

Quarterly Combine

Who Are The Buyers & Who Are The Sellers

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THE BUYER'S PROFILE:

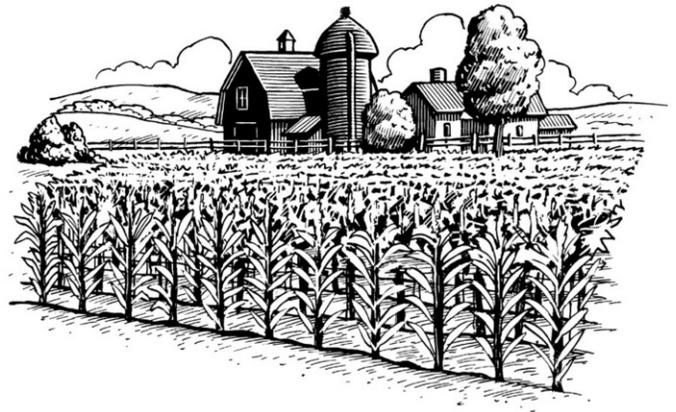
Farmland brokers, are frequently asked who is buying the farmland today? The answer in the Midwest and almost all of the Corn Belt is a vast majority of the buyers are farmers and farm families. In most locales, farmer buyers constitute 80-85% of the transactions. The questioner will typically almost always exclaim "good" with a sign of relief. It seems that the media and the coffee shop talk perpetuate a myth that our farmland is being bought up by corporations or foreigners. Most folks have a better opinion of the hard working farm family than they do of a faceless corporation, and would rather see the ownership with that farmer.

When we then explain that many upper Midwest states have anti-corporate and anti-nonresident alien farm ownership laws, they are totally surprised as it doesn't fit the myth. There are pros and cons of those restrictive laws, but that is a subject for a subsequent issue of the *Quarterly Combine*.

There are investment entities purchasing farmland in the U.S. for individual fund investors and public pension funds. Those buyers look for large assembled farms and ranches, sometimes with processing operations, in those states that permit such ownership. Currently, the number of transactions and the total acreage purchased by those entities is a small percentage of those farms purchased by farmers,

THE SELLER'S PROFILE: When I first started my career as a land broker, some 50+ years ago, the typical seller was the retiring farmer. Those were the families that we went to visit when we heard comments that they were considering retirement. Many of those farm families sold on

seller financed installment sale contracts amortized over a 10-20 year period. They looked at those payments as their retirement income, as living costs and health care costs were modest and stable after their sons had gone off to war in World War II and never returned to the farm. Then came the inflationary late 1970's followed by sky high interest rates in the early 1980's. Suddenly, the income generated by those lower sale prices was no longer attractive to the seller. That coupled with increased capital gain tax consequences caused many farm families to keep their farms when they retired. In the period from 1985-1992, the predominant sellers were lenders with acquired properties, going back to the "farm crisis" triggered by the high interest rates and low farm earnings.



During the 2004-2013 time frame, many sellers were taking advantage of rapidly rising farmland prices. However, during that period, operating farmers were very seldom selling. The seller's profile was similar to today.

As we interview today's sellers of farmland, there seems to be a common theme. We typically hear the fact that the farm being considered for sale has multiple owners. They may be siblings or cousins but most frequently related. The farm may have been their home farm or was inherited; and

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universally, they now have different financial needs, their ownership goals differ, or they are concerned about the next generation's ability to manage the property. They understand the difficulty in attempting to manage the human side of multiple ownership, with their diversity of wants and needs.

These families normally own their properties as tenants in common which means the party with the minority interest has the same rights as the majority owner. With these families, perhaps one individual has reluctantly assumed the management of the farm and they simply got tired of the second guessing of some of the other family members and they see it becoming more difficult.

Some of the family may want to continue owning some real estate and not desire to pay capital gains taxes because they are in high tax brackets, while others really could use the money today. Some need more retirement income or need to fund caregivers. When your needs require funding, taxes and future possible increases in value are of little concern.



When one owner wants to continue to own real estate, there is a rather simple solution. That owner can do a Section 1031 tax deferred exchange into commercial or investment real estate without the tax liability. One investment structure available to those individuals is a D.S.T. (Delaware Statutory Trust). These entities using this procedure typically invest in well researched real

estate properties and sell units of ownership in the DST to fund the ownership. The trust properties are a passive investment, professionally managed and the cash returns typically far exceed the net rentals from farmland. So for many individuals the DST becomes a good fit. Your cash earnings are improved and the management is taken care of. You defer capital gains taxes and use your entire equity from your farm sale productively instead of paying the tax and then have difficulty finding a suitable investment with what remains after taxes.

