



Upper Midwest
Management

NORTH CENTRAL NEWS



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Fall 2009



What's In The Barn?

By: Dennis Schmidt, A.F.M.

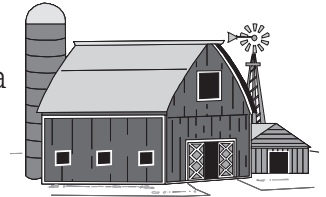
Typically you don't see articles in our newsletter about animal agriculture but there are some major concerns in this sector of agriculture that should be a concern to all of us. Those of you that attended our seminar last spring heard Mark Schultz mention that the only animal enterprise that was doing ok at that time was the poultry sector. We are now 8 months later and not too many things have changed. Let's review each sector briefly.

Swine- Since September of 2007 it is estimated that the U.S. Pork industry has lost \$5.3 billion dollars or an average loss of \$23 per head. This appears to be a direct result of two things. One, the over production of hogs, and two, the most probable, unfortunate thing I feel may have hurt this industry was the outbreak of H1N1. Yes, I said H1N1. I did not call it swine flu as it was originally called when the first cases broke. H1N1 is a respiratory infection and cannot be contracted through food. However, the Chinese immediately put a ban on all U.S. pork imports which dramatically affected the market. It was just recently announced that they are going to end that ban after much prodding and convincing that this is not a food-borne disease. This should help to make improvements to this market.

As I stated, the pork industry has been affected by over production. With prices already struggling because of overproduction and H1N1, the industry has been affected by higher inputs largely as a result of higher feed costs over the past couple years. During this timeframe we saw our corn and soybean prices escalate to record highs and although this was good for the crop farmers, it has been difficult for the livestock industry.

Many of the hog buildings you see as you drive around the countryside are owned by farmers, but they are

custom feeding the hogs for larger producers. They are paid a per head contract figure to feed those animals out to market weight. Because of the tight profit margin, we are approaching a time when the contractors are faced with the decision whether they can continue to fulfill their contracts and keep putting animals in these barns.



Beef- A factor affecting not only the beef industry is the suffering economy. Families have simply had their food dollars stretched due to the recession. The beef packers are seeing cutout levels reaching record lows resulting in larger inventories and therefore depressed bidding for live animals.

Dairy- The dairy industry has been struggling for some time now. After nearly record high milk prices in late 2007 and 2008, we have seen near record lows for much of 2009. Mark Schutz also emphasized deep concerns for this industry at our seminar last March. Milk prices had dipped to below \$10 per hundredweight (cwt) while it was estimated that the costs of production were \$15-16 per cwt.

The concern throughout the year has been that production has been too high again partly because of a struggling economy. Efforts have been made to reduce the cow numbers and overall production and that is starting to happen. The September report showed cow numbers down 197,000 and production down 0.7% from a year ago. This is now 4 months in a row that production has decreased.

Prices have started to recover but most dairy farmers are still seeing their costs of production higher than the price

Barn, continued on page 2

they are receiving for their milk. Hopefully the shift will continue so that 2010 can begin to show some profit for the dairy farmers.

There are many factors that go into making livestock production profitable for the farmer. It is one of our nation's most valuable industries. From that cold glass of fresh milk, to the burgers on the grill or the pork roast in the oven, our farmers need to stay abreast of the ever

changing times and guidelines required for consumer consumption, as well as earn a living for their own families. This industry has become very high tech. Livestock production is a very complex operation. I hope we all take a minute to stop and think about the endless efforts these farmers give in providing us, the consumer, safe and healthy sources of food.

What's in the barn? **A farmer....hard at work.**

Your Farm Manager... working for YOU!

West Central Minnesota Crop Progress and Grain Markets

By: Leon Carlson, A.F.M.



Vacationers were quite pleased with the “air conditioned” summer – cool and dry, but what a year for growing corn and soybeans!

As in June, July continued to be cool and dry. According to Mark Seeley, University of Minnesota Climatologist, July was the 3rd coldest July in history, surpassed only by the Julys of 1992 and 1915. Rainfall was also lacking and was reported statewide as in the lowest 20%, historically.

