



Upper Midwest
Management

NORTH CENTRAL NEWS



NORTH CENTRAL®
Realty

Volume 4, No. 2

The Land Specialists

Spring 2009

American Recovery and Reinvestment Act of 2009

By John Walter, CPA for Barton, Walter & Krier, LLC



some of the more pertinent ones highlighted below:

First -Time Homebuyer Credit - If you are a first time home buyer and purchase a house in 2009, you may be eligible for the newly expanded First-Time Homebuyers Credit. The credit has been extended for homes purchased between January 1, 2009, and November 30, 2009, and allows a credit of \$8,000 or 10% of the purchase price, whichever is lower and it does not need to be paid back to the government (unless you sell or stop using as your principal residence within 36 months of purchasing the home). A first time home buyer is someone who has not owned a principal residence during the three year period prior to the purchase. The enhanced credit phases out at adjusted gross incomes (AGI) of \$75,000 - \$95,000 on a single filer and \$150,000 - \$170,000 on a jointly filed return.

\$250 Payments to Recipients of Federal Program Benefits - Individuals entitled to benefits during November 2008, December 2008 or January 2009 under a qualified program (such as Social Security, Railroad Retirement Act benefits or veterans compensation) and have a current address in one of the 50 states will receive a one time economic recovery payment of \$250. These payments are not considered income for tax purposes. Checks will start going out during May 2009.

Sales Tax deduction on the Purchase of a New Vehicle – Thinking of purchasing a new vehicle? Taxpayers will be allowed a deduction for sales taxes paid on the purchase of a qualified motor vehicle up to a purchase price of \$49,500. To be entitled to the deduction, the vehicle must be new and purchased between February 18, 2009, and December 31, 2009.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009. This Act includes many tax saving initiatives with

This deduction is also subject to phase outs at \$125,000 - \$135,000 of AGI for single filers and \$250,000 - \$260,000 of AGI for jointly filed returns.

Extended Section 179 expensing and 50% bonus depreciation – The American Recovery and Reinvestment Act of 2009 extended the higher Section 179 expensing and the 50% bonus depreciation deduction through December 31, 2009. Section 179 property is depreciable tangible personal property that is purchased for use in the active conduct of a trade or business. Under Section 179 rules, business owners can elect to expense eligible property placed in service during 2009 of up to \$250,000 (with asset purchases of \$800,000 or less). The 50% bonus depreciation deduction is eligible for qualified personal property whose original use begins with the taxpayer and has a recovery period of 20 years or less. There are other qualifying rules regarding Section 179 and bonus depreciation, please be sure and consult your tax advisor for additional information.

Residential Energy Property Credit – As an incentive to make our homes more energy efficient, the new Act extended the residential energy credit through 2010. You can claim a credit for 30% of the cost of installing energy efficient improvements and property such as certain insulating materials, windows, exterior doors, metal roofs, heat pumps and more. The amount of the credit that can be claimed by any taxpayer varies by the type of energy efficient property installed. Check with your tax advisor prior to installing to get the most benefit.

The above is just a small highlight of the available incentives and credits created with the American Recovery and Reinvestment Act of 2009. There are caveats and qualifications to many of these incentives and credits, as always if you have any questions or concerns check with your tax advisor.

Meet John Dreckman

Upper Midwest Management/North Central Realty is pleased to introduce John F. Dreckman, Real Estate Sales Agent for UMMC/North Central Realty.

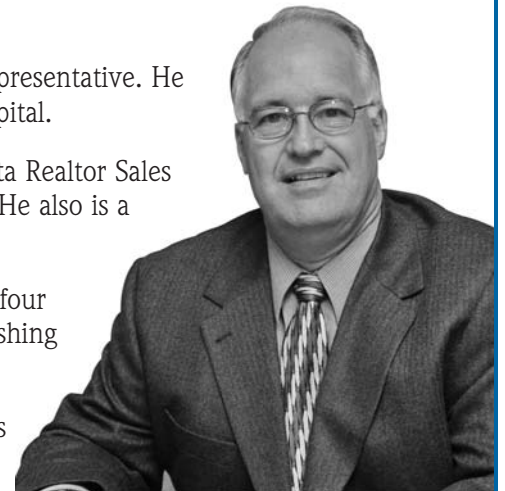
John has been working as an Independent Salesperson for UMMC since April, 2009. John, who actively farmed for 15 years, comes to UMMC with a strong background in agriculture and has worked in the finance and real estate business since 1985.

