



Spring 2018 Market Update

Farm Industry
Market Trends
Heavy Equipment,
Land & Cash Rents



Selling Land & the Equipment to Farm It Since 1960



Overall Market Trend

Welcome to the Spring 2018 Market Trends Update from Steffes Group!

It happens every year. Each Spring we know the snow will melt, the geese will start showing up and of course, we get ready for...??? You guessed it, mud and the idea you have to hunt up the 4 buckles if you want to go to an auction outside and check out all the farm machinery auctions that typically take place. That may be a bit pessimistic as there are many other refreshing and rejuvenating activities that take place in Spring. Is there anything better than that smell of freshly tilled ground the first time you pull into a field with your planter or cultivator?

Here at Steffes, it's always the best time of year with the anticipation of new market activity, spring farm auctions and the prospect of another year filled with the buying and selling of land and the equipment to farm it.

As always, Steffes gets a bird's eye view of what's to come as auctions have been and will always be the first to indicate what's happening in the markets on both land and equipment.

In that sense, we're happy to report the Fall of 2017 showed stability as we finished the year and as it has carried through since the holidays.

There was a flurry of activity (substantially more than normal) that began immediately after

harvest and continued right until the end of the year. Our last farm equipment auction was outdoors on December 29th, completing a run of 35 events since the first of the month! All that selling fed a market that was more eager to buy than anticipated. Prices held for the most part and, in some cases, showed some good demand as farmers were gearing up for 2018.

In most markets we operate, crop production again came through better than expected. There are bushels in the bin.

Unfortunately, most is still there with little marketing opportunities presented. The exception may be soybeans and specialty crops. The Red River Valley experienced the best potato crop/market since few can remember. Sugar beets were overall very good and prices are acceptable. The cattle market has been healthy and currently there is optimism. Contract growers of swine and poultry are hanging in there with low feed costs and the opportunity of fertilizer availability truly giving them an advantage.

On the other hand, you simply can't get past the price of corn and most other commodity crops. It's tough considering current market inputs. Something has to give.

What's The Word For 2018?

We will see more activity on the farm equipment front and potentially on the real estate side as well. It's already happening with some significant events already taking place. The growth of the large farm operations that emerged with high commodities has ceased and we saw some significant liquidations in 2017 with more coming.

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About Steffes Group

Steffes Group, Inc. is a nationally recognized leader in the auction industry. We perform On-Site & Online Auctions, Large Agron Events, Farm Real Estate Auctions, Land Brokerage & Auctions, Farm Asset Management, and Equipment Appraisals.

Market Update: Farm Industry Market Trends

Their previous model with typically higher than average debt just doesn't work in low commodity price times. You can't make it on volume. There simply isn't enough margin so the adjustment will continue. Watch for more realignments and liquidations in 2018 with farm operations who must adjust. The "let's wait" or the "see what happens" or "one more year" mentality hasn't paid for operators who possibly should have adjusted two or even three years ago. They will be doing something soon.

Additionally, farm operators on the backside of the career and age curve with no succession plan in place are exiting at a higher rate. It's not because they have to, it's because the risk/reward curve is a little too steep with most of our clients who make that decision. Their machinery is aging. It's tough to get help and it doesn't make sense to trade or reload as the time span is too long. That's what we hear.

The greatest advantage to this decision for most is the market is still robust for the farmland they control. Nearly all are looking for a renter and virtually none are looking to sell. That seems to be the consensus.

Land rents continue to be strong and so is the land market. You simply don't control real estate for one year and investors see opportunity. Additionally, the farmers with significant equity and little debt (there still are many) are in the market when land becomes available across the road or near their operations. There are many buyers and most markets are healthy.

Weather Changes Everything.

Each year brings something different. Does anyone remember the price of corn in May of 2012 and what it was in October of the same year?

Did everyone sell their wheat in the bin early last Summer? It seems lately the windows have been very small. It takes discipline and knowing your costs to make good decisions. Like in baseball, sometimes you can win with singles and doubles without the big home run.

No one knows what the future holds and history will tell you there is the possibility for any kind of "changing event" that affects the price of our crops. That is certain. It's just a question of when.

You hear us talk about our leading indicators;

1. Commodity prices
2. Crop production
3. Interest rates

Another to consider is energy or the price of oil. It has been slowly recovering. Perhaps we might see this in commodities through Spring?