Though mid-August did bring some warmer than normal days to Western Minnesota, most of the month was cool. As a result, the development of the soybean and corn crops continued to lag behind. Farm operators indicated that they felt the crops were 8 to 14 days behind and needed the full month of September to develop. Fortunately, some good rain showers helped boost the crops in August.

September brought a streak of 20 consecutive days with above normal temperatures. This was by far the longest stretch of above normal warmth for 2009 and will be among the top warmest in Minnesota. While experiencing above normal temperatures, we continued to be dry and September was noted as the 14th driest on record. Fortunately the month made it without any frost and both the corn and soybeans basically reached physiological maturity, but still needed “dry down” time.

October was a “real bummer” and was more like November, wet and cold. The month averaged 5 to 8

degrees below normal. The growing season ended on October 9th and 10th, with killing frosts. The real problem with October was rainfall. Most of the area received 7 to 10 inches of rainfall just when the crop needed more time to dry down and be harvested. Field conditions have been reported as some of the worst ever for harvest. There were also 2 snowfall events and solar radiation measured at the University of Minnesota Climate Observatory at St. Paul was one of the lowest ever.

For the crops that have been harvested, to-date, yields have been good. The corn remains very high in moisture and drying costs will be very high. Both elevators and farm operators are concerned about the potential for quality problems. It appears that most of the remaining soybeans and all of the corn will need to be dried.

According to the USDA in their October update, they estimate 13 billion bushels of corn, with an average yield of 164.20 bushels per acre and 3.35 billion bushels of soybeans at a yield of 42.40 bushels per acre. With these expected yields, harvesting and drying will no doubt last into December, unless winter conditions prevail. Fall tillage, which will affect yields in 2010, also needs to be completed. In short, we need a very good November.

The corn market, after falling to \$2.56 per bushel locally in September, has now rebounded to over \$3.00 per bushel. Soybeans fell to \$8.58 per bushel and have now come back to \$9.40 per bushel, at this writing.

South Central Minnesota and Northern Iowa Harvest Progress

By: Dennis Schmidt, A.F.M. and Scott Nelson, Farm Manager



Leon Carlson's newsletter article on this summer's weather really summed up what has been happening all across the Upper Midwest this year. Our summer was indeed cooler and drier than normal. The cooler temps may have been a blessing in disguise since we did not have the heat that stresses the crop, which happens during a "normal" summer.



Harvest, in southern Minnesota, started in late September. According to my calendar, the first rains started the night of September 30th. In the next two days we picked up close to 3 inches of rain and it really didn't stop until November 4th. Besides the rain, it was much cooler than normal with little or no sun to dry things out when it was not raining.

The areas that we cover in southern Minnesota and northern Iowa are wet to very wet depending on where the rains have fallen. The areas south of New Ulm are wet with some difficulty in getting the crops out of the fields at the present time. North of New Ulm is very wet with standing water in the fields and harvest has been very slow.

Iowa conditions may be even more difficult than what we are facing in Minnesota. Northwestern Iowa has had too much rain and the farmers are experiencing difficulty in harvesting their crops. The North Central part of Iowa received heavy rains last week and they are just getting back in the fields. The Mason City area received 3 inches of rain last week so conditions there are not good.

The one negative to this cool summer, along with October, is the high moisture content of the corn crop. It is taking a lot of LP gas to dry this year's crop. We

are seeing many areas with 30% moisture which is something that we have not seen since the early 90's. In addition to this, the colder than normal moist air makes it even more costly to dry.

Much of the soybean crop was not harvested before the rain so some farmers have been drying them also. Many local elevators have had to free up bin space to dry wet beans that have been hauled in.

However, the harvest reports from our tenants have been surprisingly good, both for corn and soybeans. Back in September, when we couldn't get a rain, we never anticipated this type of harvest. Now the concern is to get the crop out of the field and to complete fall tillage.



