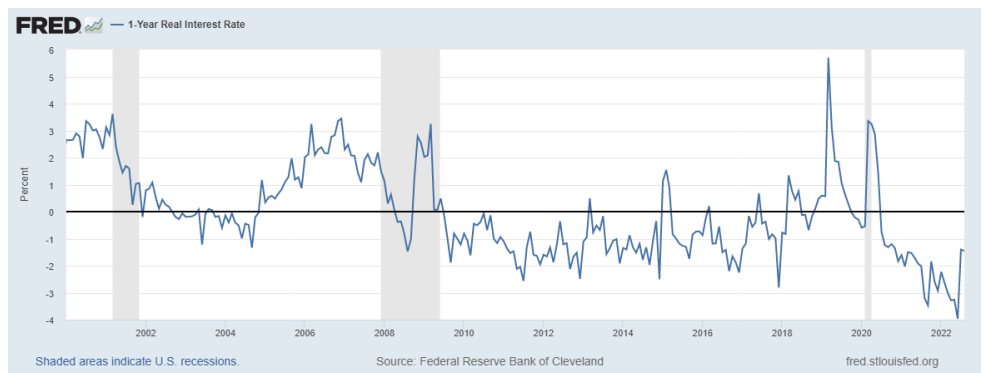
## OTHER MACRO FACTORS FOR AGRICULTURE REAL ESTATE VALUES

### INTEREST RATES & INFLATION

One question we typically are asked is what is next for Agriculture Real Estate values? Outside of some of the factors we have discussed, other macro factors can impact values moving forward. Particularly, inflationary impacts and the increases in interest rates.

In terms of interest rates, we have seen 30 year mortgage rates increase to around 5.5 % from a low in 2021 of 2.65 %. This is a nominal interest rate and not a real interest rate. **A real interest rate factors in inflation by subtracting the expected inflation rate from the nominal interest rate.** For example, if your interest rate for a loan is 5.5 % and the expected inflation rate is 7 %, the real interest rate is -1.5 %.

If the real interest rate is below zero, the amount you will pay back is less than the money borrowed. Above is a graph outlining the one-year real interest rates, which shows we are still in a negative real interest rate environment. **In environments of negative or low real interest rates, which have been in for quite some time, there is a higher incentive to borrow money to invest rather than to save.**



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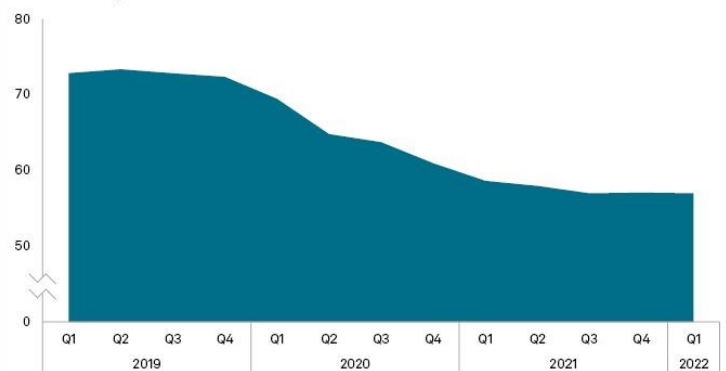
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## Appraisals, Management, Brokerage, & Advising

Another factor is the supply of capital for borrowers to invest with and the demand for lenders to make loans. This can be measured by the loan to deposit ratio. A lender loans money based on the amount of deposits it has and makes a profit by the spread between the revenue from the loan and the cost of the deposit. United States banks have historical low loan to deposit ratios at 57 %, which means lenders will be competitive to loan money (see graph to the right).

Loan-to-deposit ratio since 2019 (%)



Data compiled June 1, 2022.  
Analysis includes U.S. commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.  
Data based on regulatory filings.  
Source: S&P Global Market Intelligence

So, not only do we have low real interest rates, but lenders will be competitive to loan funds with the deposits they have. **Our conclusion is these dynamics have limited the impact of the increases in interest rates to this point.**

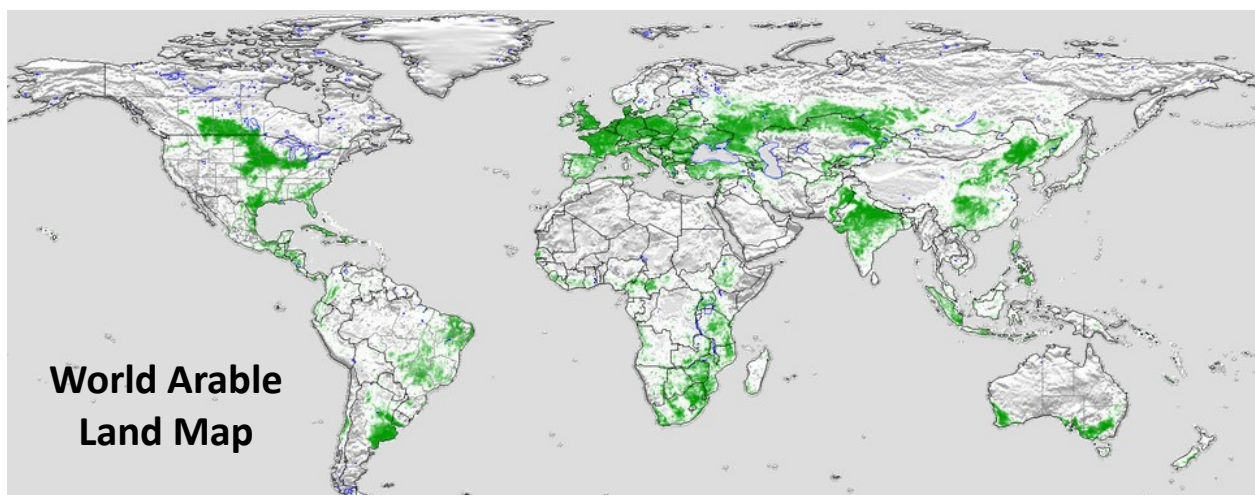
In terms of inflation, the primary question is if this a near or long-term phenomena. The increases in material and labor costs in the last two years has been incredible. We have seen declines in commodity and energy prices since highs set last Spring, which has provided relief recently. One of the primary concerns of inflation is that it becomes self-fulfilling, or consumers expect inflation so it sustains itself even if it could start declining. A major factor that could impact this is the labor market. **As of July, we finally reached the same amount of jobs in the United States as we have pre-Covid. We met this number with 2.5 Million less participants in the workforce.**



Unemployed Persons per  
Job Opening = Half person  
unemployed per open job.

The U. S. Bureau of Labor Statistics calculates the number of Unemployed Persons per Job Opening on a monthly basis. In May 2022, this was as low as 0.5 people unemployed per open job. **With this low of a labor participation rate, its hard to envision this not being an inflationary item until something significantly changes.**

The Midwest has some of the best Arable Land in the world (see below). Combine this with factors described within and we can see why we continue to see strong valuations for Agriculture real estate in Iowa. **In conclusion, Agriculture Real Estate continues to be in strong demand and a good part of one's portfolio.**



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