Our predictions and trends through the Spring season will continue. We'll have steady equipment markets mostly because supply is still dwindling and new hasn't come down. Dealer inventories are very manageable overall so don't look for huge dealer events through Spring. There will be a few more auctions and there are going to be more forced liquidations as cash flow is mandatory for lenders to continue with operators that have been hanging on the last two years with low prices.

Farm real estate is still one of the most highly sought after and most in-demand property in all the land. That will continue with the only downside being the gradual rise in interest rates. This has a double effect by diminishing returns and making CD's and cash investment tools more attractive to potential investors.

Kind Regards,
Scott Steffes
President
Steffes Group, Inc.



Buying Out of Season, Especially Combines, Pays Off.

Here are two sales of late model combines that surely will end up being good buys as we go forward. The sale prices represent less than half of original list price and certainly these machines have substantial life left in them. It seems the red combine sales are similar, however, the supply is much less from a used perspective based on our auction activity.

One thing to consider on combine transactions is the larger disparity on like-for-like machines based on separator hours or physical condition. Combine reconditioning is truly a "tens of thousands" dollar decision in today's market. Consider the capacity and the amount of material through these machines hour for hour. Even at a nominal 1500 bushel per hour rate (as little as half of rated capacity of the large machines) 2,000 separator hours means 3,000,000 bushels of corn has gone through that machine! Incredible! That's not your father's 8820 or 1480. It also explains how 500 separator hour differences can greatly affect value.

The Spring market should bring buying opportunities on combines as they remain out of season. Typically, the closer we get to harvest the greater the demand. We see demand picking up starting the end of July and continuing through the end of September. The smart buyers have already or are currently looking for machines to fit their needs and preparing to market the replaced units "in season" during this time period. Weather affects this market more than any other.



\$165,000

AGIRON EVENT



November 2017

2013 John Deere S690, 2WD, 1,068 sep. hrs.

\$163,000

AGIRON EVENT



November 2017

2012 John Deere S690, 4WD, 892 sep. hrs.



\$231,000

FARM AUCTION

Timed
Online



November 2017

2013 Case-IH 550, Quadtrac, 1,825 hrs.

Demand for Big Red Tractors Leads the Way

Case-IH has been a market leader in the heavy horsepower category and breaks tradition from an auction market perspective on used units with their QuadTrac machines. These machines have been the easiest to sell with the highest demand at our auctions. We haven't tested the market yet on the John Deere version at auction. The market hasn't been as kind to their track models considering the price difference of their wheeled machines. The wheeled four wheel drives have stronger resale dollar-for-dollar compared to new.

\$233,000

FARM AUCTION

Timed
Online



September 2017

2013 Case-IH 550, Quadtrac, 917 hrs.

Selling Land and the Equipment to Farm It in 10 states; selling to 43,969 Registered Buyers in 46 states, 8 Canadian Provinces, as well as 8 Foreign Countries in 2017.



Planter Markets Have Been Much Stronger

New planter prices have not been lowered and technology has been around for a few years. Planters have recovered which is great to see especially considering how incredibly expensive new units are. The oversupply that we saw two years ago has mostly disappeared and we expect big planters to remain strong especially coming into the season of use this Spring. "Dumb" planters which don't have central fill, variable rate, or other tech features have continued to get older with even less demand. That won't change going forward. Stability is the word unless, of course, a new option or feature gets introduced to the market in the coming months.

\$220,000

FARM AUCTION



December 2017

2016 John Deere DB66, 36x22", ProShaft, MaxEmerge 5 with RowCommand

\$224,000

FARM AUCTION



December 2017

2016 John Deere DB66, 36x22", ProShaft, MaxEmerge 5 with RowCommand

Iowa Farmland is Leading the Way

The Iowa real estate market remains strong, as do current cash rents. It seems investors have even gotten back into the buying mode. The higher productive ground has stayed in the 95 to 120 dollars a CSR (corn suitability rating), with some really strong outlying sales in the 125 to 135 range! If the ground is in an area of potential income, such as pork production, the market has maintained or increased. This is also holding true for medium quality land if it has the same positive geographic placement.

We all know ground has never truly cash-flowed, and recently there has been some impact on land outside of livestock producing areas due to lower commodity prices.

