

# Quarterly Combine

## What is Happening to Ag Land Values?

Roger Heller, Accredited Farm & Land Broker

With all of the problems in the housing market and commercial real estate the question about farmland is an appropriate one today. Let's look at a little recent history.

Midwest farmland prices took unprecedented increases in 2007 - 2008 due to rampant global demand for commodities. In late June, 2008 local corn prices were \$7.00 per bushel, soybeans about \$15.00 per bushel, and wheat near the \$20.00 per bushel mark briefly. Naturally, land demand reacted to those commodity prices. Then almost as rapidly the global demand for commodities fell and financial stress, unemployment, and all the other recession symptoms followed. As I write this, the cash price of corn at the local elevator is \$3.35 per bushel and soybeans are at \$9.33 for October delivery.

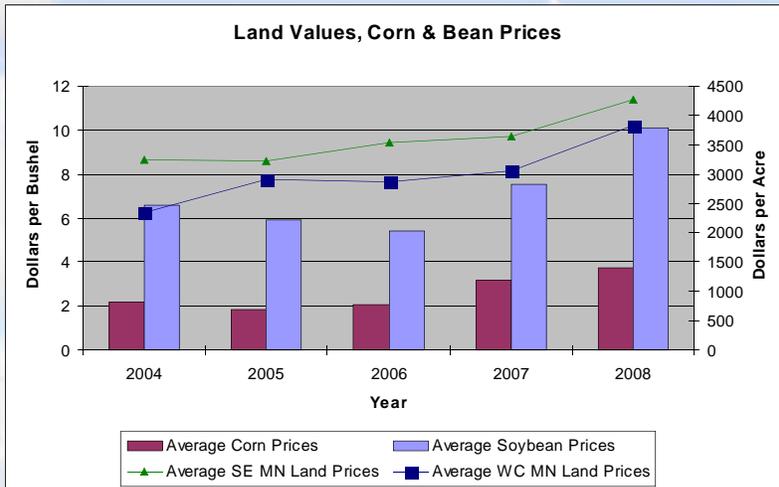
With all of that volatility on the earnings side, where is land demand? Actually, the demand for high quality tillable farmland remains strong. Prices paid for that high quality land today remains at or near higher levels paid in 2008.

Recently, the Federal Reserve Bank reported 3 - 4% decreases in farmland values nationwide for the first time since 1987. That small percentage decline seems rather insignificant when one measures it against 15 - 20% increases that occurred in 2007 - 2008.

Here are some other observations about today's land market:

**1. QUALITY:** The buyers have become more selective. In most communities, high quality land values are at or near year ago prices; however, farms that have a lower productivity index, poor drainage, have

Investors wanting a safe place to invest money without fear of corporate mismanagement and greed are looking at owning land and cash renting to farmers as a good hedge against future inflation, which could occur in the event that our government needs to monetize the huge growing federal debt.



*The past two years we have described the farmland market as a "seller's market."*

That terms still holds true today for someone having a reason to sell. Here is why we feel that is true:

1. The demand is good.
2. Capital Gains Rates are still at historical lows. Many tax experts expect them to rise in the future.

highly erodible land or poor field arrangements, have less demand and consequently bring less money.

**2. AMOUNT OF LAND FOR SALE:** There is less land on the market, which may be a factor on why land values are holding strong.

**3. WHO ARE THE BUYERS?** Both farmers and investors are buying. Those farmers that have had good crop yields and took advantage of the available marketing opportunities have cash to invest. They know and understand farmland and always are ready to increase their "land base."

3. There are tax deferred exchange opportunities in both residential rentals and well selected commercial properties.

In many of the growth areas of the U.S., bank acquired properties are available at huge discounts with strong chances for future appreciation.

In my opinion, the exchange of equities out of high value farmland into other depressed real estate certainly offers opportunities for some sellers.

All markets change and farmland is no exception. *We will continue to monitor land values and share our observations with our readers. If you need more specific information about the market in your locale, contact one of the 1 Stop professionals.*

# Crop Report

## SE MN Crop Report

Roger Wrase, REALTOR®

As I am writing this in late October, the crops are looking very soggy and the weather for this month has not been good to the farmer. Some rain in September would have been very beneficial to help finish the filling of those kernels of corn and the bean pods, but as you know, that didn't happen.