The numbers below are the crop harvest figures from the USDA as of November 2, 2009. You will find that these numbers confirm all the information that we have presented above.

Corn Percent Harvested:	Current	25%
	Last year	53%
	5 yr. Average	71%

4 weeks behind 5 year average
 Current Harvested %:
 MN - 12% IA - 18% IL - 19% IN - 28%

Soybean Percent Harvested:	Current	51%
	Last year	85%
	5 yr. Average	87%

3 weeks behind 5 year average
 Current Harvested %:
 MN - 56% IA - 54% IL - 35% IN - 63%

Real Estate Offerings



RECREATIONAL

FARIBAULT COUNTY, MN

Property:

101.4 acres more or less in Brush Creek Twp. (Albert Lea – Blue Earth, MN area)

Benefits/Features:

CREP income. Good hunting habitat with shallow lake, marsh and state land nearby.

WATONWAN COUNTY, MN

Property:

146.42 acres more or less between St. James and Madelia

Benefits/Features:

Good hunting land for pheasants, ducks, geese & deer. Will consider offers.

DEVELOPMENT PROPERTIES

WRIGHT COUNTY, MN

Property:

60 acres Ag/Development land

Benefits/Features:

Edge of Annandale. Great investment potential.

PRICE REDUCED

BROWN COUNTY, MN

Property:

10.56 acres more or less.

Benefits/Features:

Outside city limits of New Ulm. Presently zoned: light industrial. Future zoned: high density residential.

RENVILLE COUNTY, MN

Property:

4.7 acres more or less

Benefits/Features:

U.S. Hwys 212/71, Olivia, MN. Lots 1 & 2, Block 2 Rauenhorst-Bellows Industrial Park.

COMMERCIAL PROPERTY

NEW ULM, MN

Property:

2 story commercial building in downtown New Ulm, MN. 2 commercial businesses and 4 apartments. *Income information upon request. Confidential agreement.*

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2008-2009 Farm and Land Sales

Sold by: NORTH CENTRAL® Realty/Upper Midwest Management Corp.



August 1, 2008 – November 2009

P.A. Sale Date	County	Total Acres	Price	Price Per Acre	Buyer & Comments
Aug, 2008	Grant, SD	383	\$500,000	\$1,306 for half interest	Half Interest sold to family member.
Sep, 2008	Cottonwood	240	\$959,400	\$3,997	Sold to two different farmers. \$5,996/ac. for 80 ac. & \$2998/ac. for 160 ac.
Sep, 2008	Renville	155	\$703,022	\$4,536	Investor
Oct, 2008	Renville/Kandiyohi	411	\$1,800,000	\$4,380	Farmer/Operators
Nov, 2008	Sibley	192.31	\$892,896	\$4,643	2 Buyers (Tenant & Farmer)
Nov, 2008	Chippewa	397	\$1,459,316	\$3,675	2 Farmer Buyers
Nov, 2008	Murray Co.	160	\$836,400	\$5,227	Farmer
Nov, 2008	Lyon	275	\$741,157	\$2,695	2 Buyers (Farmer & Investor Buyer)
Nov, 2008	Swift	80	\$292,560	\$3,657	Farmer
Jan, 2009	Watowan	33	\$132,520	\$4,000	Farmer/Tenant
Feb, 2009	Cottonwood	80	\$342,700	\$4,284	Farmers
Feb, 2009	Blue Earth	160	\$686,800	\$4,293	Farmer
Mar, 2009	Renville	150	\$730,312	\$4,868	Farmer
Mar, 2009	Mower	449.76	\$2,068,896	\$4,600	Investor
Apr, 2009	Cottonwood/Brown	644	\$2,199,272	\$3,415	5 buyers
May, 2009	McLeod	119.37	\$540,000	\$4,524	Investor
July, 2009	Wright	71	\$210,000	\$2,957	Farmer
Sep, 2009	Redwood	105.74	<i>waiting to close</i>	<i>waiting to close</i>	Farmer
Oct, 2009	Grant, SD	197.79	<i>waiting to close</i>	<i>waiting to close</i>	Farmer
Nov, 2009	Sibley	80	<i>waiting to close</i>	<i>waiting to close</i>	Farmer
Nov, 2009	Renville	404	<i>Auction not completed at time of this printing. Contact UMMC or North Central Realty for sale outcome.</i>		
Nov, 2009	Cottonwood	144.26	<i>Auction not completed at time of this printing. Contact UMMC or North Central Realty for sale outcome.</i>		
Nov, 2009	Lac qui Parle	150.95	<i>Auction not completed at time of this printing. Contact UMMC or North Central Realty for sale outcome.</i>		

