



Upper Midwest Management

NORTH CENTRAL NEWS



NORTH CENTRAL Realty

Volume 1, No. 3

The Land Specialists

Summer, 2006



CROPS MORE "UNCERTAIN" IN 2006

by: Leon Carlson, A.F.M.

The USDA June crop report indicated that the corn acreage for 2006 was estimated at 79.4 million acres; about 1.4 million higher than indicated in March. With trend line yields, this would produce approximately 10.7 billion bushels of corn and down from the 2005 record crop.

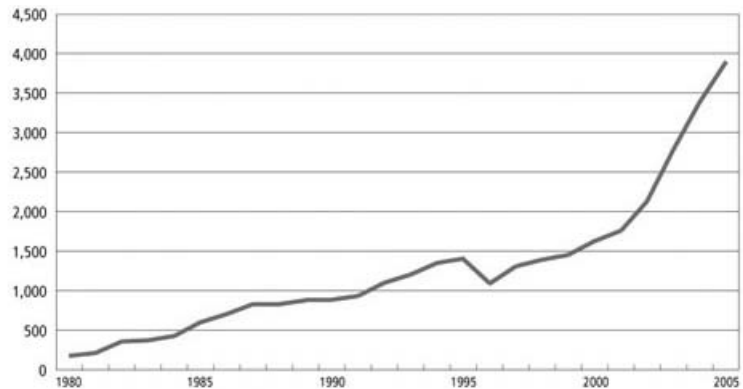
The demand side of the corn market looks very promising, at present. The need for additional corn will come from ethanol, as well as relatively strong feed and export market. End users were hoping for another 11 billion to maintain a good supply of corn on hand.

Crops Uncertain, continued on page 3

MINNESOTA ETHANOL: Production, Consumption and Economic Impact

By: Denny Schmidt, A.F.M.

U.S. Ethanol Production (In Millions of Gallons)



Source: Renewable Fuels Association/Federal Reserve Bank of Minneapolis/Fedgazette

According to the Renewable Fuels Association, it has been 35 years since the last oil refinery was built in the United States. There are now 101 ethanol plants in operation with 32 more currently under construction. 2006 will see 5 billion gallons of ethanol production, employing 153,000 people and generating \$32 billion in gross productivity.

According to the U.S. Department of Agriculture, corn demand from ethanol plants across the United States is expected to increase to 2.15 billion bushels in 2006, a 34% increase from 2005. A bushel of corn can produce about 2.8 gallons of ethanol and 17 pounds of feed that can be used by cattle on local farms and feedlots.

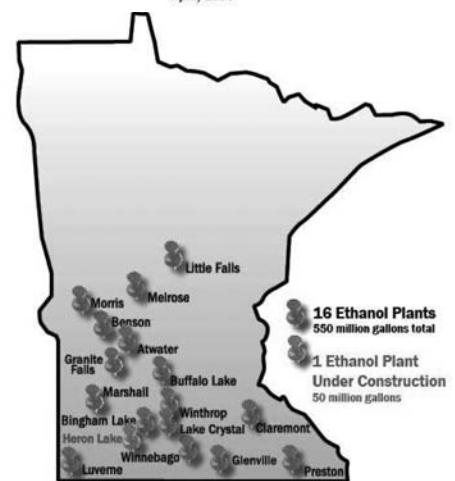
The Minnesota ethanol industry continues to be a national leader in the ethanol production and conservation.

In Minnesota there are currently 16 plants that can produce 550 million gallons of ethanol annually.

Approximately 12% of our corn is

Ethanol Plants in Minnesota

April, 2006



Source: AMS, MDA

Minnesota Ethanol, continued on page 8

Meet Scott Nelson

Hello from the New Ulm office of UMMC. My name is Scott Nelson and I have been employed by Upper Midwest Mgmt Corp since 1983. I originally started working in the appraisal area and in 1987 started working with farm management. My current responsibilities include farm management, real estate sales, and some local commercial management.

I am originally from the small town of Hanska, 13 miles south of New Ulm. I spent my first 12 years on a farm near there. My father changed jobs at that time and my family moved to Owatonna where I graduated from high school. I attended Iowa State University at Ames, Iowa, graduating with a degree in Ag Technologies. I spent the next 6 years as a fulltime farmer and then started with UMMC in 1983.

