



Upper Midwest
Management

NORTH CENTRAL NEWS



NORTH CENTRAL®
Realty

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The Land Specialists

Summer 2008

The Food, Conservation and Energy Act of 2008

(In other words....The 2008 Farm Bill)

By Dennis Schmidt-AFM



program.

Finally, after much deliberation in both the house and senate and 2 presidential vetoes, due to some clerical problems, we have a new farm bill. The house and senate have overridden President Bush's veto on the new 5 year (2008-2012) \$289 billion

It should be made clear to everyone that the proper title for this legislation is The Food, Conservation and Energy Act of 2008. This legislation is far more than support to the American farmers as 73% of the funding goes for the support of our national nutrition programs such as food stamps and the school lunch program. Only 16% of the funds go to support commodity programs. A pie chart, taken from the Congressional Budget Office, (see page 2), and shows similar percentages of how the money is allocated.

The Food, Conservation and Energy Act contains 15 title areas. Those title areas are: I. Commodity Programs; II. Conservation; III. Trade; IV. Nutrition; V. Credit; VI. Rural Development; VII. Research and Related Matters; VIII. Forestry; IX. Energy; X. Horticulture and Organic Agriculture; XI. Livestock; XII. Crop Insurance and Disaster Assistance; XIII. Commodity Futures; XIV. Miscellaneous; XV. Trade and Tax Provisions. New title categories, shown above, are horticulture and organic agriculture, and livestock. By looking at these title areas you can see that the legislation is quite comprehensive and has an impact on a large percentage of the U.S. population beyond farmers.

The new legislation includes changes that address the concerns of the American taxpayers and make this more fiscally responsible. There is policy reform in the

commodity section to make sure that the payments go to those who are farming.

Some of the details that are important to our agricultural sector are:

- The three-entity rule is eliminated requiring that payments go directly to an identified farmer. Producers with a 3 year average adjusted gross income (AGI) over \$750,000 in farm income would be denied direct payments. Those with a 3 year average AGI over \$500,000 in non-farm income would also be denied direct payments and counter cyclical payments. This is a reduction from the previous payment cap of \$2.5 million of non-farm income.
- Direct and Counter-Cyclical payments for the 2008 season.

Normally, we would have the program signup taken care of early in the cropping season. However, due to the length of time the debate took in both the house and the senate to get this legislation drafted and approved, we are just getting at it now. Signup began in late June and will run through September 30th. The program will be administered like the 2007 program, except for farms having 10 base acres or less, no longer being eligible for payments. There are a couple exceptions.

The payment rates for each crop remain the same as those in the 2002 Farm Bill. Those rates are corn-\$0.28, soybeans-\$0.48, and wheat-\$0.44 per bushel. However, the overall payments will be reduced by lowering the payment acres from 85% to 83.3% in years 2009-2011. It will return to 85% in 2012. The advance payment

Food, continued on page 2

will be 22% in 2008-2011, but no advance payment will be made in 2012.

