

## Deciding When To Sell--The Tax Question

By Roger Heller,, Broker, REALTOR®, A.F.L.B., A.F.M.



The timing of an acquisition or the sale of an asset can have a huge impact on the investor's bottom line. Many factors enter into the timing of a sale and one obvious one today is the impact of capital gains taxes. Federal capital gain tax rates are still at historical lows, and probably will be for the balance of 2010.

The actual gain on most farmland sales gets taxed at the federal level at the 15% rate today. However the Federal Administration has announced that they intend to increase those rates very soon. Rate increases have been suggested up to and maybe even above the 22% level, however until any change becomes law, none of us can predict that change precisely. One thing I want to be clear about is that independent tax experts do expect a tax rate debate and hike.

Thus, if the other factors motivating a sale exist, the timing of a sale of land in 2010 certainly does present the possibility of very substantial capital gains tax saving. It needs to be pointed out that many states have capital gain taxes also. In addition certain types of property can be subject to depreciation recapture which then becomes taxed at ordinary income rates.

There are many other nuances in the tax code that can affect the outcome to an individual taxpayer also. So one can see that almost every transaction may have its own tax ramifications. Thus, you will not find the representatives of 1 Stop Realty, Inc.

## Farm land Values Increase Slightly

David Bau is an ag business management educator with University of Minnesota Extension.



Farm land values continued to rise last year and are once again reaching all time record levels, according to a survey I conduct annually on bare farm land sales. However, the recent increase across the fourteen Minnesota counties surveyed was only 0.8 percent.

I often receive requests for this information from across the state, although all

counties surveyed are in southwestern Minnesota. Surveyed counties include: Chipewewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Martin, Murray, Nobles, Pipestone, Redwood, Rock, Watonwan and Yellow Medicine.

Data from these counties indicated prices increased from an average of 3,702 in 2008 to \$3,733 in 2009, or an increase of 0.8 percent. This increase is significantly smaller than last year's 30 percent increase. There was a lot of variability from 2008 to 2009. The largest increase was in Lac qui Parle County with an increase of 26.8 per-

cent while Cottonwood County experienced a decline of 36.7 percent

giving tax advice, rather instead we urge you to obtain the services of a competent tax professional before you place the property on the market. Not all tax preparers are experienced with the portions of the tax code involving real estate transactions. Consequently consult with your 1 Stop Realty, Inc. professional. They can help you locate a competent professional that can provide you with accurate information or a second opinion.

I feel so strongly about this issue that I have provided my clients with the option of up to two hours of consultation with a leading CPA firm that I have on retainer. Often times when a client has a complicated transaction we will take the issue to the expert in that CPA firm to be certain that we get the transaction properly structured, up front.

Tax consequences are only one of many important factors to consider when deciding whether or not to sell. We will attempt to address some those factors in future issues of the *Quarterly Combine* or on our website. In the meantime if you want to discuss your real estate situation with one of the 1 Stop professionals, give us a call. You can expect us to ask many questions, attempt to ascertain your real needs and help you be able to make a decision regardless of whether or not it results in business for us. Our number one priority is as it should always be,

*THE NEEDS OF THE CLIENT  
COME FIRST.*



cent while Cottonwood County experienced a decline of 36.7 percent

Four of the counties experienced declines in farm land values. The two counties with the largest declines, Cottonwood and Lyon, were those with the largest percentage increases from 2007 to 2008. Assessed values became closer to sale values. Historically, the assessed value would be 75 to 80 percent of the sales value, but the survey showed the new average for the fourteen counties increased to 94.78 percent. Three counties

**Continued on page 2...**

# Crop Report

## Corn For Grain

County	Planted Acres	Harvested Acres	Yield
-----WEST CENTRAL MN-----			
Brown	155,000	147,400	184 bu
Chippewa	146,000	144,200	178 bu
Kandiyohi	154,000	151,000	186 bu
McLeod	116,500	111,000	183 bu
Meeker	118,000	112,200	175 bu
Nicollet	120,500	115,500	182 bu
Redwood	239,500	236,500	187 bu
Renville	251,000	244,000	184 bu
Sibley	159,500	155,800	190 bu
Yellow M.	195,000	190,400	173 bu
-----SOUTH EAST MN-----			
Dodge	118,500	115,500	183 bu
Fillmore	175,000	162,200	176 bu
Freeborn	187,000	184,300	177 bu
Goodhue	150,000	138,300	187 bu
Mower	185,500	181,900	176 bu
Olmsted	110,000	101,000	180 bu
Rice	85,500	78,900	187 bu
Steele	107,000	103,800	184 bu
Wabasha	86,800	75,000	183 bu