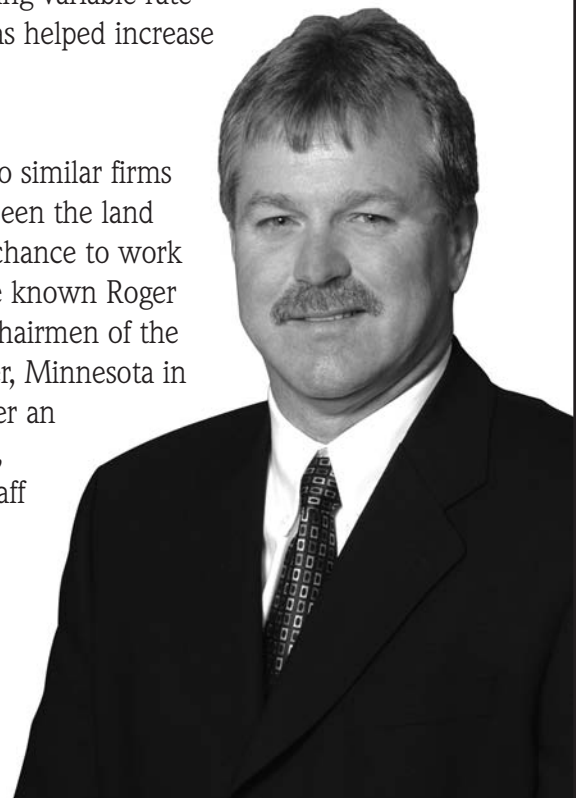
I have been married to my wife Betty Lou for 21 years. She has been employed by 3M here in New Ulm for the past 26 years. We have two boys, Andrew, who will be a senior this year, and Adam who will be a freshman at New Ulm Public High School. Both of our boys love to play soccer.

I am a past President of the Minnesota Chapter of the American Society of Farm Managers and Appraisers, as well as being past chairman of the management committee of the group several times. In my spare time I enjoy singing in the choir and the men's quartet at our church. I also love to watch our two boys play soccer during the summer as well as snowmobiling with them in the winter.

Besides my work here at UMMC, I farm 410 acres. It helps my credibility with the tenants because they know there isn't a job I may ask them to do that I haven't done myself. It also allows me to try out some of the new technologies on my own farms before I ask them to try it. One of those that I have been working with for many years is a soil fertility sampling using 4.4 acre grids of fields and then using variable rate fertilization to target areas within a field that are low in fertility. This has helped increase the yields on the farms that I manage as well as my own.

The merger of NORTH CENTRAL® Ag and UMMC brings together two similar firms with excellent staff and similar philosophies. The emphasis has always been the land owner, their goals, and their investment. I'm excited to now have the chance to work with Roger Heller and his staff to further the goals of our company. I've known Roger for years, as a friend and as a mentor when we worked together as co-chairmen of the committee to bring a national summer tour of the ASFMRA to Rochester, Minnesota in 1995. His leadership and knowledge were invaluable in putting together an excellent meeting and tour of the Rochester area. His staff of Leon, Pat, Lora, Lotti, and the rest of the real estate staff along with Jim and the staff of UMMC bring together a wealth of knowledge and expertise in our respective fields.

Does it sound like I'm excited to be a part of this company? I hope so. We are excited about the possibilities that the future holds for us as employees and for the future of the company.



In addition to learning as much as possible about the subject property, an appraiser also needs a minimum of three comparable sales thoroughly analyzed and compared to the subject for soils, drainage, improvements, field arrangement, sale date and any other factors affecting value.

After analyzing this material, the appraiser must determine the property's highest and best use as if vacant and of the property as improved. This is a critical determination because it sets the stage for the rest of the appraisal. An inaccurate analysis of the highest and best use could result in a substandard appraisal. For example: Cropland adjoining a large subdivision in a major city may appear to have the highest and best use as residential development, however, it may have governmental restrictions on development. Appraising it as development may result in a large discrepancy in the true value. Upon determining the highest and best use of the property, a search for comparable sales must be completed. The appraiser collects, verifies and analyzes data specific to each sale. Separate value indications are derived by applying the sales data in the three approaches to value which are the Cost Approach, the Income Approach and the Sales Comparison Approach.

