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2025 Pre-Planting Edition



Welcome to the 2025 Pre-Planting Edition of the Cherokee State Bank Farm Management Newsletter! Nestled in the heart of northwest Iowa, our community is deeply rooted in a proud agricultural tradition that drives both our economy and our way of life. In this edition, we're excited to bring you the latest insights, from weather trends and market updates to a peak inside USDA's 2025 Prospective Plantings report. We will also dive into the importance of subsurface (tile) drainage and offer a bonus feature on the fundamentals of revocable trusts. Whether you're a seasoned farmer, landowner, or just passionate about agriculture, we're here to provide you with the information and resources you need to navigate and succeed in this ever-evolving world of agriculture.



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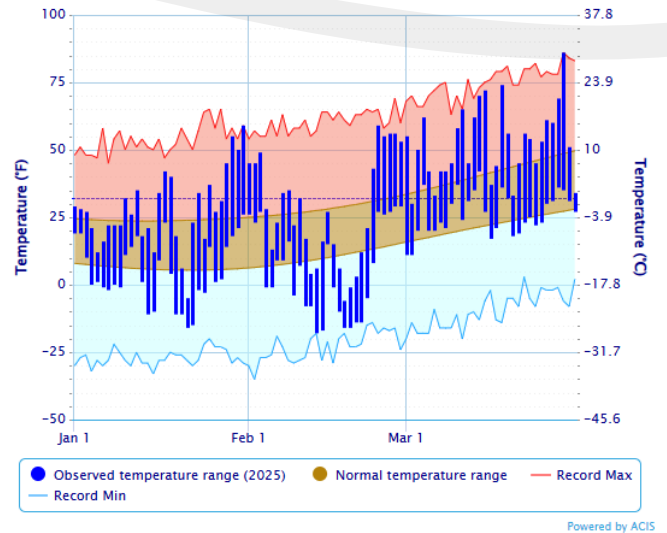
Weather

As you were surrounded by friends and family, enjoying Thanksgiving dinner and someone casually said, “We’ll see less than one inch of precipitation from now until March!” Would you have bet the farm on it? Hopefully not! January to February 2025 turned out to be the driest on record in the last 131 years. March brought a bit of snow and rain, bringing our total seasonal precipitation to 2.25 inches. Temperature swings were sporadic, with the season feeling like a roller coaster of hot and cold.

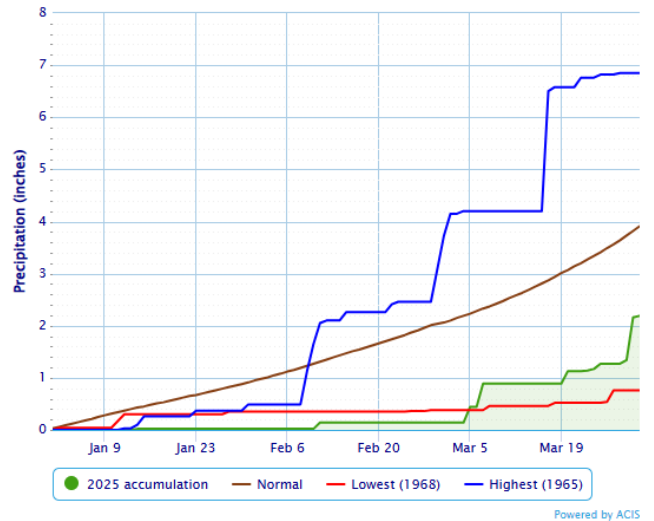
With winter now behind us, let's look ahead to spring and the planting season. The National Oceanic and Atmospheric Administration (NOAA) is predicting neutral weather patterns. After the last five years of droughts, floods, derechos, and extreme temperature swings, this forecast is a welcome change. Optimism is high that the planting window will be smooth and efficient!

Where do these neutral weather predictions come from? A large part of the prediction is based on the El Niño-Southern Oscillation (ENSO) cycle, a pattern of climate fluctuations in the Pacific Ocean. First observed by fishermen in the 1600s, the two main phases of this cycle, El Niño and La Niña, are known for their global effects on weather, ecosystems, and economies.