## Soybeans

County	Planted Acres	Harvested Acres	Yield
-----WEST CENTRAL MN-----			
Brown	126,000	124,600	44.5 bu
Chippewa	99,700	98,600	43 bu
Kandiyohi	109,000	107,900	44 bu
McLeod	87,000	86,000	43.5 bu
Meeker	104,500	103,600	42.5 bu
Nicollet	85,400	84,500	44 bu
Redwood	209,000	207,000	45.5 bu
Renville	191,500	189,700	46 bu
Sibley	115,000	113,800	46 bu
Yellow M.	164,000	162,200	41 bu
-----SOUTH EAST MN-----			
Dodge	88,600	87,700	44 bu
Fillmore	88,100	87,100	44 bu
Freeborn	148,500	146,900	42.5 bu
Goodhue	96,800	95,800	47 bu
Mower	163,000	161,400	42 bu
Olmsted	76,700	75,800	43.5 bu
Rice	69,700	68,900	47.5 bu
Steele	83,200	82,500	43 bu
Wabasha	40,100	39,700	44.5 bu

## Farm land values increase slightly Continued...

David Bau is an ag business management educator with University of Minnesota Extension.

experienced average sales prices that were less than the average assessed values.

There are several factors that have an effect on land values. Farm income, grain prices, interest rates, return on other investments and 1031 exchanges are often mentioned as reasons for the increase. Farm profits continued to be good in 2009 although down slightly from the year before. In 2008 profits were good, but not at record levels. This trend will probably continue, depending on good corn and soybeans yields. Many livestock producers

experienced a tough year in 2009, with losses instead of profits due to poor prices for their commodities and high feed costs.

How high can farm land values go? Supply and demand will determine this. The simple return on investment, determined by rental rates, will determine how competitive farm land is compared to other investments. If interest rates rise or farm rental rates fall, the value of land is sure to be affected in a negative way. Barring those scenarios, the price of farm land will continue to climb.

If you would like a copy of a two-page document on the trends in farm land sale prices, and you live in one of the fourteen counties surveyed, the document is available at no cost at your University of Minnesota Extension county office (contact information for Extension offices can be found at <http://www.extension.umn.edu/offices/>). If you reside in another county and would like the document sent to you, contact me at (507) 372-3906 or [bauxx003@umn.edu](mailto:bauxx003@umn.edu).

The opinions expressed in this article are not necessarily those shared by the "The Experienced Farmland Professionals" at 1 Stop Realty, Inc.

**2** Sven and Ole were walking through a field and saw a big hole. They wondered how deep it was; so they threw a rock in but didn't hear it hit the ground So they looked around and found a big plank, which they dragged over and threw in the hole. Again, they didn't hear a thing, but

# 2010 Agri-News Farm Show Highlights



This was our second year at the Agri-News farm show in the Graham Arena in Rochester. It's a great showcase of our AG industry's finest products, services, and technology. We were pleased to see some familiar faces and of course the new.



Some attend the show for the social aspect, maintaining contacts, revising booths from last year, staying informed of new products and for some it's just a chance to escape the fields and "kick some tires;" it is also a great way to network and meet customers face to face.

"I look forward to seeing you there again next year!"

--Wendy

## Dear Readers,

It has come to our attention that there are errors in our mailing list resulting in people getting more than one copy of the *Quarterly Combine*. We would like to let you know that we are making every effort to resolve this issue. In order to help us in this endeavour, please call, write, or email us if you receive more than one copy of this quarter's edition, or if you would like your mailing address modified.

Thank you for your understanding in this situation.

Donna Marie Albertson  
Administrative Assistant  
*Quarterly Combine* Editor

all of a sudden a goat came running by at incredible speed and plunged down the hole. Still they didn't hear a sound. A bit later a farmer came by looking for his goat. Sven said, "It might be the goat who just ran past and jumped in the hole." "Oh, no," said the farmer, "that can't be... my goat is tied to big heavy plank."