The Cost Approach is used most often for highly improved properties such as a large dairy complex, hog farrowing or grain handling facilities. In this approach, the land is appraised separately by bareland sales and the improvements are valued based on the depreciation rate indicated by improved sales previously analyzed. The two are then added together for the opinion of value based on the Cost Approach.

The Income Approach is based on the income generated by the property and capitalization rate indicated by the sales in order to arrive at a value.

The Sales Comparison Approach is used when sales are similar to the subject property that is to be appraised. In this approach one compares the indicated value of the dwelling on the sale to the dwelling on the subject property to arrive at a value.

To conclude the valuation process, the separate values derived from the three approaches are reconciled. A final opinion of value is determined and the data and analysis on which it is based are communicated to the client.

In conclusion, there are several important items to consider before selecting an appraiser:

- The appraiser's education, professional credentials and experience.
- Are the three accepted appraisal techniques used to derive the value of your property?
- Appraisal reputation of the company.

If you need a farmland appraisal, please call and discuss the process with us so you can make an informed decision and receive a quality appraisal that meets your needs.

SUSAN HOLLAND JOINS NORTH CENTRAL® REALTY



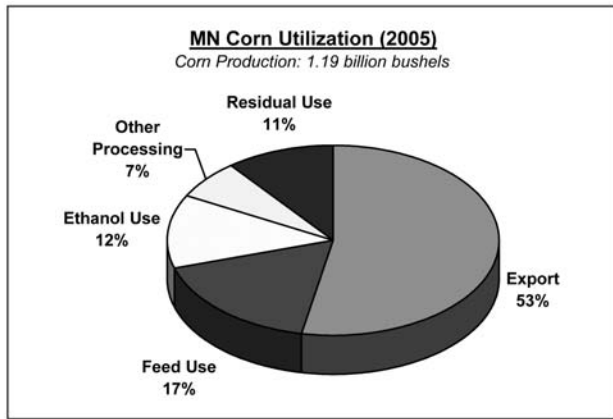
Susan Holland of rural Litchfield, MN has taken a real estate position with NORTH CENTRAL® Realty, LLC of Olivia, MN. Ms. Holland holds a Minnesota real estate license and will specialize in land and rural properties. Susan has a degree in Agronomy and Ag. Communications from the University of Minnesota.

Susan and her husband, Robert, formed a custom harvesting business in 1985. They continue to operate that business and have expanded it today to seven large combines plus all of the trucks and other support equipment to provide their customers service. In a typical year, Holland Harvesting will begin the wheat harvest in Texas and follow the harvest northward to North Dakota several months later, only to follow with the row crop harvest in the Upper Midwest in the fall.

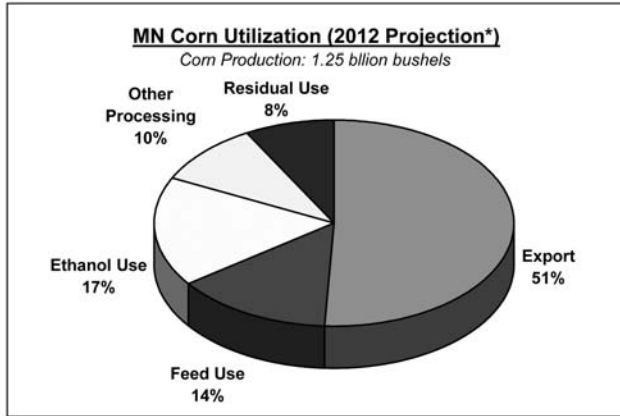
Susan states that she has always had an interest in rural families and the land that provides them their homes and their livelihood. She feels that her experience with the University of Minnesota Extension Service and working with farm families in their harvest business will provide her with a rich background to be able to serve her real estate clients. Susan and her husband, Robert, have two children, a son, Will, a student at the University of Minnesota, and a daughter, Anna, a high school student. The Holland family makes their home on their 280 acre farm in rural Litchfield.

Roger Heller, Accredited Farm and Land Broker and Sales Manager with NORTH CENTRAL® Realty states that he is delighted that Ms. Holland has chosen to join the team at NORTH CENTRAL®. He feels that Susan will be a great addition to NORTH CENTRAL®'s other professionals in the real estate/auction arena already serving the Hutchinson, Olivia, New Ulm, Mankato and Austin-Albert Lea areas.