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Farmland Is In Demand!

We currently have potential buyers seeking additional land.

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We may have just the right buyer for YOU.

New Ulm Office 507-359-2004

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This newsletter is intended as general information to our clients and friends on agricultural subjects. It is not intended to render advice; such advice can only be given when related to actual situations. If you have any questions, please contact Jim Thomas, Owner, President of UMMC/NORTH CENTRAL® Realty at 507-359-2004.

What's New in Real Estate?



The Changing Faces of Investors

By: Greg Thomas, REALTOR®

Many may think with the recent fall of the housing market and the complete vanishing of 1031 money the investor pool for farm land has dried up as well. I would caution to say that this thought is not on track with what we are

seeing in the ag market of our service area.

As stated in a recent USA TODAY article, the stock market has seen over 9.2 Trillion dollars vanish over the past year. These paper assets have not held the promise of good gains over the recent turn of events and a good number of investors are not waiting to see what happens to their asset values in the next two quarters.

The new face of the investor is people that are looking for more security as they move toward retirement. These individuals may have lost not only a great deal of wealth but also some of the confidence they once had in the stock market. As a result they have been running from the possibility of losing still more money and are shifting their investments into things that they believe are more tangible. They are willing to pay top dollar for an investment that can be kept in the family, and passed generation to generation, if so desired. They will have a valuable asset no matter what the market effects were

on the original investment. This appears to provide great security for them as the stock market continues to take losses.

With that being said these investors are entering into the market with the expectation of a 3.5% to 5% return on their investment. This is far from the 9% to 15% returns they were once getting in the stock market. This type of investment does provide them with the satisfaction of ownership and the ability to have a solid return for many years to come. The attractive nature of a profitable farm land investment is something they are getting used to.

Cash rents for good farm land are still holding strong. If the investor is looking for a larger return and can stand to take more risk, a custom farming operation is another avenue they can consider.

I think investor buyers are bringing a positive change to the face of agriculture in our area. Up and coming farmers with limited capital for acquisition of additional land now have the chance to form a long term relationship with these investors. In addition, the investors are able to obtain a rate of return much more stable than the stock markets. It's a win-win situation!

Conservation Reserve (CRP) Acres Reduced

By: Leon Carlson, A.F.M.



According to the Farm Service Agency's monthly Conservation Reserve (CRP) acreage report on September 25, 2009, approximately 3.4 million acres of CRP acreage will be placed in agricultural production after September 30 when the contracts expired. The federal

program which paid landowners not to farm easily erodible land, while splitting with them the cost of establishing vegetative cover to reduce soil erosion and sedimentation, as well as improve water quality and wildlife habitat, had its roots in the 1980's when commodity prices were low and many landowners were struggling to meet farm payments. While criticized early on for the decline of rural economics, the program did bring stability to commodity prices.

The 2008 farm bill scaled back the program to 32 million acres. CRP contracts had protected 39.2 million acres nationwide with many contracts expiring between now and 2012. States with the largest acreage losses in 2009 included Texas, Kansas and Colorado. Minnesota CRP contracts totaling 166,519 acres have expired and are now tillable acres.

While general signup CRP contracts have and will be expiring, there remains some continuous sign-up programs. A couple of examples would be filter strip programs and a practice called Wetland Restoration Non-Floodplain (CP23A). The purpose of

this practice is to restore the functions and values of wetland ecosystems that have been devoted to agricultural use that are entirely outside of the 100-year floodplain.