# The Housing Corner

## Good News

Jan Schley GRI, REALTOR®



Good news, Residential showings and sales are getting better. We had a long cold snowy winter, that was partly to blame for slower activity during the winter months. Now that Spring is here a brighter outlook is occurring,

The tax credit is in effect until April 30th. This is still creating much interest and is

helping sales. The economy has some bumps in the road yet to get ironed out. Market has not quite gotten back to where we

would like to see it There is many indications it will improve as the year goes on. Interest rates are good, that is a plus.

I personally am optimistic that we are on the up hill trend. We just have to be patient, and look forward to the future When our Summer edition comes out, hopefully I'll be reporting more good news to you.

**Check our website for current listings!**

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

## Cooking With Jan

### HAM LOAF

Jan Schley GRI, REALTOR®



#### Deenas "HAM LOAF"

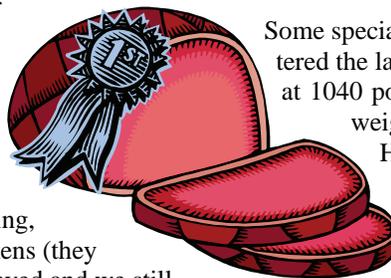
- 1 pound ground pork
- 1 pound ground ham {she prefers Honey Ham}
- 2 well beaten eggs
- 1 scant cup milk
- 1 grated chopped onion
- 1 cup cracker crumbs {she prefers Ritz crackers}

#### Method

Mix ingredients well, form into a loaf, put in a greased 9x9 pan or on a pizza stone Top with crushed Honey corn Flakes {can use regular corn flakes} drizzle with honey, bake @ 350°F for 1-1/2 hours

### Happy SPRING, it sure was a good old fashioned WINTER!

Farming has been our families' lifestyle for many years, starting with our grandparents, dating back to the late 1800's'. It used to be most farmers milked cows, raised chickens and pigs, and had huge gardens. Dads, moms and kids worked hard together making a living off their land. Times have changed. 50 plus years ago we started farming, milked cows (they were the first to go) chickens (they were next to go) and raised pigs. The pigs stayed and we still have some, but on a much smaller scale.



When my husband Roger was 15 he was in FFA and bought a purebred Black Poland China Boar. He showed him at the State Fair and won Grand Champion, and that was the start of the pig raising showing business. Our sons, and then grandkids, showed pigs in 4-H at the Dodge County Fair, and continued showing at the Minnesota State Fair. It has become a family affair. They have a decorating contest, each year we come up with a different theme and decorate the pens. Last year our theme was the Vikings, we named the boy pigs after players and girl pigs after cheerleaders. That drew large attention, partly due to the fact of Brett Favre, including media attention.

We have been fortunate to win the contest the past several years. They used to give silver a tea pot as a prize, now it's caps and sweatshirts. This year will mark our 55th year showing at the State fair. Our sons and their families have taken over the work, expense and preparation.....we still like to tag along . Sleeping in the hog barn is part of the fun, fairs and saw dust is in our blood.

Some special memories were in 2002 and 2005 when we entered the largest Boar contest and won! "HENRY" weighed in at 1040 pounds and a few years later his son "DANNY" weighed in at 1040 pounds--that is a lot of Bacon and Ham. We promote "PORK" the other white meat, it is very nutritious. Some of our family members are not to keen about eating pork, due to the fact our pigs all have names--that is kind of tough. We like our Purebred Black Poland China Pigs, hopefully the family tradition will carry on.

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An oil drilling company in Texas had a big well fire. Even Red Adair couldn't put it out. They offered an award of \$50,000 dollars. A Finnish fire department from southern Texas offered to come up and put out the fire. As they came roaring up the highway, they turned off into the oil field....not only up to the oil fire, but right INTO IT. The Finnish firemen jumped out of the fire truck and began to frantically thrash

# The Auctioneer's Corner

## The Case For Selling By Auction

Gary Hotovec, Auctioneer, Real Estate Associate



Buying or selling farm land? Hi, I'm Gary Hotovec, and I am proud to announce that I have accepted a real estate sales position with Heller Group-1 Stop Realty, Inc. in Olivia, MN. My back-

ground and experience has been in ag-related sales since I was honorably discharged from the US Air Force in 1968.