Another significant seller are estates. Frequently, Mom and/or Dad passes away, and the heirs wish to sell the farm, being one of the major assets in the estate. If the deceased party held title to the property, the heirs usually get a "stepped up basis," thus eliminating the capital gain tax issue. Those estates, particularly if there are multiple heirs find it advantageous to sell.

Thus, it is clear that the motivation to sell "the farm" is highly personal and is seldom the exact same as it is for some other members of the same family of owners. It is often not as much about the financial part of the transaction as it is just doing the right thing for that ownership entity.

When I see families a bit frustrated about whether or not to agree with another family member's position, I advise: Isn't it more important to go to future family reunions and enjoy the fun and benefits of "family" than to "fuss" over what you think should be done with the farm?

"The Experienced Farmland Professionals" at 1 Stop Realty spend a great deal of time with farm owners as they make these important once in a lifetime decisions, but at the end of the day, we want to remain true to our values and have the knowledge that our clients have complete and factual information as they make their decisions.

In doing so, our clients can make their decision freely without feeling pressure. That is very important to achieve a rewarding result upon completing the transaction.

If you are a landowner and want to chat with an Experienced Farmland Professional, please consider contacting one of the land consultants at our Kasson or Olivia offices. You will always find us willing to listen and share. Doing so places you under no obligation or cost. We are here to assist you in any way we can.

1 Stop Realty, Inc Honored Again

The Land Report magazine has named 1 Stop Realty, Inc as one of the “2015 America’s Best Brokerages”, and as one of the “2015 America’s Best Auction Houses” for the 3rd year in a row.

The annual lists of the top brokerages and the top auction houses from across the nation were published in the Summer 2016 issue of *The Land Report* magazine.



Cooking With Jan

Vegetable Spaghetti Salad

Jan Schley, GRI, REALTOR®



Ingredients

¾ lb spaghetti (cooked, rinsed, and cooled)
chopped green onions
chopped tomatoes
chopped broccoli
chopped cauliflower
chopped cucumbers
chopped carrots

Use as much or as little of any fresh vegetable of your choice. Toss well and chill. Before serving, add 1 bottle of Italian dressing.

For those of you who enjoy fresh veggies, this is a simple tasty salad.



Drones As Farm Tools

Wayne Alberts, GRI, Broker, REALTOR®



The new technology now for the farm is the drone; it has many useful purposes. There are two that seem to stand out from the crowd; the Phantom 111 and the Solo. The Phantom has its own camera built in and the Solo uses a GoPro camera. I bought the Solo because it fit best with the way I intend to use it.

When buying your drone, make sure that you get the gimbal to hold and move the camera. Camera technology changes just about as fast as a cell phone does, so mine will be easy to upgrade. The drone can be used from scouting crops to finding cattle that have gotten into the corn. You could also put up a video showing how you are taking care of your farm, to show how we as farmers are not the bad stewards of the land that some make us out to be.



I have also taken pictures of roofs of some of my buildings looking for damage after wind storms this summer. (see photo above)

A residential license is very easy to get and maybe took 10 minutes to go online and have a printed license in hand. Make sure to follow all the FAA rules, which include: never fly over 400 ft above the ground, and never fly around airport traffic. Most things are just common sense. Know your surroundings and have fun with your new tool for the farm. Hope this helps.

For more drone rules, go to: http://www.faa.gov/uas/getting_started/
To get your drone license, go to: <http://federaldrone.com/>

Ye Old Required Disclaimer: This newsletter is intended as general information to our clients and friends on agricultural subjects. It is not intended to render specific advice; such advice can only be given when related to actual situations and will be different for each person. If you have any questions, please contact “The Experienced Farmland Professionals” today at: **Kasson: 507-634-7033, or Olivia: 320-523-1050.**

Why Use an Accredited Land Consultant?

Wendy Forthun, ALC, Vice President, Broker, REALTOR®



Land transactions require specialized knowledge of: **LAND**. Whether its Farm Land, Timber Land or Recreational Land etc., they are all Land assets. Every type of land comes with its own challenges and opportunities.

As a seller or buyer in today's complex real estate market, you need a professional who will provide you with up-to-date knowledge, a variety of real estate services and ethical practices. In short, you need to rely on a leader in land brokerage - a real estate professional who holds the esteemed Accredited Land Consultant (ALC) designation. This is earned through the REALTORS® Land Institute (RLI) which is recognized as the premiere land real estate organization and has been serving the nation's Land real estate professionals and their clients for over 60 years.

There are only about 350 Accredited Land Consultants worldwide, and our success and skill is reflected in our proven track record of transaction performance and our commitment to professional growth. ALCs have studied the intricacies of land transactions and can help sellers and buyers alike make an informed real estate decision.

You wouldn't hire a mechanic to fix your furnace would you? So why hire a residential real estate agent to help you with your land transaction?