Lower quality ground continues to gain value due to the availability of money at competitive interest rates. If lower quality soil has CRP income potential, we have seen some very strong sales. A gross price based on a 3 to 5 percent rate of return with property containing over 65% income producing acres is common. If the land is located near an area of higher population, strong sales have occurred with only a 2 to 3 percent rate of return.

In respect to pasture, the market remains steady. We have sold most of our pasture in the past twelve months from \$1,250 to \$3,000 per acre. Size of property is a factor, as well as improvements versus timber. We have sold some pasture for over \$4,000/acre, however, that was a unique situation.

As for property in Minnesota, and both North Dakota and South Dakota, there has been consistency and predictability on quality ground. Our northwest North Dakota land auctions, as well as recent southern Minnesota and Red River Valley farmland transactions, continue to be proof of that trend. There have been many more buyers than sellers. The only exception has been on marginal grounds with no recreation potential or alternate uses, and to a certain extent, areas hit especially hard by drought. Highly productive farmland in every market we operate was surprisingly strong and impressive.

As cash flows tend to get tighter, cash rents will tend to go lower. We could see a direct impact of 10 to 15 percent lower real estate markets come spring 2019. It will be important to watch the cash rents in your area to understand where the market is headed. Rising interest rates also pose a risk and any movement of interest by more than a point will have a negative effect from our point of view. Hopefully, the trend of consistency will continue alongside the strong demand from buyers.

Corn Prices - 45 Year Historical Chart

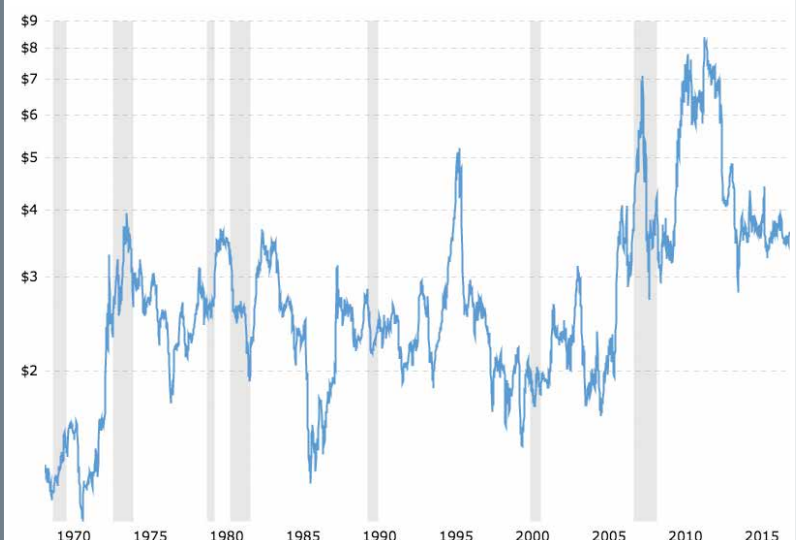


Chart of historical daily corn prices back to 1971. The price shown is in U.S. Dollars per bushel. The current price of corn as of February 09, 2018 is \$3.6425 per bushel.
Source: www.macrotrends.net/2532/corn-prices-historical-chart-data