In 1968, my first sales position was with Willmar Implement Co., Willmar, MN selling Minneapolis Moline and then International Harvester farm equipment. In 1973, I took a sales/management position at Hutch Equipment in Hutchinson, MN. I graduated from the Mason City College of Auctioneering in Mason City, Iowa in 1984 and in 1988 I got my Minnesota Real Estate license. In 1992, with my agriculture sales background I decided my focus would be in farm real estate and at that time joined what was North Central Agriculture Services, Olivia, MN owned by Roger Heller, (who incidentally, was my high school Ag instructor and FFA advisor).

My wife, Holly and I have owned the livestock auction market in Hutchinson, MN since 1994. I do have the market leased out on Wednesdays to Brad Thelen from Long Prairie, MN for the weekly livestock, hay and straw auctions. From our office in Hutchinson, we run a full service auction business that includes farm equipment, retirement farm auctions, and farm real estate auctions.

Roger now operates Heller Group which is a part of 1 Stop Realty, Inc. from Kasson, MN. Words can't explain how happy I am to be a part of this great farm land real estate company. The primary area that I'll be serving is McLeod, Meeker, Sibley, Southern Wright, Eastern Renville and South Eastern Kandiyohi Counties.

At Heller Group-1 Stop Realty, Inc., not only do we do farm land sales and auctions, but we can help you with 1031 exchanges, farm management questions and offer a no-cost consulting service on questions that you may have concerning the possible marketing of your largest investment, your farm.

Nothing hurts me worse than someone telling me, "I sold my farm myself and saved the commission".

### *Commission is an investment, not an expense!*

Saving a few dollars of commission and giving away hundreds of dollars per acre has been hard for me to understand. You've worked hard all your life paying for your farm and when the time comes to sell it, professional farm real estate sales personnel can and will get you the return you and your family deserve.

Interestingly enough, the other day a farmer customer of mine asked me, "Why are there so many farm land auctions and why aren't sellers selling farm land like they used to, like the old conventional way of just listing the property?" In my opin-

ion, the answer is simple. By using the auction method of marketing the seller is defining a time period that their land will sell.

### *All the attention is focused on their land that is being sold by auction and their land only.*

With thorough extensive advertising, targeted marketing and providing a pre-auction information package, buyers can make good sound buying decisions. The competitive bidding at an auction, after the marketing has been focused on a particular piece of farm land, will most likely meet or even exceed expectations.

At 1 Stop Realty, Inc. in Kasson, Heller Group in Olivia and the entire staff at both offices are dedicated professionals with many years of Real Estate marketing experience. If you are either looking to buy farm land or information to sell, give us a call today!



## **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.

at the fire with their jackets. Miraculously, the fire was put out by these Finns! As the superintendent reacted with amazement, he led Ole, the fire chief, into his office where he made out the check for \$50,000 dollars. "Congratulations, Ole. What do you intend to do with the money?" the superintendent asked. Ole replied, "Vell, first of all ve vill haff to get da brakes fixed on our fire truck."

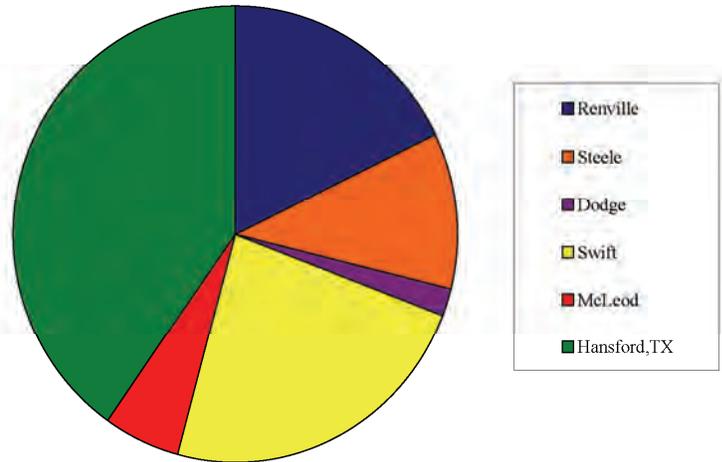
# Land Is Selling Strong



**Check out our first quarter results!**

AC	COUNTY	SOLD	PRICE
160	Renville	Jan	\$1,029,100
120	Renville	Jan	\$636,000
138	Steele	Jan	\$638,480
40	Dodge	Jan	\$160,000
113	Steel	Feb	\$430,000
155	Swift	Feb	\$628,050
115	McLeod	Feb	\$526,186
2,409	Hansford,TX	March	\$3,800,000
112.75	Swift	March	\$451,451
159	Swift	March	\$533,286
40	Swift	March	\$149,760
97.50	Swift	March	\$363,090
40	Swift	March	\$81,000

Total Sales Per County



## What's For Sale?

**160+/- ACRES & 8+/- ACRE BUILDING SITE**

*Check out our website for more photos and information: [fladeboeauctions.com](http://fladeboeauctions.com)*



**Chippewa County, Sec 14,  
Lone Tree Twp.**

152+/- Acre prime tillable land. 2002 Timber frame 1 ½ story house, with 3 bedrooms, 3 bathrooms, finished basement, loft, and two car garage. Surrounded by mature grove. Raymond MN area.