Daily Temperature Data – SANBORN, IA

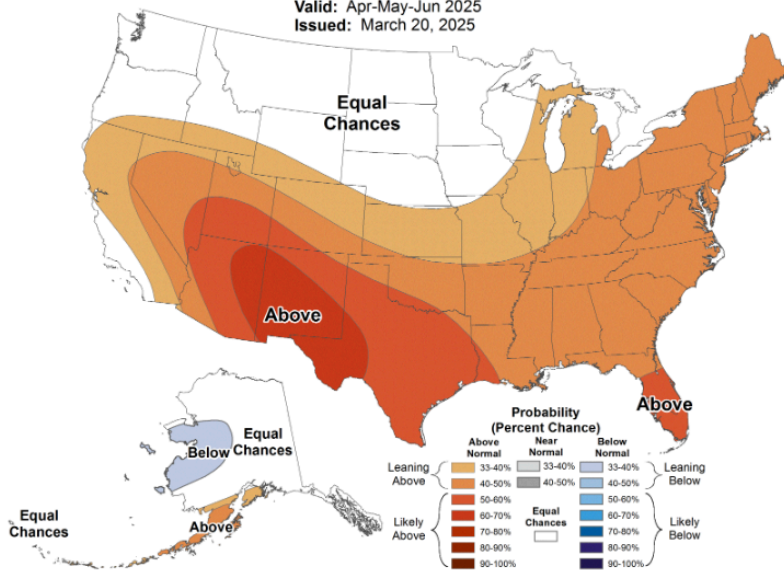


Accumulated Precipitation – SANBORN, IA



Seasonal Temperature Outlook

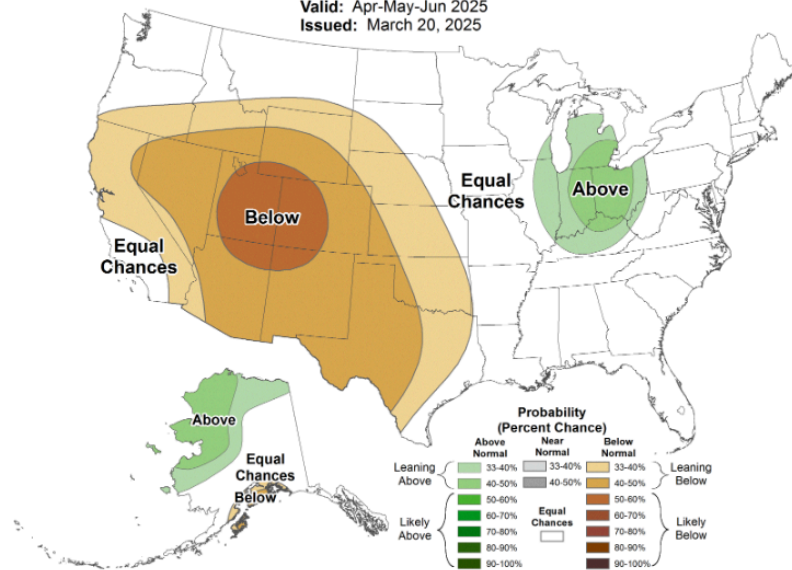
Valid: Apr-May-Jun 2025
Issued: March 20, 2025



National Oceanic and Atmospheric Administration (NOAA)

Seasonal Precipitation Outlook

Valid: Apr-May-Jun 2025
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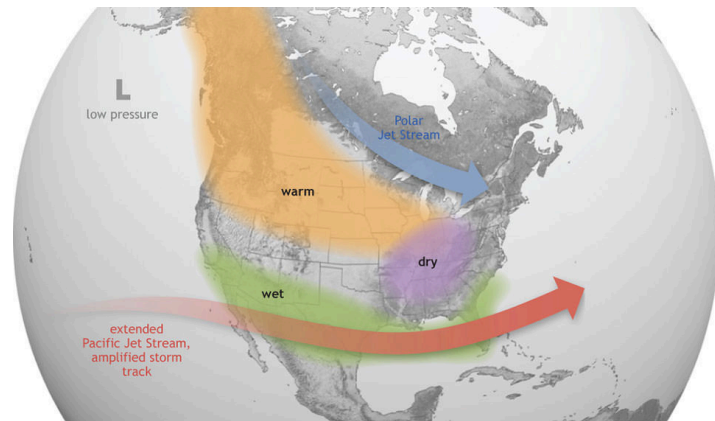
Weather, continued

These patterns typically last about 12 months, though they can persist for years in extreme cases. When neither El Niño nor La Niña is in effect, it is called ENSO-Neutral. During ENSO-Neutral, trade winds blow from east to west along the equator, pushing warm water from South America toward Asia. The warm water is replaced by cold water rising from the depths, a process known as upwelling.