Land Auction Results

2017 LAND AUCTIONS

| | ACRES | DATE | SOLD PRICE |
|-------------------------------------|-----------|--------------|-------------|
| 1) Louisa County, IA | 519.44 AC | January 18 | \$7,100/AC |
| 2) Nelson County, ND | 320 AC | February 14 | \$1,500/AC |
| 3) Ward County, ND | 145 AC | February 15 | \$2,150/AC |
| 4) Meeker County, MN | 169.15 AC | March 21 | \$2,950/AC |
| 5) Jefferson County, IA | 40 AC | March 22 | \$7,400/AC |
| 6) Golden Valley County, ND | 160 AC | May 3 | \$1,340/AC |
| 7) McLean County, ND | 316.19 AC | May 16 | \$1,010/AC |
| 8) Otter Tail County, MN Gravel Pit | 80 AC | June 8 | \$3,125/AC |
| 9) Norman County, MN Gravel Pit | 100 AC | June 8 | \$2,070/AC |
| 10) Lee County, IA | 162.38 AC | June 9 | \$12,800/AC |
| 11) Des Moines County, IA | 16.38 AC | June 12 | \$11,600/AC |
| 12) Louisa County, IA | 122.54 AC | June 15 | \$7,600/AC |
| 13) Burlington, IA Land & RE* | 19.42 AC | June 23 | \$24,600/AC |
| 14) Washington County, IA | 36.90 AC | June 29 | \$10,200/AC |
| 15) Grand Forks County, ND | 156.38 AC | June 29 | \$2,000/AC |
| 16) Meeker County, MN | 140 AC | July 27 | \$3,950/AC |
| 17) Dakota County, MN | 204 AC | July 28 | \$7,300/AC |
| 18) Marshall County, MN | 153 AC | August 3 | \$1,050/AC |
| 19) Meeker County, MN* | 108 AC | August 25 | \$13,200/AC |
| 20) Jefferson County, IA | 417.95 AC | September 8 | \$5,400/AC |
| 21) Louisa County, IA | 112 AC | September 21 | \$9,350/AC |
| 22) Kandiyohi County, MN | 69 AC | October 9 | \$2,600/AC |
| 23) Van Buren County, IA | 57.25 AC | October 13 | \$3,700/AC |
| 24) Jefferson County, IA | 33 AC | October 24 | \$7,000/AC |
| 25) Fulton County, IL | 155 AC | October 25 | \$7,300/AC |
| 26) Norman County, MN | 155 AC | November 1 | \$3,700/AC |
| 27) Des Moines County, IA | 89.39 AC | November 3 | \$8,200/AC |
| 28) Cass County, ND | 603 AC | November 7 | \$5,100/AC |
| 29) Washington County, IA | 285.61 AC | November 8 | \$11,700/AC |
| 30) Cass County, MN | 189 AC | November 8 | \$1,750/AC |
| 31) Jefferson County, IA | 146.88 AC | November 9 | \$3,425/AC |
| 32) Bottineau County, ND | 1,240 AC | November 9 | \$900/AC |
| 33) Des Moines County, IA | 29.93 AC | November 15 | \$4,300/AC |
| 34) Keokuk County, IA | 678.71 AC | November 16 | \$2,700/AC |
| 35) Franklin County, IA | 232 AC | November 17 | \$5,500/AC |
| 36) Louisa County, IA | 137.22 AC | November 28 | \$7,075/AC |
| 37) Yankton County, SD* | 15 AC | December 7 | \$9,200/AC |
| 38) Spink County, SD | 80 AC | December 7 | \$2,500/AC |
| 39) Spink County, SD | 169 AC | December 7 | \$3,000/AC |
| 40) Muscatine County, IA | 117.03 AC | December 20 | \$5,550/AC |
| 41) Cass County, ND | 320 AC | December 27 | \$3,500/AC |
| 42) Otter Tail County, MN | 287 AC | December 28 | \$4,250/AC |