Source: PRX and MDA



*Based on PRX data and MDA estimates

Please note: Minnesota corn production in 2012 is based on 7 million harvested acres and an annual yield increase of about 2% (or approximately 3 bushels/acre).

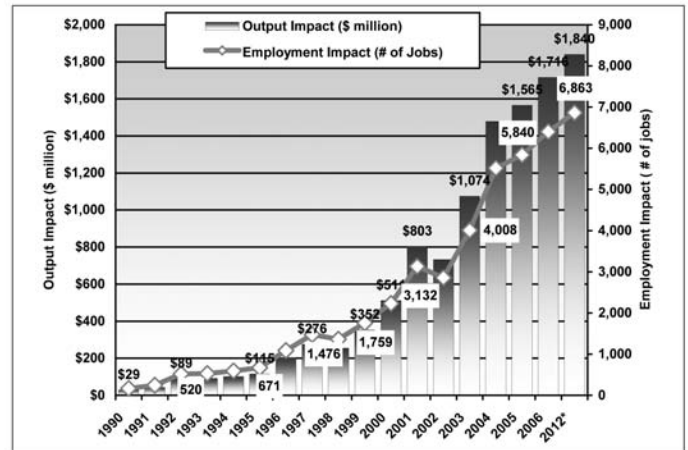
processed into ethanol and nearly 10% of our gasoline is being replaced by ethanol each year with its 200 commercial E-85 stations. The state's net ethanol export was 140 million gallons or 35% of Minnesota's total annual ethanol production. To meet the requirement of 20% blend of ethanol in Minnesota's gasoline by 2012, as proposed by Governor Pawlenty, Minnesota would need to produce 572 million gallons of ethanol. (This

number is based on projected annual gasoline consumption growth trends from 2006 to 2012.) The 20% blend would require Minnesota's ethanol plants to produce an additional 152 million gallons by 2012, about a 36% increase over the 2005 production level. At the 500 million gallon production level in 2006, Minnesota's ethanol industry will generate an estimated \$1.72 billion in total economic import and 6400 jobs. The 572 million gallon production by 2012 is projected to generate a total of \$1.84 billion in economic imports and 6863 jobs.

Minnesota Ethanol: Economic Impact

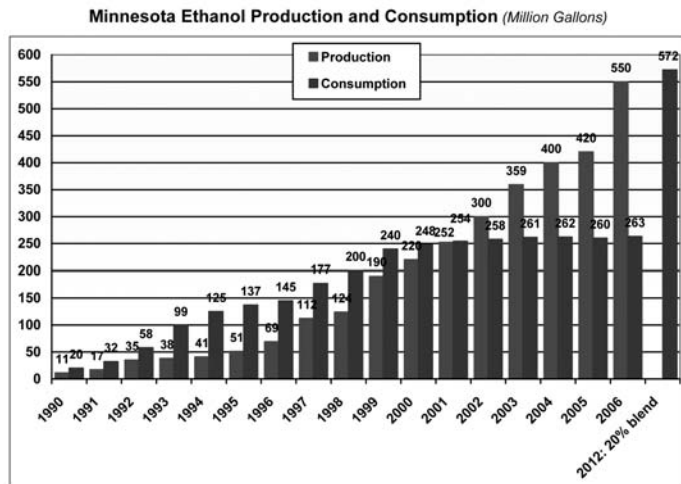
Year	Production (Million Gallons)	Output Impact (\$ million)	Employment Impact (# of Jobs)
1990	11	28.51	166
1991	17	42.38	247
1992	35	89.30	520
1993	38	90.96	529
1994	41	101.45	590
1995	51	115.26	671
1996	69	203.51	1,089
1997	112	275.66	1,476
1998	124	254.38	1,362
1999	190	352.47	1,759
2000	220	511.48	2,231
2001	252	802.60	3,132
2002	300	732.24	2,858
2003	359	1,074.32	4,008
2004	400	1,478.81	5,517
2005	420	1,565.35	5,840
2006 (Projected)	550	1,715.89	6,401
2012 (20% blend)*	572	1,839.61	6,863

Minnesota Ethanol: Output Impact & Employment Impact



*Estimates based on Gov. Pawlenty's proposed 20% blend ethanol by 2012
Source: AMS, MDA

With permission by: Agricultural Marketing Services Division, Minnesota Department of Agriculture, April, 2006.