Call **Kristine Fladeboe Duininck** for more details at **320-212-9379** or email at **[Kristine@fladeboeauctions.com](mailto:Kristine@fladeboeauctions.com)**

**Liked an article, have an idea for one you would like to see, or even a favorite Ole and Lena Joke to share?**

**We'd love to hear from you!**

**Send us an email at [info@1stop-realty.com](mailto:info@1stop-realty.com) Subject line: "Quarterly Combine!"**

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

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

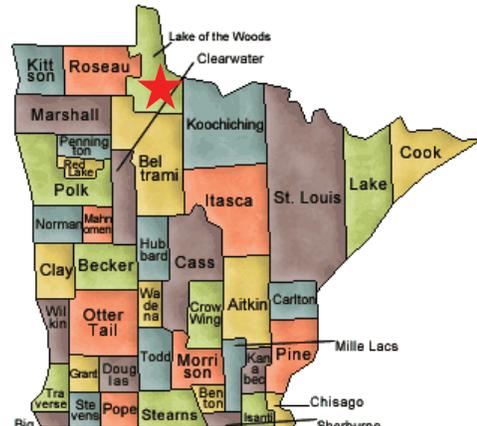
**POTENTIAL\* BUILDING SITE FOR SALE  
DODGE CO. MN**



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)

**3,932 ACRE NORTHERN MN FARM  
LAKE OF THE WOODS CO.**



3,932 Acres farmland and wooded river recreational land.  
2,640 Acres tillable, large easily farmed well drained fields,  
plus 220 in CRP. Balance in mostly wooded recreational land,  
with miles of river frontage. Thoroughly ditched to excellent  
outlets. Essential service buildings included.

*This is a rare opportunity to acquire a proven, profitable,  
economic sized farm.*

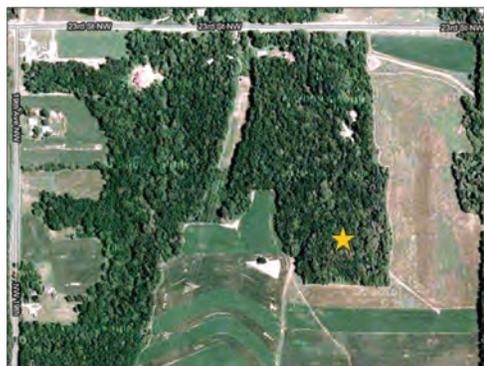
Call **Heller Group**, 1 STOP REALTY, Inc. at **320-523-1050**

**APPROVED 11 ACRE BUILDING SITE**

MLS# 4015798 - \$112,000

**23rd St Byron MN 55920**

Looking for some affordable hunting ground or a place to build your dream home or cabin? This approved 11 acre building site



it is! Abundant wildlife (deer, pheasant, turkey), close to blacktop road, and only 10 short miles to Rochester. Get out in the country and enjoy the "Nature" of this peaceful setting!

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**3 +/- & 40 ACRE BUILDING SITE & LAND**

MLS# 4017585 - \$65,000

MLS# 4017584 - \$220,000

**62974 190th St Dodge Center MN 55927**

Beautiful wooded 3 +/--acre lot with city sewer, private well and natural gas. Located just outside the city limits with endless possibilities.

Additional land can be purchased; 40 acres, approximately 16.5 tillable, with lots of woods, small creek, and abundant wildlife. Survey to be done at time of purchase offer.



Call **Wayne Alberts** for more details at **507-696-0955**  
or email at [wayne@1stop-realty.com](mailto:wayne@1stop-realty.com)

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**Our Mission:**

**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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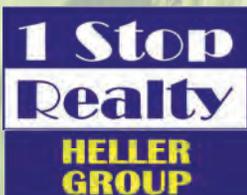


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