As of right now all of you are concerned about just getting the crop out. As you are harvesting make notes of problem areas; such as disease (white molds, etc.) tile that is needed, compaction areas that need to be addressed. Let's get the harvest done and do it in a safe manner. Remember to be careful and be safe. Start thinking and planning for the 2010 crop year.

Just a reminder of how short the rainfall was this year. I have put together a few past year's data for your information.

The rainfall totals for May 1st thru September 30th were:

2004-31.2 inches  
2005-20.7 inches  
2006-20.8 inches  
2007-30.5 inches  
2008-16.4 inches  
2009-15.3 inches

As of this writing we are almost up to normal for the 2009 rainfall amount. I know that is good for next Spring because recharge of the water supply is occurring. But I know that doesn't help the harvest that is getting pushed back every day. I will say it again, be safe and careful out there trying to finish up 2009. Good luck!



## WC MN Crop Report

By Roger Heller, A.F.L.B. A.F.M.

Yield variability will be the norm as farmers get into the 09 fall harvest in the west central Minnesota area.

Most crops were planted between April 12 and May 25<sup>th</sup>; and in most cases, soil conditions were good, thus plant emergence and populations were good to excellent.

The area had significantly less than normal rainfall each month from April through July resulting in a shortage from normal of up to 8 inches at the end of July. With less than normal subsoil moisture coming into the growing season coupled with sub-normal rainfall, we saw real crop stress in most fields. There were exceptions where localized thunderstorms produced sufficient rainfall, but they were spotty.

The first three weeks of August brought substantial rains to most of the west central area.

It has been a much cooler than normal growing season with July on record. The cooler temperatures helped save some of the crops from worse drought stress but it delayed maturity up to two weeks from normal.

September provided weather favorable for maturing crops; however, October has been much wetter, colder and cloudier than normal. The killing frost came October 9th and virtually no heat units followed, leaving most of the corn in the field on October 31st, 2009. About 55% of the soybean and sugar beets have been harvested.

## **‘Uff Da!’**

Norwegian Diet:

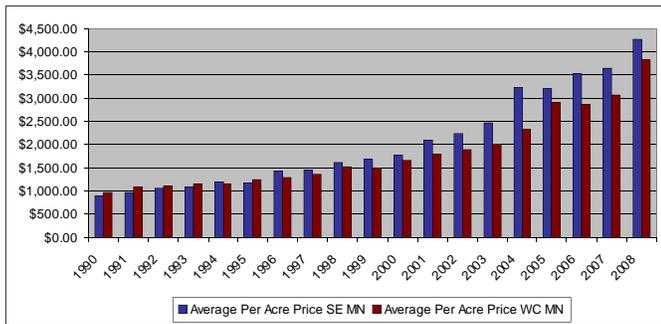
A Norwegian was terribly overweight, so his doctor put him on a diet. 'I want you to eat regularly for 2 days, then skip a day, and repeat this procedure for 2 weeks. The next time I see you, you should have lost at least 5 pounds.' When the Norwegian returned, he shocked the doctor by having lost nearly 25 POUNDS. 'Why, that's amazing!' the doctor said. 'You followed my instructions?' The Norwegian nodded and said... 'I'll tell you, though, I taut I was gonna drop dead dat 3rd day.' 'From hunger, you mean?' 'No, yust from all dat skippin!'

**2** OLE got into a lot of trouble recently at the Minneapolis-St. Paul International airport. He was walking through the terminal when he spotted his old friend, Jack Trygstad. Ole made his big mistake when he shouted across the terminal, "HI, JACK!"

# Farmland Can Be A Good Investment

Wendy Forthun, REALTOR®

The fact of the matter is that no other investment asset class has the blend of underlying supply/demand fundamentals which support farmland. This is the reason why agricultural property has had only one notable drop in valuation over the past 50 years, and why it has held up so well during this recent economic crisis. People need to eat, and farmland, which is required to grow food, is declining in supply. Those two factors alone are all you really need to know about farmland to recognize that it is a sound investment.



Additional benefits for owning farmland:

- Never a vacancy
- Unlike paper assets, land is not going to disappear
- With proper management, land can improve over time
- It builds wealth and allows for wealth sharing between generations
- Managing the asset can be as difficult, as farming it, or as easy as cash-renting it, as you want.

The average annual return on U.S. farmland since 1950, including crop yield and land appreciation, is 11.5%, vs. a 12% annualised total return for the stock market . The farm returns actually came with about half the volatility of stocks.

During the past six months, owner/operators around the country

took advantage of the decline in investor attention and purchased available land to expand their operations. It was that activity that kept land values steady despite the turbulent economy.