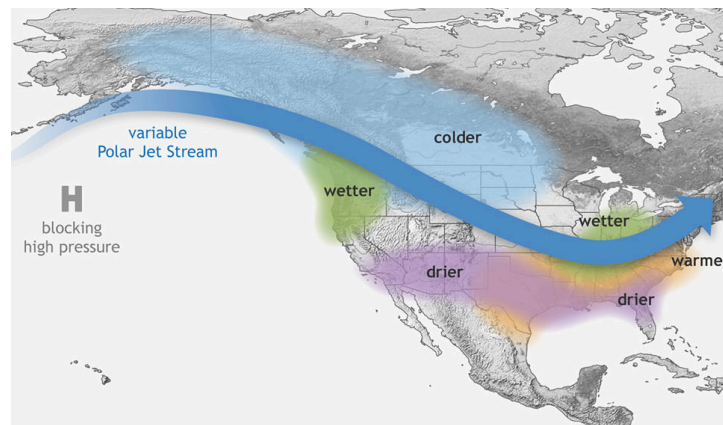
The most common pattern, El Niño (meaning "Little Boy" in Spanish), occurs when trade winds weaken, pushing warm water back east toward the Americas. This causes the Pacific jet stream to shift south, leading to drier and warmer weather in the Northern U.S. and Canada. Meanwhile, the Southern U.S. tends to experience wetter and cooler conditions, often resulting in frequent flooding. During El Niño, upwelling weakens, which reduces the rise of cold, nutrient-rich waters.

La Niña (meaning "Little Girl" in Spanish) occurs when trade winds strengthen, pushing warm water toward Asia. This results in cooler water in the Pacific, shifting the jet stream northward, which causes drought in the southern U.S. and heavy rains in the Pacific Northwest and Canada. During La Niña, upwelling strengthens, bringing cold, nutrient-rich water to the surface.

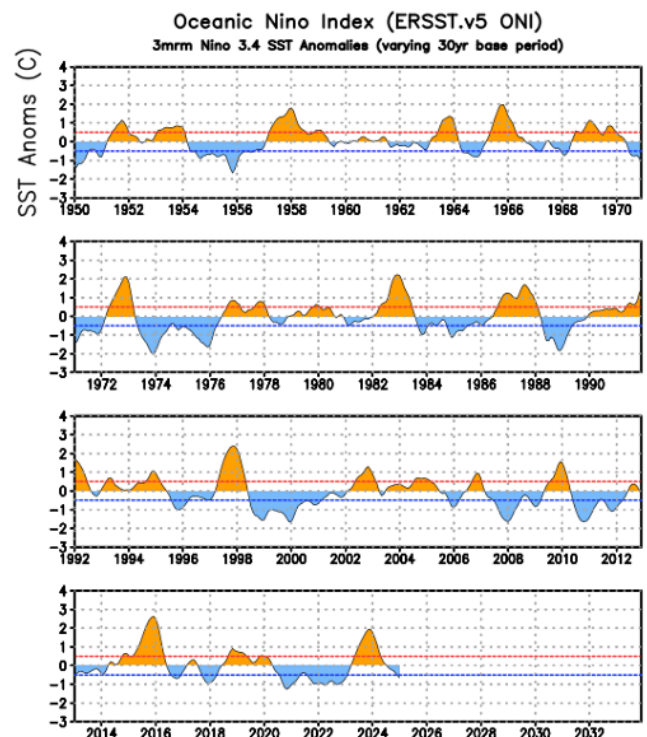
NOAA uses the Oceanic Niño Index (ONI) to monitor and predict ENSO patterns. The ONI is a three-month average of sea surface temperatures (SST) compared to historical data, placing current conditions in context. It defines El Niño as an ONI greater than +0.5, ENSO-neutral as between +0.5 and -0.5, and La Niña as less than -0.5. Because predictions are uncertain, NOAA updates its CPC Probabilistic ENSO Outlook monthly. The most recent update, in March 2025, forecasts a strong likelihood of neutral conditions through 2025, with a probable shift to La Niña in early 2026.