*Estimated consumption based on Gov. Pawlenty's proposed 20% blend ethanol by 2012.
Source: AMS, MDA

Soybean producers planted almost 2 million fewer acres this year than they intended in March. With another good crop in South America, the demand for additional soybeans is not as strong as it is for corn.

The hot dry weather has left the 2006 wheat crop short of earlier expectations. Production for this year is now put at 1.81 billion bushels, down about 300 million from 2005. This number is dropping each day, as the winter wheat nears the end of harvest and spring wheat is just beginning. The spring wheat that has been harvested, thus far, is lower in yield than in the past.

Currently, the eastern corn belt is in good condition regarding soil moisture, but the western corn belt is short on the average about 4 inches. With the number of 90+ degree days and both corn and soybean in a critical stage for crop production and not a “big” promise for significant rain, price uncertainty remains a problem for producers. The western corn belt will need added rainfall very soon to make a difference. In addition, pests, such as the soybean aphid which likes the warmer and drier conditions, are now being chemically controlled to prevent added losses.

Hopefully added rainfall will come soon!



Appraisals 101

By: Dave Gehrke, A.R.A.

Appraisal clients range from lending institutions needing loan substantiation, to attorneys for estates or divorce settlements, to a landowner for estate planning, property division, or preparing to sell. A typical landowner may only ever need one appraisal in his lifetime, so appraisals are not something the average consumer is acquainted with.

In Minnesota, in order to conduct an appraisal, you must have a state appraisal license. There are four levels of appraisers which include, a trainee real estate appraiser, licensed residential real property appraiser, certified residential real property appraiser and certified general real property appraiser. Currently to hold a licensed residential real property appraiser needs 90 hours of education and 2000 hours of appraisal experience. This person can perform non-complex residential or agricultural properties. For a certified residential real property appraiser license, the appraiser must have 120 hours of appraisal education and 2500 hours of documented appraisal experience. They may appraise residential property or agricultural property without regard to transaction value or complexity and may perform appraisals for federally related transactions. The certified general real property appraiser is the top level and has 180 hours of appraisal education and 3000 hours of documented

appraisal experience. Certified general real property appraisers may appraise all types of real property and perform appraisals for federally related transactions.

Both appraisers at Upper Midwest Management Corporation have the general real property appraiser license status.

All appraisers must have 15 hours of Uniform Standards of Professional Appraisal Practice (USPAP). USPAP, established in 1987, represents the generally accepted and recognized standards of appraisal practice in the United States. Not following the USPAP standards can be grounds for revocation of an appraisal license.

In addition to state licensing, many appraisers are members of professional appraisal organizations, which upon completing additional course work and experience, are awarded a professional designation. One such organization is the American Society of Farm Managers and Rural Appraisers, who award the Accredited Rural Appraiser (A.R.A.) designation. I hold this designation.

Appraisers compile information from many sources to analyze the value of the subject property being appraised:

- On-site inspection
- Courthouse search for property data and comparable sales
- Verification of sales with buyer/seller
- Recent auction results
- Farm Service Agency for crop bases, yields, and any conservation easements
- Soil maps for soil type and productivity

Real Estate Offerings



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

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 of property.

WRIGHT COUNTY, MN

Property:

Approximately 76 acres in Sec. 25, Twp. 119, Range 28.

Benefits/Features:

Development land adjacent to Cokato, MN, on U.S. Hwy 12. Lake frontage.

SEALED BID & AUCTION

Approximately 76 acres in Sec. 9, Twp. 115N, Range 41 West in Yellow Medicine County

Buyer's Premium applies. Bid opening, Aug. 22, 2006

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

We have detailed information sheets and brochures on all offerings. Let us mail you information for the property(ies) you are interested in. Call us at 800-545-6227, 320-523-1951, 507-359-2004 or visit our websites at www.landspecialists.com and www.ummccorp.com. This information is from sources deemed reliable, but is not guaranteed by agent. Package is subject to prior sale, price change, correction or withdrawal.

SWIFT COUNTY, MN

Property:

200 acres more or less. Sec. 16, Twp. 121N. Rge 43.

Benefits/Features:

Productive cropland all in CRP at the present time. Excellent deer and pheasant hunting.