A good indication of the strength of the land market was that even with all the uncertainty and the stress on the market the past twelve months – land values held, I think that speaks to the quality of the land, but also shows the confidence today's buyers have in the land market as an investment opportunity.

As with any investment, there are risks associated with owning farmland. Both land values and rental rates will fluctuate in the future. Commodity markets and government policies can influence farmland values and rental rates. There are, however, several factors that make an investment in farmland favorable when compared to other real estate investments.

Housing, retail and office space all need to be consumed on site, they are very dependent on the local economy. Because farmland produces internationally traded commodities, it is much less dependent on the local economy than other forms of real estate. There are no renovation expenses when tenants change or when a tenant decides to produce another crop. Farm operations are highly scalable, in order to rent an additional 300 acres, for example, most farmers would not have to hire additional employees or purchase additional machinery. This makes the market for rentable farmland very competitive.

As long as people eat, productive farmland will have value. Unlike stocks or bonds, there is no underlying company to go bankrupt or miss analyst expectations on an earnings report. Office buildings and retail space will physically depreciate, there will be repairs that need to be paid for and eventually the buildings will become obsolete, properly managed farmland will not. (taken from the Agrinuity Website)

***Olivia office has moved!***

**1302 West DePue Ave Olivia, MN 56277**

**Our Phone number will remain the same:**

**320-523-1050**

**Stop by and see the new office!**

# The Auctioneer's Corner

**Real estate land auctions have been around for centuries and they are on the rise!**

**By Kristine Fladeboe Duninick  
Auctioneer & REALTOR®**

Auctions are one of the oldest forms of selling real estate and personal property; auction history spans centuries. American auctions date back to the Pilgrim's arrival on America's eastern shores in the 1600's and continued in popularity during colonization with the sale of crops, imports, livestock, tools, slaves, and entire farms.

As we know today, an auction occurs when consumers gather physically, or on-line, to buy land or an item by bidding against each other until the highest offered price is reached.

A research study commissioned by the National Auctioneers Association shows that auctioneering is an industry on the rise, and one very rapid growing area is real estate. According to the National Auctioneers Association, 58.6 billion dollars of real estate was sold in 2008 by the auction method of marketing. As time has gone by, more and more people are selling their land by auction as the popularity and statistics for this method are very strong.

*Why should I sell my land at auction?*

So how can auctions benefit you, as a seller? Listed are the reasons for you to consider.

**Often times the spirited bidding becomes competitive and drives the price!**

Auctions motivate buyers to perform and the competition created by a public auction is a great advantage.

With traditional real estate, if two or more buyers were interested in your property at the same time, the seller/agent could not legally discuss or disclose what each was offering. At public auction, all offers are verbal and public, and a fair market value is determined on the spot. The open, com-



petitive bidding can drive the price up and give you the best chance to sell your property for the highest price that buyers are willing to bid on that given day. Auctions bring out the competitive nature in all of us!

**A detailed, high impact marketing plan of your property is implemented!**

Marketing a property for public auction means exposing it to thousands of people at one time, whether they are looking for property or not. This extensive, high impact advertising and marketing blitz includes several Internet web sites,

marketing flyers, newspaper ads, signs, direct mail, telemarketing, radio, face to face visits and more. Furthermore, we determine if on-line bidding will be a complement to the live auction.

**You set the date and buyers will attend prepared to buy, with no negotiating!**

As a seller, you choose a convenient date for your auction. The auction process is quick and efficient and if a buyer is truly interested, they must be prepared to purchase on the day of the auction. When people bid, they make a commitment to buy the property at that price without discussion or debate. After the sale, the successful buyer will sign the "AS IS" purchase agreement and attaches a significant, certified down payment assuring the seller of their sincerity. A great sense of urgency is created by the auction date!

**The atmosphere is exciting and everyone interested has an equal opportunity!**

With the combination of excellent marketing and the auctioneer's attention-getting chant, you often have enthusiastic, attentive buyers aggressively competing to purchase your property. When you choose to sell your real estate by public auction you will know that you have had the best opportunity to allow the "free market enterprise system" work to determine the highest dollar value that people are willing to pay for your property.

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## **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, Kasson: 507-634-7033, Olivia: 320-523-1050.

**4** OLE TELLS us that Lena's mother came to Minnesota in a covered wagon. He adds, "and if you ever have seen Lena's mother, then you would know why the wagon was covered."