Here's what an ALC can do for you:



- Provide creative insights and recommendations regarding the highest and best use of your land.
- Create problem solving strategies when you face a land asset challenge.
- Sell your property by leveraging the highest level of professional knowledge, commitment, passion and creative marketing.
- Explore investment opportunities and options dependent upon your land purchase objectives.

I will leave you with this thought. There are 23,565 licensed real estate agents in the state of Minnesota and of those agents only 13 are ALCs! I am proud to say that I am 1 of those 13 ALCs statewide, as is Roger Heller.

If your investment plans include the purchase, sale or exchange of land, the most valuable decision you can make is working with an Accredited Land Consultant (ALC). "WHY USE ANYONE ELSE?"

What Is A Farmer

Anonymous

A farmer is a paradox – he is an overall executive with his home office; a scientist using fertilizer attachments; a purchasing agent in an old straw hat; a personnel director with grease under his fingernails; a dietitian with a passion for alfalfa, aminos and antibiotics; a production expert with a surplus and a manager battling a price-cost squeeze. He manages more capital than most businessmen in town.

He likes sunshine, good food, State Fairs, dinner at noon, auctions, his shirt collar unbuttoned and, above all, a good soaking rain in August.

Farmers are found in fields – plowing up, seeding down, rotating from, planting to, fertilizing with, spraying for, and harvesting. Wives help them, little boys follow them, the Agriculture Department confuses them, city relatives visit them, salesmen detain them and wait for them, weather can delay them, but it takes Heaven to stop them.

A farmer is both Faith and Fatalist – he must have faith to continually meet the challenges of his capacities amid an ever-present possibility that an Act of God (a late spring, an early frost, tornado, floods, drought) can bring his business to a standstill. You can reduce his acreage but you can't restrain his ambition.

He is not much for droughts, ditches, thoroughways, experts, weeds, the eight-hour day, grasshopper or helping with housework.

Might as well put up with him – he is your friend, your competitor, your customer, your source of food, fiber and self-reliant young citizens to help replenish your cities. He is your countryman – a denim dressed, business wise, fast growing statesman of stature. And when he comes in at noon, having spent the energy of his hopes and dreams, he can be recharged anew with the magic words: "The market's up."

Featured Listings

453± AC High Quality Farmland

Sections 11, 12, & 13 - Hayfield Twp
Dodge County, MN

453.22± acres with 431.67± tillable acres. Largest, high quality, contiguous pattern tiled farm to be offered in Dodge County in many years. Average 4.7 CPI. Good location with proximity to grain markets. Great expansion or first investment opportunity. Has lease for 2016 crop year.

MLS# 4069627

For more information, contact:

Kirk Swenson 507-634-7033 or

kirk@1stop-realty.com

Wendy Forthun 507-251-1637 or

wendy@1stop-realty.com

79.94± AC Farm & Recreational Land

Xxx Rose Street, Owatonna, MN 55060
Havana Twp - Dodge County, MN



This property has it all! 58 ± tillable acres, 18.5 ± wooded acres, all on a blacktop road close to Owatonna.

Whether you want to farm & hunt it yourself or rent it out, this property has lots of possibilities.

Don't miss out on this beautiful parcel of land.

MLS# 4073319

For more information, or an information packet, contact:

Wendy Forthun 507-251-1637 or

wendy@1stop-realty.com

257± AC Farmland Offered in 4 Parcels

Parcel 1: 20± AC Farmland - Sec 33 - Kalmar Twp.

Great exposure on high traffic U.S. Hwy 14. Currently zoned AG, with 14.66± tillable ac. Could have future commercial potential. 9 miles west of Rochester, just off the stop light intersection.

MLS#4070347

Parcel 2: 35± AC Farmland with Home Site. Looking for the perfect buy farm. This is a large walk-out rambler with 5 bedrooms, 3.5 baths, main floor laundry, and an extra kitchen in the basement. Includes: 32± tillable ac, large barn, corn crib, granary, and workshop shed. All right at the edge of town on blacktop road, 9 miles west of Rochester.

MLS#4070350

Parcel 3: 85± AC Farmland - Sec 23 - Kalmar Twp.

Good quality farmland with 80± tillable ac, 87 CPI value, and some tile. 9 miles west of Rochester along U.S. Hwy 14.

MLS#4070351

Parcel 4: 117.15± AC Farmland - Sec 4 - Salem Twp

Good quality farmland with 112.53± tillable acres, 88 CPI value, and some tile. Nice fill farm parcel or a great add-on to existing operations.

MLS#4070348



For more information, or an information packet, contact:

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Don't forget to check out our website for more details!

www.1stop-realty.com

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To handle all your Agricultural real estate needs, in a professional friendly manner, so that sellers, buyers, landlords, and tenants have a pleasant and enjoyable experience.



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