MEEKER COUNTY, MN

Property:

35.35 acres more or less, 16 acres more or less tillable, Section 5, Collinwood Township.

Benefits/Features:

Building entitlement. Located on a wildlife wetland.

LA MOURE COUNTY, ND

Property:

400 acres more or less in Sections 29 & 30, Twp. 133, Range 63W

Benefits/Features:

Contiguous, good tillable farmland in strong high rental area demand

PIPESTONE COUNTY, MN

Property:

160 acres more or less, Sec. 22 Twp. 108, Range 46. 111 ac. of CRP and RIM

Benefits/Features:

Good grass cover in the area. Pheasant and deer hunting. Has nice building site on tar road.

Upcoming Land Auctions



35 acres more or less, Renville County, MN, in Sec. 31, Twp. 115N, Rge. 33W. Approximately 3 miles South of Bird Island, MN
Good tract in excellent rental area
September 7, 2006 on the site.

25 acres more or less, McLeod County, MN, in Sec. 29, Lynn Twp. Approximately 4 miles SW of Hutchinson
1 Building entitlement
September 8, 2006 on site.

310 acres (more or less) prime Mower County farmland, 288 acres pattern tiled, tillable cropland. South of Stewartville, MN - Has 3 bldg. entitlements.
September 9, 2006 at Methodist Church, Racine, MN

151 acres more or less, Renville County, MN, in Sec. 18, Twp. 116N, Rge 35 less building site. 5 miles northwest of Danube, MN
September 14, 2006, Danube Community Center

78 acres more or less, Renville Co., in Sec. 36, Twp. 115, Range 35. 74+ tillable acres, one field located 3 ½ miles southwest of Olivia.
September 19, 2006, American Legion Club on Hwy 212 & 71 West in Olivia, MN

160 acres more or less in Sec. 33, Twp. 110, Range 35. 8 miles northwest of Springfield, MN. Excellent square 160, one large field.
September 21, 2006 at Springfield Community Center.

Gary Hotovec #43-08

Call NORTH CENTRAL® Realty, a division of Upper Midwest Management Corp., at 1-800-545-6227.

2006 Farm and Land Sales

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



January 1, 2006 – July 31, 2006

Total Acres	County	P.A. Sale Date	Price	Buyer & Comments
60	Renville	Nov	\$155,400.00	Farmer
104	Faribault	Feb	\$342,000.00	Investor-1031 exchange
77	Watonwan	Feb	\$246,400.00	Investor
80	Brown	Feb	\$150,000.00	Farmer
94	Redwood	March	\$313,490.00	Farmer
109	Meeker	March	\$341,000.00	Farmer
76	Renville	April	\$242,400.00	Farmer
66	Meeker	April	\$135,960.00	Farmer
80	Renville	June	\$240,000.00	Investor
80	Renville	June	\$240,000.00	Investor
146	Renville	June	\$489,343.00	Investor
87	Meeker	July	\$162,300.00	Farmer <i>Waiting to close</i>
90	Rice	April	\$620,000.00	Investor <i>Waiting to close</i>
320	Lac qui Parle	May	\$915,200.00	Government <i>Waiting to close</i>
69	Chippewa	July	\$181,272.00	Investor <i>Waiting to close</i>

*Wake up
with a smile
and go after life...
live it, enjoy it,
taste it,
smell it, feel it.*

-Joe Knap.

FOR SALE

COMMERCIAL BUILDING IN RENVILLE, MN

Car/Truck Wash. 2 wash areas = 40' x 48' and 48' x 48' plus Quonset Building. Well located, within in the city limits of Renville.

COMMERCIAL BUILDING IN OLIVIA, MN

2 lots – approximately 116,025 sq. ft. plus 40 x 70 heated shop and 20 x 60 wash bay and 16 x 70 office area. Zoned Heavy Industrial in the City Limits of Olivia.

PRICE REDUCED

DAIRY FARM IN HUBBARD COUNTY, MN

- 400-cow dairy located on 40 acres, more or less.
- Sec. 22, Hubbard Twp.
- Free-stall barn.
- Permitted to 700 cows.

If you would like to receive future copies of NORTH CENTRAL® News electronically, please e-mail us your name, mailing address, and email address and you will receive the next issue via e-mail.

Our e-mail address for NORTH CENTRAL® News is: ummcolivia@ummccorp.com

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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.