# Cooking With Jan

## GRANDMA LAURA'S APPLE UPSIDE-DOWN CAKE

Jan Schley, GRI, REALTOR®

Slice 6 apples in two 9 inch pie tins and sprinkle ¼ cup sugar and as much cinnamon to your liking over the apples.

### Batter:

1 cup sugar  
1/3 cup butter {can use oleo}  
1 egg  
1 teaspoon vanilla  
½ teaspoon salt  
2 teaspoons baking powder  
2 cups flour  
1 cup milk



Mix batter and pour over spiced apples. Cook on 350° for 30 minutes, or until a toothpick comes out clean.

You can serve it warm and put a little milk on it, that is the way our family prefers to eat it.

Summer is over, hope each of you had an opportunity to relax and enjoy some summer time fun.

“FALL” is here, a favourite season of mine, school and all its' activities are in full swing. Crops are being harvested, hopefully all of you farmers had ample growing conditions and are reaping in a bountiful bumper of a crop. Whether you are tending the remainder of your garden vegetables, digging flower bulbs or planting some for spring, or picking apples.

Most of all what we enjoy about” FALL” is the changing colours of leaves on our trees, what a glorious beauty they bestow upon us! Lets' all try and set aside a day to take a scenic drive to see all of mother natures marvelous colours, and don't forget to take the camera along.

Until next time my friends.....

## The Housing Corner



### Good News about Home Foreclosures

Jan Schley, GRI

We are seeing a slight decline in home foreclosures due to willingness of mortgage companies to work with home owners, and the First Time Home Owner tax credit program.

Mortgage companies are now more willing to work with home owners in lowering their interest rates and creating a plan that allows them to catch up on payments with out penalties. Unfortunately, this doesn't work for all home owners. Many have lost their jobs and are unable to find new employment that pays enough to keep up with all of their financial commitments.

Sales of these properties have been quite good. Lower prices have helped contribute to this. Many of the buyers are investors, while others are taking advantage of the First Time Home Owner \$8,000 tax credit program. It is predicted that this program will

end by December 1st, most transactions will need to be in place by October to insure plenty of time to be closed by the deadline.

As of this printing I have not been notified that this program will continue. Hopefully the number of foreclosed homes will keep declining, and the economy will soon get back to a better status, but remember, it took awhile to get into this situation and it will take time to get things back on track. It is the American dream to be a home owner, and we want this to once again to be possible for everyone who is chasing that dream.

LENA BOUGHT a parrot at an auction after some very spirited bidding. "Are you sure this bird talks?" asked Lena. "Talk?" replied the auctioneer. "He's been bidding against you for the past ten minutes."

# What's For Sale?

## 11 & 40 ACRE BUILDING SITES FOR SALE



MLS# 4015798 - \$112,000



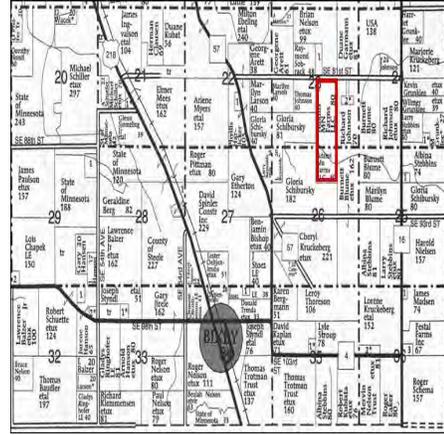
MLS# 4015797 - \$175,000

### 23rd Street NW, Byron, MN 55920

Looking for some affordable hunting ground or a place to build your dream home or cabin? Either the 11 acre or the 40 acre building site should be exactly what you may be looking for! Abundant wildlife (deer, pheasant, turkey), close to back top road, and only 10 short miles to Rochester. Get out in the country and enjoy the "Nature" of this peaceful setting!

Call Wendy Forthun for more details at **507-634-7033** or email at [Wendy@1stop-realty.com](mailto:Wendy@1stop-realty.com)

## STEELE CO. FARMLAND FOR SALE



### Section 23 & 26 Twp. 106 N Range 19W

Thinking about expanding your current farming operation or maybe you're just getting started in the farming business. This could be the parcel for you. Average soils, patterned tile throughout, good cash return. This farm had 190 bu corn in 2007. Contact "The Experienced Farmland Professionals!"

Call **Bob Savre** at **319-415-8713** or **Roger Heller** at **320-523-1050** for more information and directions to the parcel.

