



LandOwner

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Powerful Insight for LandOwners

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Brazil's crackdown on foreign ownership of farmland will gain some clarity soon when the country's attorney general releases guidelines governing Brazil's new restrictions on foreign ownership of farmland.

In August 2010, the attorney general issued a new interpretation of a 1971 law, establishing a series of highly restrictive rules on foreign ownership. The interpretation included a size limit on individual farmland purchases ranging from 617 acres to 12,350 acres, depending on the state. Foreign land purchases must also be approved by the agrarian reform ministry.

Under the new interpretation, foreign investors are not allowed to buy farmland without first explaining how they plan to use the land and this stated use will be permitted only if it is contained in the company's statutes. Any land transaction must be registered separately in real estate registries and reported on a quarterly basis to the agrarian reform ministry. These rules apply to purchases of Amazon land by environmental groups, too.

Brazil says foreigners own only 0.97% of the total registered rural properties. Between 2002 and 2008, Brazil's bank registered \$2.4 billion in foreign investments in the country's agriculture sector.

Iowa Land Auctions See \$15,000-plus

The record highs keep coming in the hot Iowa land market. They came in two auctions late September out of Jasper and Mahaska counties, just east of Des Moines.

The first was the September 24 auction of 160 acres of Jasper County farmland handled by John and Kathy VanZee, Farmers National Company, Mitchellville. The offering featured two tracts of 80 acres each located north of Sully. Farmland in that area can be quite rolling in some areas, but that was not the case with these two tracts. Tract 1 featured 74.4 tillable acres and was level to gently rolling. The soils carried a Corn Suitability Rating (CSR) of 91. That rating is about as good as it gets in Iowa where the CSR maximum is 100 and rare. And, it's a standout compared to the county average of 64.1. That tract brought an eye-blinking \$16,200 per acre. The buyer is an area farm family — father and two sons. The contending bidder was an area farmer, too, John VanZee tells us. The opening bid was \$10,900 an acre.

Complicating that sale figure is the fact the tract included a remodeled 1950s-style farmhouse and grain bin. Sam Kain, ALC, area sales manager for Farmers National Company, says the farmhouse was recently assessed at \$160,000. "Depending

what kind of value you put on the buildings it (the bare ground) would have sold \$13,500 to \$14,000 per tillable acre," he says.

The second 80-acre tract brought \$7,000 per acre, but it carried a CSR of 62 — slightly under the county average.

That sale was followed by a sealed-bid auction September 27 of 77.5 acres of bare land located near Leighton, southeast of Pella in Mahaska County. The CSR on the ground was 81 — the county average CSR is 68.2. Sale price: \$15,368 per acre. August Luthens, Luthens Law Office, Colfax, handled the sale. The buyer is an area farmer.

Notable about these chart-toppers is the fact they did not come from northwest Iowa. The area around Sioux Center has been a hot-bed of state-record land auctions. But that was not the case with these sales.

Northwest Iowa isn't standing still, though. Osceola County posted a record \$12,600 per acre for 75 acres located east of Ashton. Rich Vander Werff, Sandborn, whose firm handled the September 30 auction, says the farm had 72.1 tillable acres and a CSR of 84. County average CSR is 68. The farm was sold to a local farmer doing a 1031 exchange, he says.

Corn Stocks Report Spooks, Confuses Market

What was once one of the corn market's most predictable USDA reports has become one of its most surprising. That's the Quarterly Grain Stocks Report.

USDA says corn stocks September 1 totaled 1.128 billion bu., 166 million bu. larger than the average of pre-report estimates. That figure is down from last year's 1.708 billion bushels.

A decrease in stocks from year ago was expected, but a steeper decline was anticipated. The trade did not expect to see as much apparent demand destruction from this summer's \$7 cash corn prices as the report suggests. For example, the 1% rise in hog inventories reported September 28 indicates pork producers are willing to expand even in the face of high feed prices.

The September corn stocks report should be one of the easier reports to anticipate because exports and ethanol use are known. That leaves feed use and cattle, poultry and hog numbers are relatively known as well. But USDA sur-

prised the market last year when it showed 300 million more bushels in stocks September 1 than expected. And now it's surprised the market again with 166 million bu. more than expected.

Some market observers suggest increased use of Dried Distillers Grains in rations, more southern corn production and the arrival of higher-yielding short-season varieties may be sending more new-crop bushels to the market sooner than in years past.

Meanwhile the market will have to work with the USDA numbers. *Pro Farmer* analysts emphasize corn stocks are far from adequate as the 2011-crop year starts with 580 million fewer bu. in the bin. They point out last year's yield of 152.8 bu. per acre and a crop of 12.447 billion bu. are very similar to this year's estimates of 148.1 bu. per acre yield and a crop of 12.497 billion bushels. So, no boost is in sight for corn supplies and there's an even stronger need for more corn acres next year. That means strong corn prices ahead.