For an area to be eligible for this practice there must be at least a 4:1 acre ratio of upland soil:hydric soil. An example would be if a landowner had 1 acre of hydric soil they may enroll 4 more acres of any upland soil. All hydric soils will be identified on the county hydric soils list.

The Wetland Restoration, Non-Floodplain practice offers a \$100.00/acre signing incentive payment and additional 20% incentive payment on top of the soil rental rate.

For people interested in perpetual easements for expiring RIM, CRP, or existing cropland the Lessard/Sams Conservation Partners Legacy Grants is offering government agencies and other non-profit organizations the opportunity to submit grant applications.

If you are interested in an easement or CRP, please contact your county Soil and Water Conservation District and Natural Resource Conservation Service office for more information or one of the farm managers at Upper Midwest Management/North Central Realty.

A Note From Our Appraisal Department



Assessed Value vs. Appraised Value

By: Dave Gehrke, Accredited Rural Appraiser

Over the past number of years I have heard the term “assessed value” and “appraised value” used as one in the same, when in fact they can represent two very different numbers, which are developed by two very different procedures.

Assessed Value: Assessed value is the value established by the local taxing authority for a parcel of land and the improvements for property tax purposes. The objective is to establish a fair and equitable tax base for each parcel.

The procedure to establish the value is done under the “Mass Appraisal” concept which takes into account a large number of sales to support a large number of properties being appraised.

Assessed values can often lag the market, sometimes up to three years. This is caused by the time frame used. For example, sales that happened between October 1, 2008 and September 30, 2009 are used to establish the property value for 2010.

Occasionally the assessed value does not include the entire property, due to exemptions which are not taxable. For

example, manure pits under hog barns are exempt from property tax. A new exemption from property tax this year is the exemption of “mono-slope” cattle facilities.

Appraised Value: Appraised value is an “opinion of value” given to a property by a licensed property appraiser using accepted appraisal methods for the type of property being appraised, for a specified point in time. Unlike the appraised value, the assessed value is used for the entire tax year even if market conditions change within that year.

Sales used to support appraised value are researched and selected based on their similarity to the subject. Sales may be researched in three to four adjoining counties depending on the location of the subject and the makeup of improvements. Those sales are then used in the cost approach, income approach and the sales comparison approach to establish the value for the property.

It is important that property owners understand the differences in these two values as it will help them better understand the value that has been given to their property.

If you are in need of a rural appraisal, please don't hesitate to contact me at Upper Midwest Management, New Ulm, or Leon Carlson at North Central Realty, Olivia.

FSA Updates



By: Dennis Schmidt, A.F.M.

According to data recently released from the USDA we now know the number of farms that have signed up for the Average Crop Revenue Election (ACRE) program for the 2009 season. There were a total of 128,620 U. S. farms, or 7.7% of the total, that enrolled in the program for 2009. These farms do account for 13% of the base acres enrolled in the farm programs.

A quick look at a few of the key production states is as follows:

State	% in ACRE
MN	6.14
IA	11.81
SD	18.36
ND	10.03
NE	19.61
IL	16.71
IN	9.49

There was hesitancy to sign up for the ACRE program this first year. Analysis will now be done to see how it is going to work out. Remember, if a farmer wants to go into the ACRE program the land owner also needs to sign, giving their approval.

On that note, the program signup for either the Direct and Counter-Cyclical Program (DCP) or the ACRE program did begin on October 7, 2009, and will run until June 1, 2010. This is for the 2010 year but signing up for ACRE will commit your farm for the remainder of this farm bill which is 2012.

It is hard to believe that the Conservation Reserve Program (CRP) is celebrating its 20th Anniversary. How many of you can recall the initial signup and putting acres from your farm into the program? How many have all or some of those original acres still enrolled?

The FSA offices continue to do a variety of enrollments in the CRP. A popular option is the filter strip program which enrolls acres that are adjacent to a ditch or creek. If you have questions on enrolling land, please feel free to contact us.

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