John has ten plus years working as a licensed insurance agent and NASD securities representative. He has fourteen years experience as a loan broker and owner of Midwest Mortgage & Capital.

John currently holds the following licenses: Minnesota Mortgage Originator; Minnesota Realtor Sales Agent; Florida Mortgage Broker; Florida Business Broker; Florida Real Estate License. He also is a Minnesota Notary.

John and his wife of 36 years, Bonnie, currently live in Lynd, Minnesota. They raised four children in the Marshall, Minnesota area. He enjoys spending free time boating and fishing with their 7 grandchildren.

We at Upper Midwest Management/North Central Realty are pleased to announce his association with us and look forward to a long and successful relationship.



Flexible Cash Rent Leases – An Alternative?



By Leon Carlson, AFM

Over the past few years we have seen a steady decline of crop share leases and an increase of cash rent leases. Many landowners who want to simplify their cash flow with no input costs, (such as seed, fertilizer and herbicides, or having to understand and comply with a variation of government programs, as well as the marketing of their crop) have decided to use the cash rent method. In addition, operating farmers who continue to increase the size of their farming operations have found it easier to cash rent than to continue to keep separate field records and divide the crop at the end of the growing season. Overall, cash rent has worked well - as long as commodity prices and input costs remained fairly stable and the farm was not high risk (such as having poorly drained or droughty soils), and the terms of the lease were reviewed frequently and adjustments made.

The last couple of growing seasons we have experienced significantly more volatility in both the commodity prices and crop input costs. As a consequence, cash rent that was agreed upon in August for the upcoming year may be very unsatisfactory for one party by planting time.

Another method being explored by landowners is the "flexible cash lease". The flexible cash lease has been around for some time in various forms. Until 2009, the Farm Service Agency treated the flexible cash rent lease like

a crop share lease and landowners were eligible for a portion of the government payment, as it was determined they were at risk. Beginning with the 2009 crop, landowners using a flexible lease will be treated like all other cash rent landowners.

Usually, the flexible cash rent lease provides for a somewhat lower guaranteed base rent that is paid regardless of what the production of the farm is or what prices are. Then, in addition to the base rent, the lease is structured in such a way as to provide additional rent if the yield and/or price is over the agreed upon base yield and/or price based upon a specific market, on a certain date or an average of dates over time.

Both land values and rental rates/arrangements will be closely monitored in the next few months as landlords prepare to lease their land for 2010.

No doubt the lower commodity prices, increased input costs and changes in the 2009 Farm Bill will be an influence for 2010.

For more information on flexible cash leases contact one our Farm Managers at either the Olivia or New Ulm office locations.

Your Farm Manager... working for YOU!



Planting Progress update-

By: Dennis Schmidt, AFM

As of the writing of this article on May 4th we have had an interesting spring. In much of Southern Minnesota we saw a mixture of rain and snow back on Palm Sunday-which was April 5th. Field conditions changed rapidly after that with very little moisture until the last week of April. Many farmers reported that the soil was working up very well and the seedbed was ideal. Planters began rolling around April 15 and a lot of corn was being planted from that date until most of the state received rain on Sunday, April 26. Another light rain around April 29 kept most farmers out of the field that week.

Based on USDA's planting progress report on April 27th and once again on May 4th, the table below shows the percent of corn planted in the states listed, along with the 5 year average. You will see quite a difference in the percents in the three eastern states that produce a lot of corn, as the corn planting in the eastern corn belt has been limited by extremely wet conditions.

State	% corn planted as of April 26 th	5 year average as of April 26 th	% corn planted as of May 3 rd	5 year average as of May 3 rd
Minnesota	40%	18%	59%	47%
Iowa	47%	25%	60%	53%
Illinois	4%	43%	5%	47%
Indiana	2%	25%	5%	47%
Ohio	4%	26%	13%	46%

FSA Update-

2009 Farm Program signup

The signup period for the ACRE or DCP program has been extended until August 14. With the ACRE program being a new option in 2009 you may need to spend more time reviewing this program to see if it is the right choice for your farm.