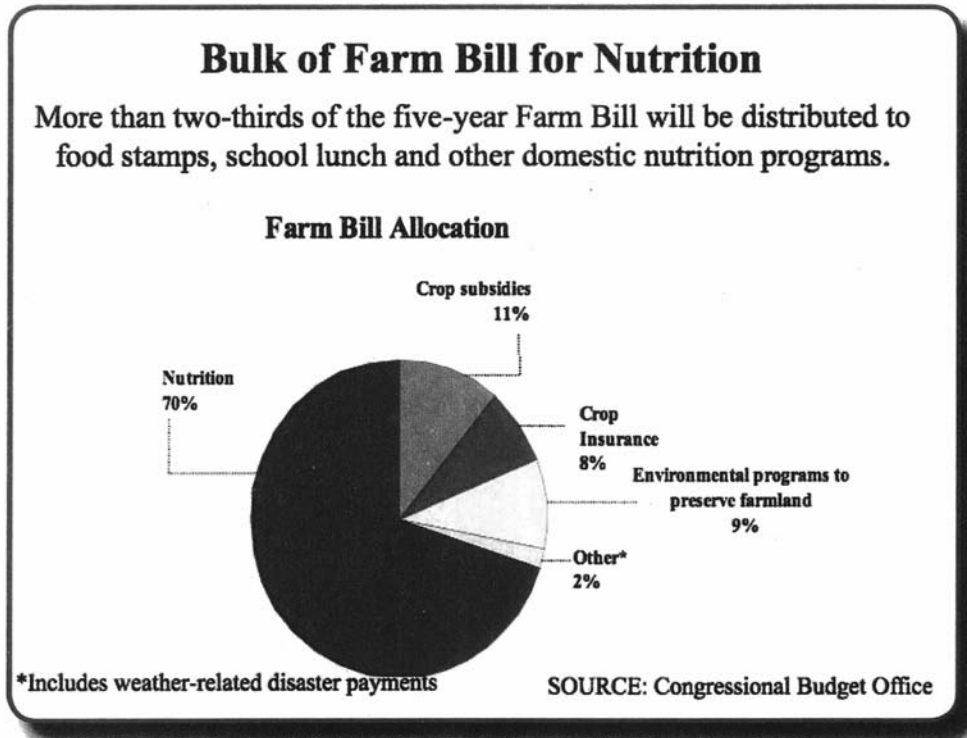
- Development of an optional new revenue based Counter Cyclical program called the Average Crop Revenue Election (ACRE).

This election will take place for the 2009 season and will require some closer analysis to see if it is the proper decision for each individual.

The program will reduce the direct payments by 20% and loan rates by 30% in exchange for the opportunity to enroll in a state revenue guarantee on acres planted, which would equal 90% of the 5 year state average yield factor (excluding the highest and lowest yields) times the national season average price for the previous 2 years for the commodity.

- Conservation Reserve Program acreage is reduced from a maximum of 39.2 million acres to a maximum of 32 million acres for years 2010-2012.

- Environmental Quality Incentive Program (EQIP) has allocated \$3.4 billion in additional funds to help producers with regulations.
- Conservation Stewardship Program (CSP) has allocated \$1.1 billion in additional funds for a program that has seen major changes. The goal is to enroll 13 million acres per year.



- There are some changes in planting flexibility for fruit and vegetable acres. This helps farmers who have peas and sweet corn in their rotation.
- Increases in the funding for cellulosic ethanol through multiple funding efforts.

- Established the crop insurance billing date as August 15 beginning in 2012. Also increased the cost of catastrophic administrative fees to \$300 per crop, per county.

This legislation is extensive and the U.S. Department of Agriculture has begun the task of implementing the new farm bill. We will continue to review and cover specific portions in future newsletters that we find may be interesting and beneficial to you.

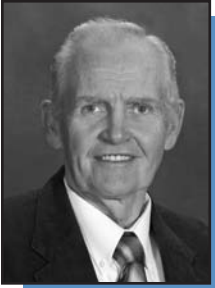
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You can now read
NORTH CENTRAL® News
on our website
www.ummccorp.com or
www.landspecialists.com

Upper Midwest Management adds New Professionals at NORTH CENTRAL® Realty

NORTH CENTRAL® Realty, a division of Upper Midwest Management, is pleased to announce the addition of the Fladeboe Auction professional personnel. Fladeboe Auctions home base is in the Willmar, MN area.

After attending the Worldwide College of Auctioneering in 1978, auctioneer and REALTOR® Dale Fladeboe opened Fladeboe Auctions for business in Willmar, Minnesota. Since that time, the company has grown to provide a full range of services for real estate, farm equipment, antiques, commercial and fundraising auctions across Minnesota. Dale, who started the business, has been selling agricultural land at public auction for



over 25 years. He continues to conduct auctions on a regular basis and is extremely proud to have his children join him in the family business. He and his wife Grace live on a working farm near Willmar, Minnesota. Dale's children—Kristine, Glen and Kimberly—compose the second generation of Fladeboe Auctions and are committed to expanding the company in the coming decades.