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

**[www.1stop-realty.com](http://www.1stop-realty.com)**

## POTENTIAL\* BUILDING SITE FOR SALE DODGE CO. MN

28 +/- acres - App. 21.5 tillable acres  
Woods, small river, excellent habitat for wildlife.  
(\* Potential, with proper bldg site prep with the county.)

Call **Wayne Alberts** or **Wendy Forthun** for additional information & location of the property at **507-6347-033**, or e-mail us at [wayne@1stop-realty.com](mailto:wayne@1stop-realty.com) or [wendy@1stop-realty.com](mailto:wendy@1stop-realty.com)

## DEVELOPMENT PROPERTY FOR SALE

98+/- acres of Ag/Development land in Wright County MN  
1 1/2 miles North of Albertville, MN  
Is currently rented out as ag land

*Comments: This property has excellent future development potential. It also located 3/4 mile from the Mississippi River. Must see this piece to appreciate it's location.*

Call **Roger Heller** or **Pat Keltgen** Olivia Office at 320-523-1050

Liked what you see?

We have detailed information sheets and brochures on all offerings. Let us mail you information on the property(ies) you are interested in. Call us at Kasson: 507-634-7033 or Olivia: 320-523-1050 or visit our website at [www.1stop-realty.com](http://www.1stop-realty.com). This information is from sources deemed reliable, but is not guaranteed by agent. Package is subject to prior sale, price change, correction or withdrawal.

## Amending Septic System Ordinances—Why Now?

Gretchen Sabel, MN Pollution Control Agency

County septic system ordinances are vital for protecting people's health and the county's water resources. In this time of budget cuts and reductions, some people are questioning whether ordinances really need to be amended.

Since 1997, Minnesota law (Minn. Stat. § ch.115.55, subd. 2) requires counties to administer septic system programs that meet state requirements. These requirements are set forth in the state's Subsurface Sewage Treatment System (SSTS) Code, Minn. R. Ch. 7082, amended effective February 4, 2008. By law, county ordinances are to be amended to meet the new code within two years of its adoption – **no later than February 4, 2010.**

To assist counties in their ordinance revision, the Minnesota Association of County Planning and Zoning Administrators, with funds provided by MPCA through the Association of Minnesota Counties or American Mining Congress (AMC) Foundation, developed a model ordinance that several counties have used in developing their new septic system ordinance.

This model ordinance is posted on MACPZA's Web site for all to use: [www.mncounties3.org/macpza/](http://www.mncounties3.org/macpza/). The state has been able to provide funding to help offset the cost of administering the SSTS program over the years, mostly through the BWSR Natural Resource Block Grants. These grants have increased from initial funding levels of less than \$1000/county in the late 1990's to the current \$10,000 a year for fiscal years 2007, 2008 and 2009. To qualify for these funds, each county that administers the program must meet the minimal requirements of having a county ordinance to regulate SSTS and filing an annual report with MPCA.

**Additional funds for special projects to find and fix problem septic systems, and to provide funding for low-income homeowners to replace their systems, have been provided through the Clean Water Legacy.**

Check out these websites for details:

<http://www.septic.umn.edu/realtors/index.htm>

<http://www.pca.state.mn.us/programs/ists/index.html>

### FARMLAND FOR SALE RENVILLE CO. MN

An auction (DATE TBD) will be held on 160+/- acre tract of land in Norfolk Township.

155.25 +/- acres tillable  
The crop productivity index is over 90



Call Roger Heller or Pat Keltgen for details and location of the auction at **320-523-1050, 320-522-1040, 320-522-1488** or e-mail us at [rheller@mchsi.com](mailto:rheller@mchsi.com) or [pkheller@mchsi.com](mailto:pkheller@mchsi.com)

### UPCOMING FARM LAND AUCTION!

This is an excellent buying opportunity with good soils. **2-80 Acre Farm Land Parcels** to be sold at Auction.

**Date:** December 10th, 2009 in Kerkhoven, Minnesota.

**Land Location:** Section 16 Woods Township Chippewa County, MN



Call Kristine Fladeboe Duinick of Fladeboe Auctions for more information **320-212-9379** or visit [www.fladeboeauctions.com](http://www.fladeboeauctions.com) to view a full bill listing.

**Liked an article, or have an idea for one  
you would like to see us discuss?**

**Send us an email at [info@1stop-realty.com](mailto:info@1stop-realty.com)**

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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.**

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