Conservation Reserve Program (CRP)

It now appears that the USDA will offer certain producers the opportunity to modify or extend their CRP contracts that are scheduled to expire on September 30, 2009. There will be 3.9 million acres expiring this year, but they can only extend approximately 1.5 million acres. If you have a CRP contract that is expiring this fall you should be contacted soon from your local FSA office.

The Farm Managers at Upper Midwest Management/North Central Realty will continue to track the planting progress and check for FSA updates that they feel are of interest to landowners. Contact one of them for up-to-date information or if you should have questions about these findings.

2009 Land Value and Rent Survey

By: Ward Nefstead, Executive Secretary & Education Coordinator of the Minnesota Chapter of the ASFMRA

A recently completed land value and rental survey of the Minnesota Chapter – American Society of Farm Managers and Rural Appraisers indicates that the market for rural real estate is stabilizing with somewhat higher rents and values. The survey was conducted over the internet with farm management and real estate companies which do business in Minnesota in January 2009. The scope of the survey conformed to statistical regions of the state which is divided into NASS-USDA and Farm Business Management districts. All districts were represented in the survey. The survey design was based on similar state surveys in Illinois and other states.

The brief results of this land value and rental survey show that land values and rents are still strong with some degree of weakness expected if economic conditions do not improve. The average tract size of real estate sold was 120–160 acres with 50% of the respondents indicating tract sizes over 160 acres. The reasons for sale of land reported most commonly were

“received a good price for land” and “as part of cash settlement / close of undivided interest.” Over 60% of the sales of land were to “farmers” or “farmers relocated to a new area.” About 10% of the buyers reported that the purchase was part of a 1031 land exchange. Over 61% of those surveyed expected land prices to remain constant or decline by 11–20%. Over 70% of those surveyed reported that a majority of buyers used debt financing for the purchase of land. The average price of land reported most commonly statewide was in the range of \$2,500-\$3,500 per acre. About 10% of those surveyed reported sales over \$4,000 per acre.

The prices of low, medium and high quality land were also estimated. The most common response to value of low quality land was \$2,000-\$3,000 per acre; medium quality land was \$3,000-\$4,000 per acre; and high quality land was \$4,000-\$6,000 per acre. The survey also asked about projections for land prices in 2010. About 40% of those surveyed expected a

2009 Land Value, continued on page 9

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

LESUEUR COUNTY, MN

Property:

55 acres, more or less.

Benefits/Features:

Ready to be annexed into the City of Montgomery 7 miles south of New Prague. Utilities extend to east property line.

WRIGHT COUNTY, MN

Property:

60 acres Ag/Development land

Benefits/Features:

Edge of Annandale. Great investment potential.

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.

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.



FARMLAND FOR SALE

WRIGHT COUNTY, MN

Property: **PRICE REDUCED**

71 acres more or less, 56.9 tillable acres in Section 22, Stockholm Twp.

Benefits/Features:

1 building eligibility. Mix of tillable and marsh low lands. Good site for hobby farm near Cokato.

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.*

You can now read
NORTH CENTRAL® News
on our website
www.ummccorp.com or
www.landspecialists.com



We have detailed information and brochures on all offerings. To receive information by mail, please contact us at one of the following: Phone Olivia Office 800-545-6227 or New Ulm at 507-359-2004. Visit our websites: www.landspecialists.com or www.ummccorp.com. The information you will receive is from sources deemed reliable, but is not guaranteed by agent. Package is subject to prior sale, price change, correction or withdrawal.

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Serving the Upper Midwest Region



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For questions or comments
please contact us by email
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2008-2009 Farm and Land Sales