National Oceanic and Atmospheric Administration (NOAA)



National Oceanic and Atmospheric Administration (NOAA)

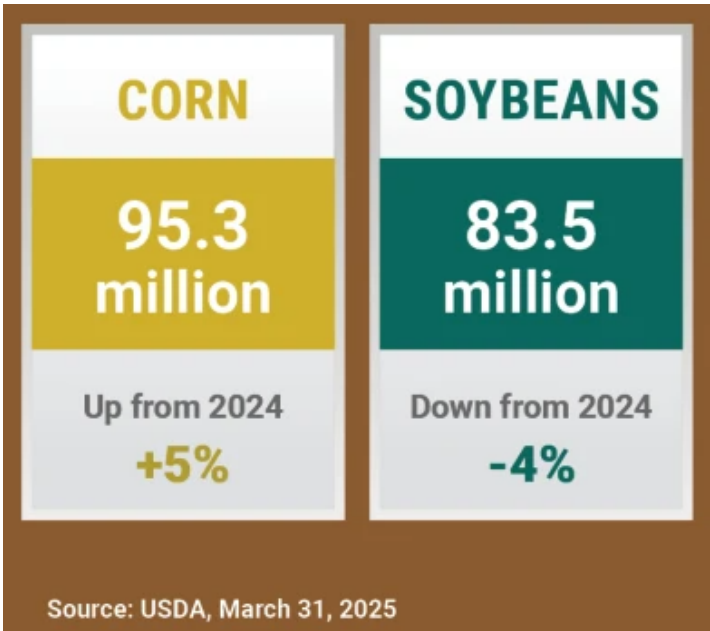
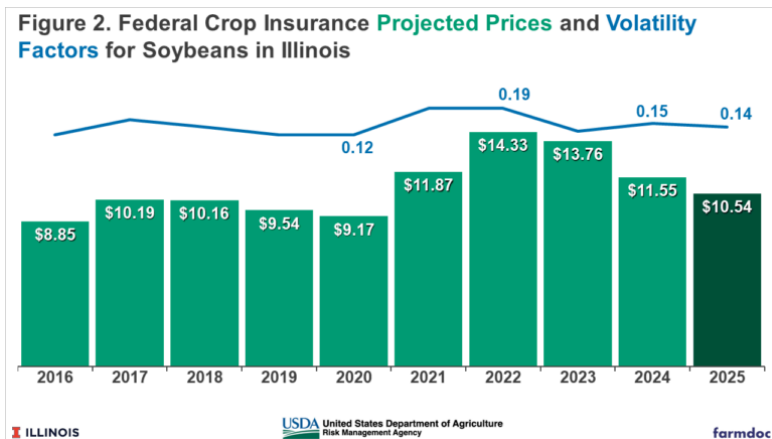
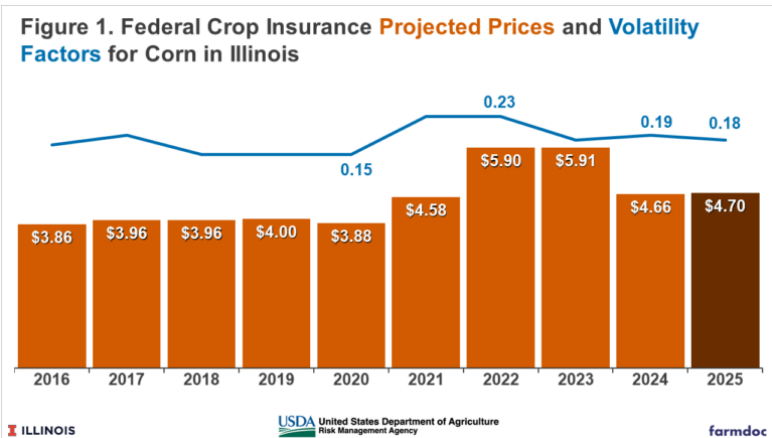


Markets

Since the beginning of the year, grain markets experienced positive old-crop marketing triggers and some forward sale opportunities for new-crop. February saw peak prices for both corn and soybeans, driven largely by the bullish February World Agricultural Supply and Demand Estimates (WASDE) report. However, the rally was short-lived and quickly found a technical floor, though another opportunity may arise during the planting window. This would face resistance unless driven by non-technical factors.

Due to a strong February, the federal crop insurance settlement prices yielded higher than anticipated heading into the month. Corn's slightly higher projected price of \$4.70 (+\$0.04), assuming trend yield increases, resulted in marginally higher guarantees than last year. This usually increases premium costs but was offset by the lower volatility factor, leaving the net effect relatively small. Soybean's lower projected price of \$10.54 (-\$1.01), resulted in lower guarantees and premiums than last year. Coupled with the lower volatility factor, soybean premiums saw some softening.