Kristine Fladeboe-Duininck, became a professional auctioneer in 1995, Realtor in 1999 and Broker in 2007. Her love for the auction business started nearly twenty years earlier as she listened to her father sell everything from cattle to collectibles to real estate. Kristine graduated from the University of St. Thomas with a degree in business and communications. Kristine was named the 2006 Champion Auctioneer by the Minnesota State Auctioneers Association. She was also named a finalist in the International Auctioneer Championship in 2005 and 2007. Kristine resides in Spicer, Minnesota with her husband Jamie and two children, Elsie and Harris. When Kristine has home and work "in order" you might find her out on a long run collecting her thoughts for the next auction or the next adventure with her #1 passion—her children!



Glen Fladeboe attended the World Wide College of Auctioneering in Mason City, Iowa immediately after graduating from high school and has been part of the family business ever since. He has more than fifteen years of experience as a professional auctioneer and REALTOR®. Glen holds a degree in communications from Hamline University and lives with his wife Stephanie in Minneapolis, Minnesota. In his free time, he enjoys running, hunting and driving tractor. Glen said his family is excited about joining forces with NORTH CENTRAL® Realty/Upper Midwest Management, a company which specializes in selling land. The combined experience of both companies will expand opportunities to utilize the auction method of marketing. The spirit of competition created by an auction is the advantage!

Recently quoted about their business, Kristine Fladeboe-Duininck and Glen Fladeboe said: "We couldn't be more excited about being real estate auction professionals. It's a historic time to sell agricultural land in Minnesota. Families are seeing the highest prices ever for their lifetime of hard work."

Roger Heller, Accredited Farm and Land Broker of Olivia, states that he has known Dale Fladeboe for 20 years and is delighted to have their family business become affiliated with NORTH CENTRAL® Realty/Upper Midwest Management. He indicates that the Fladeboe name is known for integrity, adherence to the REALTOR Code of Ethics and fair play in all of their dealings. They are well known in their existing trade territory. With the popularity and effectiveness of using the auction method to market farmland, the addition of an experienced, professional auction team provides our clients with even more opportunities to market their property, states Heller.

Fladeboe Auctions

www.fladeboeauctions.com

Real Estate Offerings



NORTH CENTRAL® Realty, A Division of Upper Midwest Management Corporation.
Contact either the New Ulm or Olivia office.

Public Auctions



MCLEOD COUNTY, MN

120 acres, 110 acres more or less
Excellent soils, 1 large field, good topography. First option on wooded building site. Located in Hale Township on Hwy 7, 2 miles east of Silver Lake.

TO BE SOLD AT AUCTION ON
November 15, 2008

Call the Olivia office
1-800-545-6227 for more
information.

FARMLAND FOR SALE

WRIGHT COUNTY, MN

Property:
71 acres more or less, 50 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.



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.

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.

RENVILLE COUNTY, MN

Property:
37.1 acres, more or less, 25.9 acres
more or less tillable

Benefits/Features:
Land within the city limits of
Morton. Could be used for
residential development or small
acreages.

WRIGHT COUNTY, MN

Property:
60 acres Ag/Development land

Benefits/Features:
Edge of Annandale. Great
investment potential.

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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May We Be of Service to You?

Upper Midwest Management Corporation/NORTH CENTRAL® Realty
offers you complete farm real estate services, since 1963.