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



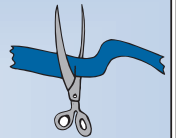
March 1, 2008 – March 1, 2009

P.A. Sale Date	County	Total Acres	Price	Price Per Acre	Buyer & Comments
Mar, 2008	Renville	56	\$279,748	\$4,995	Local Elevator
Apr, 2008	Redwood	160	\$770,800	\$4,817	Farmer buyers
Jun, 2008	Yellow Medicine	160	\$640,000	\$4,000	Farmer
Jun, 2008	Big Stone	228.79	\$556,960	\$2,434	Farmer
Jun, 2008	Mower	697	\$3,021,495	\$4,335	Farmer
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	160	\$836,400	\$5,227	Farmer
Nov, 2008	Swift	80	\$292,560	\$3,657	Farmer
Nov, 2008	Lyon	275	\$741,157.00	\$2,695	2 Buyers (Farmer & Investor Buyer)
Feb, 2009	Cottonwood	80	\$342,700	\$4,284	Farmers
Feb, 2009	Blue Earth	160	\$686,800	\$4,293	Farmer
Mar, 2009	Mower	449.76	\$2,068,896	\$4,600	Investor
Mar, 2009	Renville	150	<i>waiting to close</i>	<i>waiting to close</i>	Farmer
Mar, 2009	McLeod	119.37	<i>waiting to close</i>	<i>waiting to close</i>	Farmer
Mar, 2009	Brown/Cottonwood	644	<i>waiting to close</i>	<i>waiting to close</i>	5 Farmer Buyers

Visit our website at www.ummccorp.com to view all past sales history.

UPCOMING EVENTS

All We Need is a Scissors...



It's "Ribbon Cutting" time in Olivia for our new office location!

We invite you to stop by for food and refreshments and to tour our North Central Realty/Upper Midwest Management office in its new location.

Date: June 4th

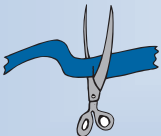
Time: 4:30 p.m. – 7:00 p.m.

Where: 2510 Lincoln Ave West, Suite 4, Olivia, MN

If you plan to attend, please RSVP no later than **Monday, June 1st.**

Call the Olivia office at **320-523-1951** or toll free at **800-545-6227.**

Same great services North Central Realty has offered in the past... just a new location!



Farm Property Management – Real Estate Land Sales – Rural Appraisal Service

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 Greg Thomas at 507-359-2004.

What's New in Real Estate?



First Quarter Land Sales in Review

By: Greg Thomas, Broker

Most of us are wondering what the land values will be in 2009 and how they are going to compare to the spike we saw in 2008. The first quarter for 2009 is in and we have begun to see a trend.

We have conducted sales in six different counties the first quarter and all have preformed well in the market place. Sales indicate that the market has remained strong. However, most noticeable is that there does not appear to be a reduction in price, but a "leveling off" from the highs of 2008. Several factors have contributed to the leveling off of land prices. One factor is producers have taken advantage of forward contracting opportunities in the grain market. This has allowed additional cash to be used for the acquisition of land. In the first quarter of 2009, all of our buyers have been producers. They will continue to be strong players in the market for the coming year.

A second factor is due to the slow down in the housing market and development land for commercial projects. Sellers who once used 1031 exchanges for farm land have

not actively used this option as we came into 2009. With that being said, there are still investors with cash in the market waiting for the right piece of land.

We have seen the focus of these investors change in that they are not as geographically bound as they once were. These investors know once they acquire the property, there are producers willing to rent at acceptable rates of return.

With the current state of our economy and the daily losses in the stock market, people are looking to take these depreciating assets and turn them into an investment that will show an acceptable return. This factor will keep our land values steady. Historically, the returns have been in the 3% to 5% range, but it puts them on the plus side of the ledger. At year's end they still have an asset that will work for them into the future.

Contact Upper Midwest Management if you are looking to buy or sell land. Our professionals are ready to work with you. Check our website at www.ummccorp.com for all the current listings and to view past sales history.

A Note From Our Appraisal Department



The Income Capitalization Approach to Value

By: Dave Gehrke, Accredited Rural Appraiser

Income producing properties such as apartment buildings, storage facilities, and agricultural land, are typically purchased for investment purposes, and from the investor's point of view, earning power is a critical element that affects the property's value. One important investment premise is that the higher the anticipated earnings, the higher the value. The term "anticipated" suggests that there is uncertainty involved or an amount of risk. All investments have some sort of risk, be it high or low, it does exist. The amount of risk must be considered when looking at the investment and its rate of return.

There are numerous Income Capitalization Methods to use, but the most used is the Direct Capitalization Approach. This approach converts an estimated single year's income expectancy into an indication of value in one direct step.

In order to accomplish this, one must know the desired rate of return in the market place based on the analysis of sales.

For example, assume that a tract of land sold for \$4,000/acre and has a net rent after taxes, etc. of \$135/acre, it would result in a 3.38% rate of return on the investment. In the direct capitalization approach you would then be applying the 3.38% rate of return to the property being appraised, which has a net income of \$165/acre, resulting in a value of \$4,882/acre.