The USDA released its Prospective Plantings report on March 31, 2025. The new-crop corn market was pushed down due to a large 95.3 million anticipated acres, with rumors it could reach 96 million in the coming months. In contrast, the new-crop soybean market saw a rally due to the decreased anticipated acres. The report met expectations, with no surprises, as markets had already priced in these anticipated figures over the previous week.



Land – Subsurface (Tile) Drainage

Of Iowa's 30.6 million acres of cropland and 375 different soil types, more than six million acres and half of the soil types are negatively affected by poor drainage. Due to the impact excessive wetness has on productivity, farmers and landowners continuously look to subsurface drainage systems (SDS) to help alleviate this issue.

The goal of a properly designed subsurface drainage system is to lower the water table in the soil to a level that is safe for plant root growth. Surface saturation interferes with root development, which negatively impacts plant health. Additional benefits include more consistent yields, timelier planting and harvest conditions, reduced equipment wear and power costs, fewer plant diseases, and less soil compaction. An efficient system should lower the water table to a safe level within 24 hours of rainfall, achieving six inches of regression per day, with an overall goal of 18 inches concluding day three. Soil types play a significant role in system design and must be considered carefully. Tile drain lines should be installed at uniform depths and grades. The grade is crucial in controlling water velocity, ensuring it doesn't exceed the maximum allowable rate to avoid erosion around the drain lines. However, the system's effectiveness ultimately depends on the drainage outlet. It is essential to design the outlet based on the field's specific needs, with options such as large tile drain mains, open ditches, or natural waterways. The four main drainage system patterns include parallel, herringbone, double-main, and random. The parallel pattern works best for flat, regularly shaped fields with similar soil types, while the herringbone system is ideal for long, narrow wet areas next to flat drainage ways. The double-main pattern is a hybrid of the parallel and herringbone systems, used when a depression or natural waterway divides the field. The random system is suited for undulating topography with isolated wet areas. By considering these design principles, most fields can have a SDS uniquely tailored to their needs.

Aside from increasing the land's resale value, the investment decision should consider the time required for such returns. Estimating the yield response is the most challenging aspect of investment analysis, as it can dramatically impact the system's economic feasibility. In addition to system maintenance costs, yield increases will also come with additional fertilizer, hauling, drying, and storage costs. Accurate assumptions are a must when trying to calculate the most probable economic return.

Thinking about starting an SDS project? Begin by consulting with reputable contractors who can provide detailed plans and bids, ensuring accuracy and efficiency. With the right contractor, preferably one with GPS technology, you will receive precise tile mapping, down to the inch. But before you dig in, you'll need approval from the USDA to confirm your land isn't classified as a wetland, as these areas cannot be drained.

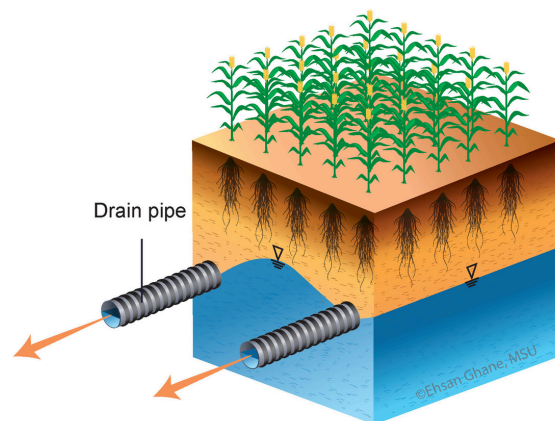
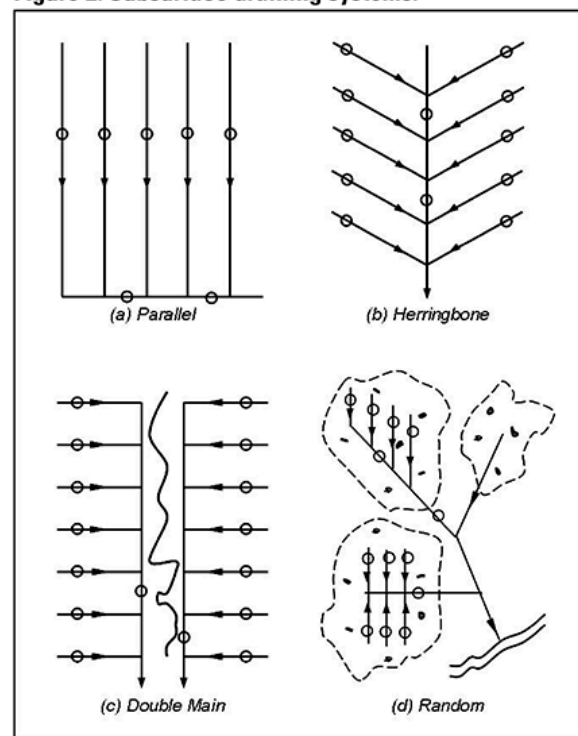


Figure 2. Subsurface draining systems.