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- Exchanges
- Auctions - RealAuction® & Conventional

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- Accredited Farm Managers

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For questions or comments
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2008 Farm and Land Sales

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

January 1, 2008 – June 30, 2008



*Courage is
being scared
to death and
saddling up
anyway."*

~ John Wayne

| Total Acres | County | P.A. Sale Date | Price | Price Per Acre | Buyer & Comments |
|-------------|-----------------|----------------|-------------------------|-------------------------|--------------------------------|
| 160 | Renville | Jan | \$650,000.00 | \$4,062.00 | Farmer |
| 163 | Chippewa | Jan | \$670,000.00 | \$4,110.00 | Farmer |
| 305 | Polk (Western) | Feb | \$575,000.00 | \$1,885.00 | Investor |
| 157 | Wabasha | Feb | \$522,000.00 | \$3,325.00 | Farmer |
| 56 | Renville | March | \$279,748.00 | \$4,995.00 | Local Elevator |
| 648.34 | Wabasha | March | \$2,002,500.00 | \$3,089.00 | Farmer |
| 160 | Redwood | April | \$770,800.00 | \$4,817.50 | Farmer |
| 228.79 | Big Stone | June | \$556,960.65 | \$2,434.00 | Farmer <i>waiting to close</i> |
| 697 | Mower | June | \$3,021,495.00 | \$4,335.00 | Farmer <i>waiting to close</i> |
| 160 | Yellow Medicine | June | <i>waiting to close</i> | <i>waiting to close</i> | Farmer |

Your Farm Manager... working for YOU!



Cash Rents Continue to Rise

By: Leon Carlson, A.F.M.

As commodity prices have risen, (example: local price for corn in January 2008 was \$4.39 per bushel and on July 3, 2008, it was \$7.04 per bushel) so has the demand for land rents by farm

operators. In my opinion, there has never been a time when we have received so many inquiries regarding the possibility of available land to rent. These farm operators have indicated that while potential earnings from renting additional land is their prime motivation, they are also looking to reduce machinery costs and receive volume discounts for input costs whenever they can.

Late July and August usually signals that another lease year is upon us. There will be additional pressure this year for getting the 2009 lease in place as some operators are now purchasing the 2009 fertilizer for their operations. No doubt the rental rates will continue to increase for another year and for those whose 3 – 5 year leases expire, the increase could be dramatic. Some factors to recognize in leasing for the 2009 year include:

- Past rental rates and contract length. *In my opinion, with the volatility in commodity prices and input costs, it's best to stay with a shorter length lease at present.*
- Know your farms productivity. *Do you have productive soils with adequate drainage? Those small drowned out spots do make a difference in overall yields. In addition, with today's larger farm machinery, farms that are cut up with ditches and small fields usually don't command the same cash rent.*
- Understand that the commodity prices can be very volatile and that farm input costs will be considerably higher, as well.

As in 2008, cash rents will continue to increase. No doubt, the range of cash rents will continue to widen. I feel that while cash rents are predominate, crop share and even custom farming gives a good potential for farm earnings.

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.

Please e-mail us if you would like to visit with us about any of our services. E-mail addresses for NORTH CENTRAL® News are: info@ummccorp.com or ummcolumbia@ummccorp.com

A Note From Our Appraisal Department



None Of Your Business

By: Dave Gehrke, Accredited Rural Appraiser

This is what appraisers occasionally hear when calling to verify real estate sales. But, **why** is the appraiser calling and **how** did he get the basic information in the first place?

Appraisers are calling for information and they get sales information from a number of sources, the primary source being the county courthouse. Getting current and accurate market information is essential for a solid appraisal.

At the time of recording the deed a Certificate of Real-Estate Value is required to be completed. This document is of public record and will have the basic information that the appraiser needs - such as, the buyer; seller; purchase price; date; etc. Other sources for information that the appraiser uses are local realtors, auctioneers, attorneys and occasionally, word-of-mouth.

So, **why** is the appraiser calling? Basically, as Paul Harvey would say, "... for the rest of the story..." and "the rest of the story" may not be told on the certificate of real-estate value. A good appraiser needs to take the time and understand the transaction. Normally this is done by contacting either the buyer or the seller and asking some basic questions. There could be a number of factors that may affect the selling price, such as:

- Are the buyer and seller related? If so, was any consideration given in the sale price?
- Did the seller have an appraisal done prior to the sale?
- Was it a cash sale or sold on a contract for deed with a low down payment and with a low interest rate? This may affect price.
- How is the drainage and fertility on the cropland?