Large Piatt County, Illinois, Tracts Bring \$12,000+ Per Acre

The Illinois farmland market has seen several large properties come to the market recently — generally, those offerings have been well received. We're talking per-acre sale prices in excess of \$11,000 in several of those auctions.

That trend continued with the recent closing of the August sale of 706.5 acres located 1.5 miles south of Bement (east of Decatur) in Piatt County. The total sales price was about \$8.5 million or about \$12,031 an acre — believed to be a county record. Jim Flanigan, AFM, of Soy Capital Ag Services in Decatur, handled the offering. The buyer is a private equity investment LLC.

The listing consisted of three contiguous farms offered as

a single unit. The unit formed a full section with another 80 acres adjoining. Total tillable acres was 683.3.

The soil productivity index (PI) averaged about 139 with 147 maximum. The sales price figures out to “roughly \$89.50 per PI point per tillable acre,” reports Dave Klein, AFM, ALC, managing real estate broker for Soy Capital Ag Services, Bloomington.

The property contained 344.5 FSA corn base acres and had a direct payment yield of 134 bu. per acre. There were 341 soybean base acres with a yield of 35 bu. per acre. There was no land classified as either highly erodible or wetlands — “flat and black,” says Klein.

High-Quality Farmland Premium Still High

We've written frequently about the intense demand for quality farmland versus poorer-quality farmland. The latest figures from Iowa's farm real estate group confirms it.

The Iowa REALTORS® Land Institute's latest survey pegs the average value of high-quality farmland in the state at \$8,330 an acre and the average value of low-quality farmland at \$4,588 an acre. That puts the premium for high-quality versus low-quality farmland at 81.6% — the second highest percentage premium for our data dating to September, 2002. (See chart below.)

We follow the quality premium as an early indicator of a market turn. In September 2002 the percentage premium was 76% and Iowa farmland rose 8.2%, according to the annual Iowa State University land survey.

Land values continued to move higher in the years following but the premium narrowed. By the September 2005 RLI

update, the premium had tightened to 52%. Land values rose 10.8% that year following a 15% rise in 2004.

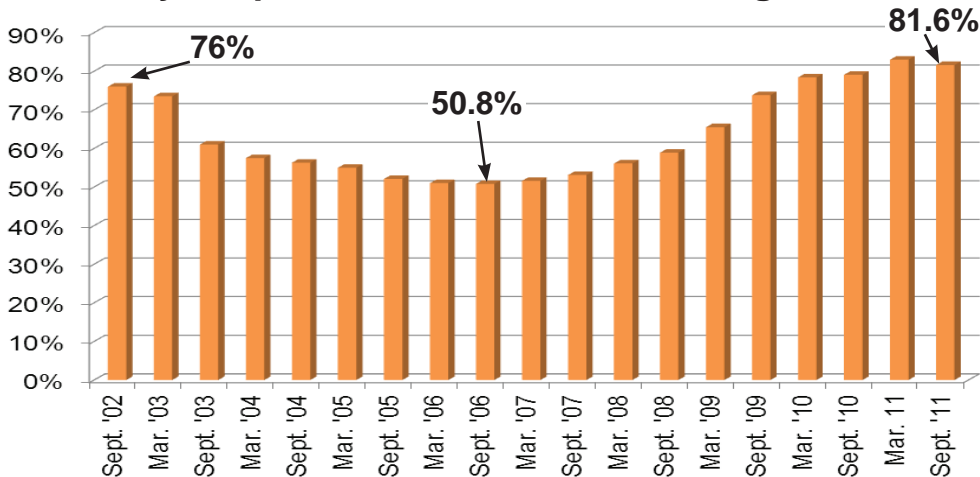
The premium bottomed at 50.8% in the September 2006 RLI survey as the value of low-quality farmland rose at a slightly stronger pace than high-quality farmland. Iowa land values rose 10% in 2006, with much of the gain occurring during the first half of the year.

Then the “new world” of corn demand kicked in. Corn prices rocketed higher. Iowa values surged by 22% and the premium for high-quality farmland began to widen as farmers sought high-quality corn ground. Meanwhile, demand for lower-quality farmland slipped relative to high-quality farmland due to weakness in the urban housing market. Weakness in that market decreased the demand for recreational property.

The premium continued to widen through the decade reaching 83% in the March RLI survey and has eased back to 81.6% in the current survey.

Does that mean the market is in the early stages of seeing low-quality land rise faster than high-quality land? It could. But more likely, it simply reflects the increase in the supply of high-quality land that has moved to the market in recent months. Besides, a two percentage-point decline at these levels is hardly significant. The premium needs to decline under 70% to suggest the market may be in the early stages of running out of steam. And it needs to move under 55% to suggest demand for high-quality farmland is beginning to ebb.

Quality Cropland Still Commands Strong Premium



Iowa REALTORS® Land Institutes high-quality cropland/low-quality cropland

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5% Increase Seen in Canadian Farmland Values

The rise in U.S. farmland prices is washing across our border to the north. However, the pace of gains is not as strong as that seen in the U.S. Corn Belt.