2018 LAND AUCTIONS

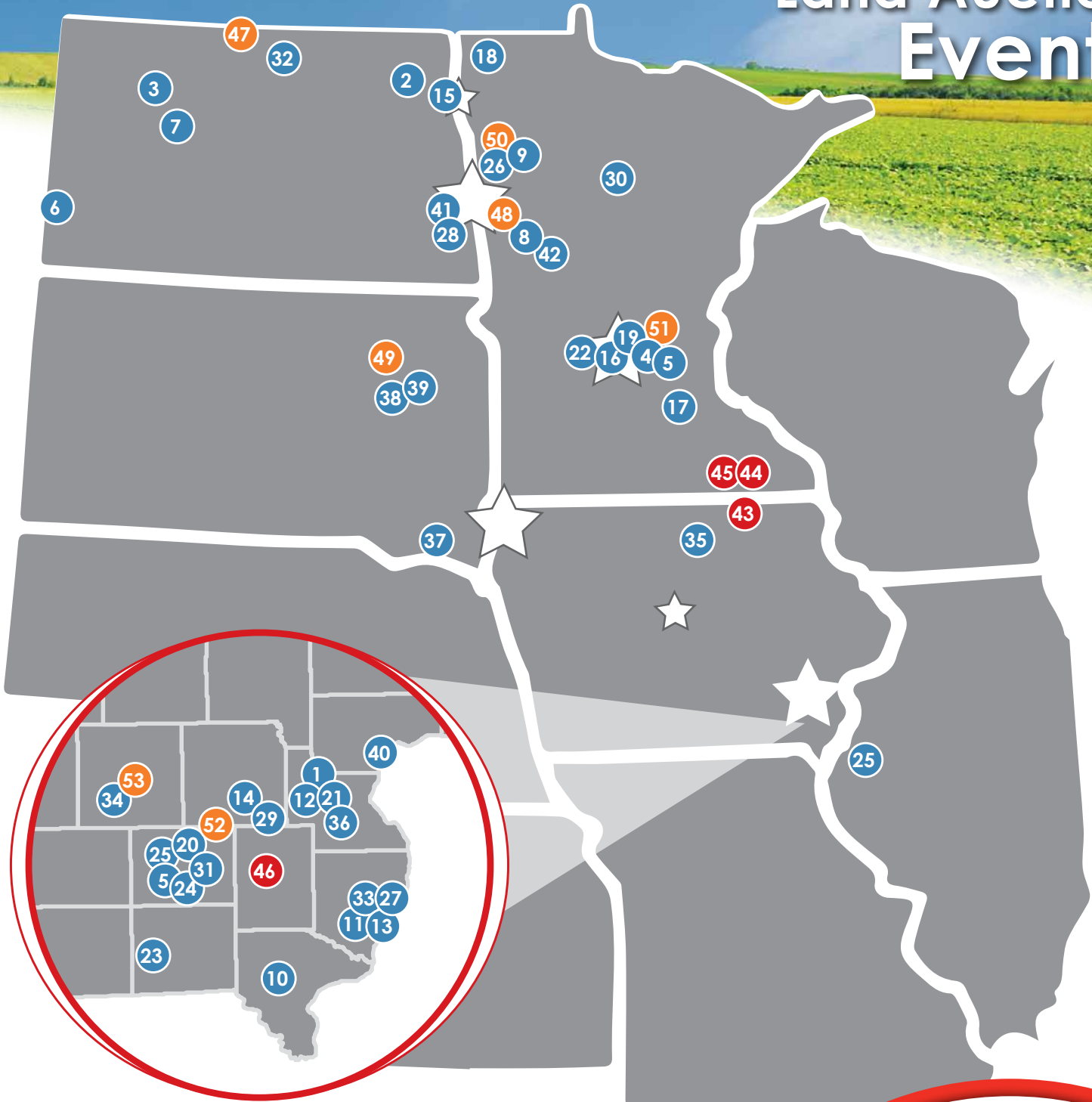
| | ACRES | DATE | SOLD PRICE |
|-------------------------|--------|------------|-------------|
| 43) Howard County, IA | 96 AC | January 25 | \$2,700/AC |
| 44) Mower County, MN | 922 AC | January 25 | \$10,200/AC |
| 45) Fillmore County, MN | 353 AC | January 25 | \$8,000/AC |
| 46) Henry County, IA | 40 AC | January 30 | \$11,200/AC |

Prices written per cropland/tilable acre where applicable.

*Sold for development potential.

Noteworthy: Over 10,000 acres sold in ND, SD, MN, IA, & IL in 2017.

Land Auction Events



- 2017 Land Auctions
- 2018 Land Auctions
- 2018 Upcoming Land Auctions

UPCOMING LAND AUCTIONS

| | ACRES | DATE |
|---------------------------------------|----------|-------------|
| 47) Bottineau County, ND | 160 AC | February 20 |
| 48) Clay County, MN | 160 AC | February 23 |
| 49) Faulk County, SD | 2,117 AC | March 7 |
| 50) Norman County, MN | 157 AC | March 8 |
| 51) Wright County, MN | 80 AC | March 15 |
| 52) Jefferson & Washington County, IA | 652 AC | March 16 |
| 53) Keokuk County, IA | 206 AC | March 16 |

Visit

SteffesGroup.com

to view detailed land auction sales results plus details on all upcoming Land Auctions!

Forage Report

All classes of hay and bedding, with very few exceptions in the Midwest, are priced reflective of the dairy and milk markets. With the dairy industry in a landslide and producers exiting at a furious pace, the strong hay and straw prices seen in December are a distant memory and wishful thinking from a spring price perspective.

Wheat Straw

Lack of supply from Dakota drought carried prices well above seasonal averages through Fall and early Winter, to as high as \$115/ton. Late Winter/Spring shows tempered prices back around \$100/ton with continued supply issues that may push prices higher by early Summer.