- Was a realtor involved, exposing it to the open market?
- Was the sale a public auction or was it a private sale? (between neighbors, for example)
- Did the sale include a lease back arrangement to the former owner?

And the list goes on. But these are a few of questions you might be asked if the appraiser calls to verify the sale. The appraiser needs this type of information to accurately evaluate the sale and understand the market.

If you get such a call, please don't blow it off. Appraisers need accurate data. It may not appear that you'll gain anything by talking to them, but this information is essential for substantiating and supporting market values in your area, which certainly has an indirect impact on you and your property.

Southern Minnesota Farm Sold For Over \$3,000,000.00

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

The Proeschel family, well known in Mower County, elected to sell their 697 acre family farm on June 19, 2008. The farm assembled over several generations, portions of which had been in the family since the 1800's, had been well managed including drainage improvements with pattern tile, filter strips and other conservation measures.



The farm consisted of 538.53 acres tillable, plus 53.30 acres CRP was offered in five tracts, which provided for ten possible bidding combinations. NORTH CENTRAL Realty had received 68 inquiries from their marketing efforts. At the sale, there were 32 registered bidders. After all the bidding stopped, the entire farm sold to a local farmer for \$3,021,495.00 or \$4,335.00 per acre.

What's New in Real Estate?



Land Prices Continue Escalating

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

Good Midwest farmland appreciated 14% ending March 31, 2008 according to the quarterly survey conducted by the Federal Reserve Bank of Chicago. Sales

reports by NORTH CENTRAL Realty and others show even higher appreciation from June 30, 2007 to June 30, 2008 in portions of Minnesota and the eastern Dakotas. Indications are that ag. land prices increased from 14 – 24% in some communities, during that period. We can definitely attribute those increases to the increase in commodity prices during the same period. Some of the largest increases occurred in areas that had not been hyper-inflated previously.

The sales activity level has been normal or above, as some families are electing to “cash in” on these strong prices as they have been watching for such an opportunity. We also hear comments that potential sellers are concerned that the capital gains tax rates are likely to rise in the future.

As we examine recorded land sales in the courthouse, it is obvious that the highest prices received are from those properties exposed to the market and most notably when the property was sold by auction.

Occasionally, we hear people speculate that outside money is influencing ag land prices. This is completely a false supposition since today by far the greatest percentage of sales are to operating farmers.

For the landowner that had the foresight to buy land earlier, this price appreciation coupled with much higher cash rents has made farmland an investment opportunity that is hard to match in other investment circles.

We have now seen a land price uptrend cycle 22 years in duration. Since all markets cycle and make adjustments, we are all wondering, what is next?

NORTH CENTRAL® Realty Losses A Great Land Salesman

The land brokerage and local communities were saddened on June 26, 2008 when Theodore L. Vavricka, Sr. suddenly passed away while on a trip in the Boundary Waters Canoe Area in Northern Minnesota. Ted or Teddy, as we all knew him, was 72.

Ted joined forces with “NORTH CENTRAL” in March, 1984 in farmland sales and continued in that capacity until his death. Ted was licensed in three states.

Roger Heller, who encouraged Mr. Vavricka to become a farmland sales professional states that Ted was a “team player” and the other members of the Olivia team will miss his positive attitude, his presence, and sense of humor.



Ted served his country as a U.S. Marine, farmed and lived on the family farm until his death. He was very active in hunting, trail riding, saddle clubs, local service clubs, his church, and the Minnesota Chapter of the REALTORS Land Institute. He was very well known in West Central Minnesota and throughout the region.

Survivors include his wife, Sally and his four children, Ted Jr., Tony, Jayne, and Nancy, his two grandchildren and siblings, George, Bernadine, and Delores.

Ted will be fondly remembered as a man who loved life, family, the land and the people who worked the land.

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