

"The Experienced Farmland Professionals!"

FALL ISSUE, 2008

Quarterly Combine

"Combining what's happening with what you need."

1 Stop Realty, Inc.

The Land Office, LLC.

THIS ISSUE:

- **Selling Farmland in Today's market**
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Our Mission;

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



SELLING FARMLAND IN TODAY'S MARKET

The last 18 months have made a dramatic impact on the agricultural real estate industry and have driven values to record highs. But, can these prices last long term, or will the "bubble" burst? Where will land prices ultimately go?

Some say that land prices will continue to increase into the next decade, similar to how they have in the past, while others state that there's no way we can maintain these price levels, because land won't cash flow—but has it ever?

The truth to this whole thing is probably somewhere right in the middle. When contemplating the possibility of selling some, or all, of your land, consider the following factors:

- Pricing
- Timing
- Capitol Gains Tax
- 1031 Exchanges

Pricing, where will it go from here, and how does it affect you?

What a difference a year makes. It was only 12 months ago that many in the ag real estate industry were wonder-

ing if the land market could sustain the price increases that had driven values to record levels. Yet, 12 months later, we're still in a very strong market with high demands and continued price strength.

However, some believe that we may be entering the peak of these land values.

If you look at the history of business cycles, they show that the "booms" don't last,

(remember the dot com boom of the 90's). Prices for corn, beans, wheat, energy, and minerals have moved higher than normal supply-demand factors justify.

Whether you're a buyer or a seller of land, you should take a side in the land value discussion and react accordingly. We would be more than happy to discuss your situation with you and help you realize what your options are.

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SELLING FARMLAND IN TODAY'S MARKET

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Timing, is now good for you?

If you are thinking about selling, now could be the best time. Land changes hands most often between September and February. This is because crops are out and the farmer knows his financial status, helping him decide if it is the right time to purchase additional land for spring planting. This may be the prime time to start thinking about selling, if selling fits your current needs.

Capital Gains Tax, will it stay the same or increase?

With the election now behind us, we have the task of answering the question about the possibility of an increase of the capital gains tax.

The capital gains tax has been at the lowest level in history for the last several years.

Therefore, it may be something you may want to consider if you're thinking about selling and taking the cash. Otherwise a 1031 Tax Deferral Exchange may be the right option for you.

1031 Exchanges, another option?

1031 Tax Deferred Exchange can range anywhere from a simple swap of two properties, to a complex, multi-leg, multi-property transaction involving a delayed, reverse, or construction exchange.

The benefits of exchanging include; using leverage to maximize your investment dollars, to property diversification to allow you the widest range of investment freedom. The investment strategy and the nature of the transaction will decide which exchange best suits your needs.

Contact "The Experienced Farmland Professionals" for more details on any of these factors.

THE COOKING CORNER WITH JAN: BEEF STEW

- 1 1/2 lb. beef for soup
- 2 tbsp. butter or vegetable oil
- 1 pkg. beef stew seasoning
- 2 c. water
- 1 sm. cabbage, chopped
- 8 carrots, sliced
- 3 stalks celery, chopped
- 8 potatoes, cubed
- 1 (16 oz.) can corn
- 1 (16 oz.) can peas
- 1 (16 oz.) can green beans
- 1 (16 oz.) can tomato puree
- 1 onion, chopped

In a soup pot, cook 1 1/2 pounds beef for soup in 2 tablespoons butter or vegetable oil over medium heat, turning frequently, until well browned. In a small bowl stir together 1 package beef stew seasoning and 2 cups water. Pour over beef, cover and cook over medium low heat for 1 1/2 hours. Remove fat from beef and cut or shred beef into bite sized pieces. Return to soup pot. Stir in remaining ingredient and add enough water to cover, and cook over medium heat for 1 hour.

FARMLAND VALUES

The demand for farmland by farmers and investors continues to be strong which has resulted in all-time high prices for farmland in most states. Farmland is generally in short supply, and there appears to be strong demand to buy.

The reasons for the continued increases have been in place for a number of years;

- Low Interest Rates
- Lack of Other “Exciting” Investment Opportunities
- Farmland Provides Consistent 3%-4% Net Annual Cash Return
- Supportive Government Subsidy Programs
- Desire To Live In A Rural Setting
- Desire To Enjoy Recreational Opportunities Only Available In The Country.

The buyers of farmland today range from neighboring farm owners and operators, to pure investors, rural home site buyers, and recreational property buyers.

As are other classes of real estate, farmland investments are very desirable and have created a “seller’s market” in many locations.

Nevertheless, the strength of the market does vary from location to location. Most often it is dependent upon recent crop production history and financial strength of the area.

Farmland continues to be an excellent investment. Returns are very competitive ,

cash plus the annual increase in value. With the concerns that the current stock market is creating, investing in farmland may be the safest place for your money.

Farmland is something you can see and touch, as where stocks are more of an intangible idea, and are easily depreciated in value.

Today we have many investors investing in farmland in the United States, possibly more than ever before. Therefore, this may be the time for you to consider selling some or all of your farmland, if it meets your current needs.

THE MANAGEMENT MINUTE

With the strength or weakness of the dollar, the price of oil, and the weather around the world, we can get a major reaction in the grain markets. These items can all have an impact on land values as well as cash rents.

Cash rents have been very strong and it looks like they should stay strong as long as commodity prices remain high. That will provide some good returns to land owners on their investment.

Back when we had calmer economic times, it might have made sense to set the farmland leases on a multi year program. But today, with the great fluctuations, we need to be renewing on a year-to-year basis to keep up with the ever changing rents. This would be

equitable for both parties involved.

Not only are annual negotiations advisable, but pushing up the schedule for negotiations also deserves consideration. It allows for an earlier commitment to buying inputs such as seed and fertilizer in order to capture early purchasing power and volume discounts.

With all of this in mind, remember:

What made sense in the past does not necessarily make sense in today’s economy.

CONTACT US ANYTIME!

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Learn more about our team, and the history of 1 Stop Realty, next issue!



402 S Mantorville Ave Kasson, MN 55944

WHAT'S FOR SALE?



Listing # 4006602

This parcel of land has many possibilities. Approx 50+/- acres of woods, 80+/- acres of income producing tillable land. 3 building sites. Close to Byron's high school. Future development potential. Call Wendy for more details!



Listing # 4005462

There is room on this property for one building site with 29.75 tillable acres, 7.25 Pasture acres. Farm it, rent it out, or build on this parcel. Located in Wasioja, north of Mantorville. Call Jan for more details!