Grass Hay

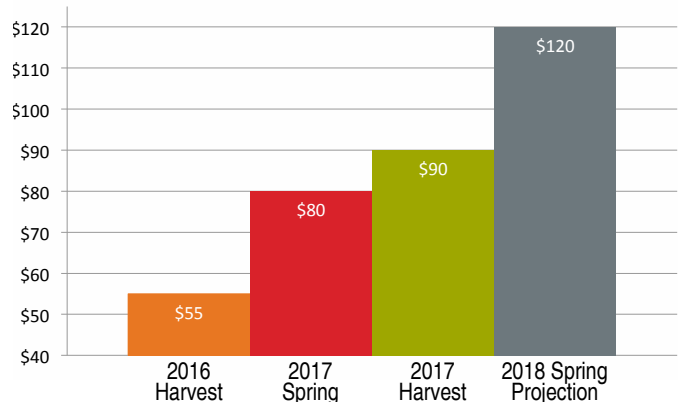
Large amounts of grass hay exited the Midwest and headed west to drought areas. Demand is now strong with moderate supply. Expect Spring prices to hover in the low \$100/ton.

Alfalfa Hay

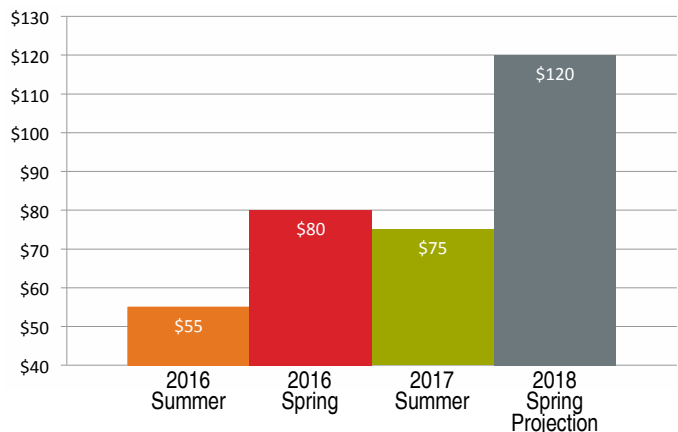
Dairy quality alfalfa (150+RFV) prices generally follow dairy milk markets. Milk prices have been fairly steady in 2017 as have dairy hay prices. 150 RFV hay has been \$125-140/ton throughout 2017. Supplies going into Fall of 2017 are, and should remain, available in the Spring of 2018 with prices climbing seasonally as expected, nearing \$160-175/ton.

Prime dairy hay (175+RFV) will be in short supply. Much of this hay comes from Western states affected by drought. Summer and early Fall 2017 have already shown strong demand and lack of supply, edging prices over \$1/RFV point, or \$175-200/ton. Expect prime hay to reach \$225 by Spring if it's available.

Wheat Straw in Medium Square Bales: Price per ton

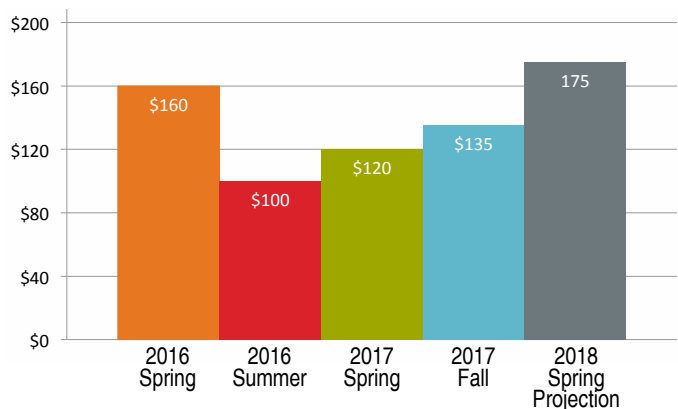


Grass Hay in Large Round Bales: Price per ton

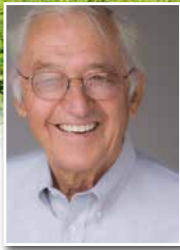


Dairy Quality

Alfalfa in Medium Square Bale: Price per ton



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Look for the release of our next Market Update in October 2018!



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