The basic premise of this approach, when using it to value cropland is that the higher the quality of land, the higher the rent paid. This directly correlates to the higher value of land. However, in the real world, this is not often the case as we have seen a wide variety of land rents over the past few years for similar quality land. So it is important for the appraiser to use this approach with caution. In general, the rate of return on cropland has remained fairly stable over the last few years. We have seen rents increase with the value of land.

So next time you hear of a farm sale, calculate the rate of return and compare that to other investment opportunities.

2009 Land Owner Spring Seminar



By: Scott Nelson, Farm Manager

On Saturday, March 28th, Upper Midwest Management Corporation/North Central Realty hosted over 90 attendees at its annual Land Owner Seminar at the Minnesota Landscape Arboretum in Chaska, Minnesota. Our theme for this year's seminar was "Economic Overview for 2009".

Mr. Mark Schulz of North Star Commodity, Minneapolis, MN made his third appearance as our keynote speaker. Once again, judging from the responses that we received from the attendees, his comments on the US economy, stock markets, commodity markets, and livestock markets were well received.

The topics of interest he shared with the group included:

US Stock Market: "Is the low in and are we going to go up from here?"

Grain Markets: What are the chances that the grain markets will rally back to their 2008 highs?

Livestock Markets: Hog producers and the dairymen are currently losing a lot of money because of poor demand for their product.

Weather: A high probability that a portion of the corn belt will experience planting delays this spring.

Mark's presentation included in-depth information about the topics listed. Those attending had a great opportunity to hear his excellent presentation. For those of you who were unable to attend, we invite you to join us next year for another fantastic seminar!

Terry Dean, Real Estate Agent for North Central Realty in our Olivia, MN office, gave an update on what has been affecting land values and the current trend in sale prices. His findings show that currently, it appears that the investor/1031 buyers are no longer in the market for farm land. He also expanded on the advantages to selling property by auction.

Dennis Schmidt, Leon Carlson, and I gave a presentation on the different types of leases, current cash rent trends, and the new farm bill. The government's new farm bill includes a new option for the owner and operator called the Average Crop Revenue Election Program or ACRE, for short. The consensus at the seminar is that this program still has many "unknowns" that needed to be clarified. Owners should take a hard look at the whole program before signing up for it.

Fortunately, the government has extended the signup date for the ACRE program from June 1st to August 14th. This will allow the operator or owner time to see the probability of a good or "not so good" crop. Having this foresight may or may not affect the decision on whether to go with the old program or the ACRE program.

Dave Gehrke, appraiser, gave a short presentation on the factors used in the process of conducting an appraisal and how this data is used to bring value to the property which is derived from comparable sales in the area.

Jeff Houg, Commercial Leasing Agent, offered a brief overview of services UMMC offers through the New Hope office, which includes commercial property management and leasing. Take a minute to visit our website at www.ummccorp.com and learn more about these services.

We topped the morning off with an excellent lunch served by the staff at the Arboretum. This allowed additional time to sit and talk about the issues that were brought up during the meeting and for individuals to get answers to questions from one of our staff.

We already have started making our plans for next year's seminar. If you were unable to attend this year, please plan to attend in 2010. We welcome all "first time" guests! I believe you will find this annual seminar both interesting and beneficial to your farming operation.

See you next year!

2009 Land Value, continued from page 3

slight decrease in 2010. The value of land for CRP was most commonly estimated to be \$1,500-\$2,500 per acre. The value of pasture/hunting land was estimated in the range of \$1,000-\$2,000 per acre.

As to rental value of land, the rents associated with low productivity land were estimated at \$75-\$150 per acre; medium productivity land was \$150-\$200 per acre, and high productivity land was \$200-\$250 per acre. The average cash rent for pastureland was reported to be \$25-\$50 per acre. Land used for hunting purposes is renting for \$10-\$20 per acre.

The survey reported about 10% of the land rental contracts with the Flex-rent variety.

The most recent variation in crop prices is causing several reactions in the land and rental markets. The survey asked how producers were reacting to the change in prices. The most common responses were, "shorter rental period," and "downward pressure on land rents" and "delay in decision to rent land." Another question asked about the increased cost of fertilizer and other input costs. Again, the most common responses were "delay in decision to rent land" and "downward pressure on land rents."

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