Iowa State University Extension and Outreach



Revocable Trusts – The Basics

Jared Koch,
CFP®, CTFA | Sr. Vice President | Sr. Trust Officer

Working in the trust department at Cherokee State Bank, we field questions on a number of topics such as investing, estate planning and trust administration. One topic that comes up consistently is the lack of understanding of trusts and when a trust might be an appropriate. There are many different types of trusts, in this article I will answer the question of what is a revocable trust? And, when is the use of a revocable trust appropriate?

What is a revocable trust?

A revocable trust, often known as a living trust or grantor trust, is a contractual relationship, created during the lifetime of the “grantor” (person establishing the trust), in which one party (the “trustee”) holds property for the benefit of another (the “beneficiary”). In most revocable trusts all three parties are the same person where the grantor is also the trustee and beneficiary. This type of trust is called revocable due to the grantor retaining control over the assets and having the power to change or revoke the trust at any time during life.

Key features of a revocable trust:

- **Flexibility:** The guarantor has the ability to control assets in the trust, change the terms of the trust or even revoke the trust during their lifetime.
- **Incapacity:** When a guarantors capacity to manage financial affairs begins to decline, a co-trustee or successor trustee can be named to take over the management and administration of trust assets. Assets owned outside of the trust could require the court to appointment a conservator to manage financial matters. For simple estates, this can also be accomplished through a durable power of attorney.
- **Will substitute:** The revocable trust becomes irrevocable when the grantor gives up the right to revoke, when the grantor becomes incapacitated or at death. The terms of the trust outline how assets held in the trust are to be managed and distributed when the trust becomes irrevocable.
- **Avoiding probate and ancillary probate:** Assets titled to a revocable trust are not subject to probate which could reduce expenses at death and allow for quicker distributions to beneficiaries. Also, if property is owned personally in multiple states, you could be subject to probate proceedings in multiple states. Since revocable trusts are not subject to probate, owning property in multiple states through a revocable trust can help avoid ancillary probate.
- **Privacy:** Assets owned personally at death are subject to probate and must be filed with the probate court becoming a matter of public record. A revocable trust is not subject to probate and assets and beneficiaries will remain private.

When is a revocable trust appropriate?

- Grantor desires privacy in the handling and administration of assets during life and at death.
- Grantor wishes to minimize estate administration cost and time by avoiding probate.
- Grantor wishes to avoid ancillary probate for assets held in other states.
- Grantor desires to name someone else as trustee or co-trustee to accept management responsibility of all or a portion of the grantor's property.
- Grantor is planning for incapacity and desires continuity of trust administration and asset management by naming a successor trustee.
- Grantor plans to keep assets in trust at death. Grantor can name a corporate trustee as trustee or co-trustee to test the quality and level of service the institution can provide during life while the grantor has the power to make changes.

Revocable Trust Misconceptions

Probate Avoidance

- Having a revocable trust does not automatically avoid probate. Any assets held outside of the trust at death will be subject to probate.
- For simple estates, an individual can set up accounts as pay on death or transfer on death to accomplish the goal of avoiding probate without the need of a trust.
- Focusing on avoiding ancillary probate for assets held in other states may overlook the use of an LLC for asset protection which may be more important than probate avoidance.
- Revocable trust may not be necessary if the estate is modest and uncomplicated, and the executor is a family member who will likely waive executor fees.

Asset Protection

- The grantor still owns the assets in the trust and creditors can pursue trust assets in the same fashion as personal assets.

Tax Benefits

- During the grantors lifetime, all income is taxed directly to the grantor at the grantors tax rate providing no income tax benefit.
- Since assets have not been irrevocably gifted, there is no gift tax consequence.
- However, since assets were not gifted during life, trust assets are considered part of the grantors gross estate for estate tax purposes at death.

Setting up a trust is not a cookie cutter one size fits all decision. Consulting with an estate planning attorney can help determine whether a revocable trust aligns with your goals and objectives during life and at death. If the use of a corporate trustee fits your planning goals and objectives, Cherokee State Bank can serve as trustee providing administration and asset management.

Kyle's Korner of Jokes



BY: AGDaily



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