The value of Canadian farmland increased 2.1% during the last six months of 2010. That's according to Farm Credit Canada (FCC), the nation's leading agriculture lender. Coupling that 2.1% rise with the 3% increase reported in the previous six-month update results in an annual increase of 5.1%.

The figures released by FCC are based on its semi-annual appraisal update of 245 benchmark farm properties located across the nation. The benchmark farms have been appraised semi-annually in January and July since 1990.

Farmland values remained stable or increased in all provinces, according to the FCC update. Prince Edward Island experienced the highest average increase at 3.2% followed by Saskatchewan at 2.7%. New Brunswick and Ontario each saw 2.4% growth followed by Alberta at 1.5% and Manitoba at 1.3%. Quebec at 0.9%, Nova Scotia at 0.6% and British Columbia at 0.4% rounded out the list of provinces that saw a rise in farmland values. Values were unchanged in Newfoundland and Labrador.

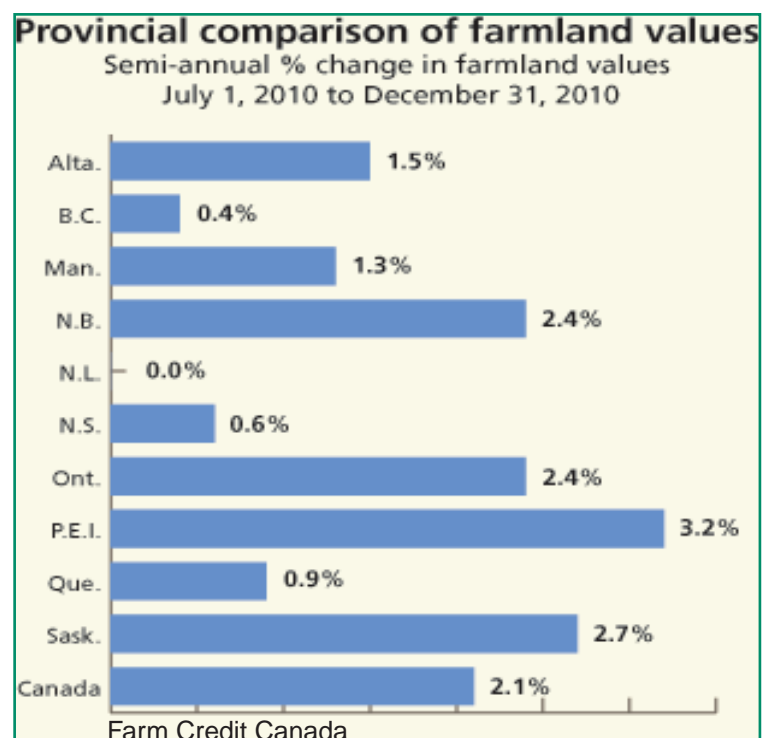
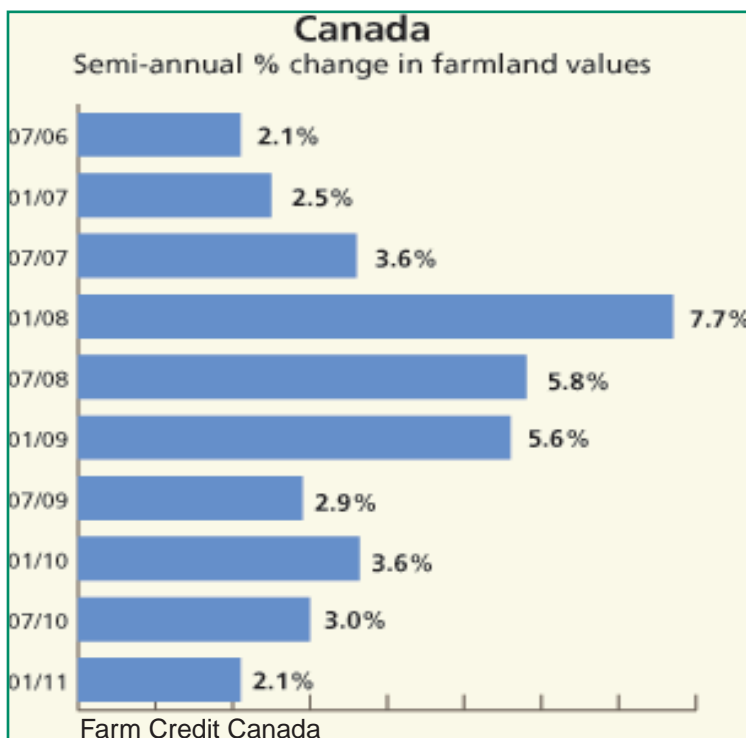
Canadian farmland values have risen steadily during the past decade, says the FCC. The highest average national increase was in 2008 when values rose 7.7%. The last time the average value decreased was in 2000 when values fell by a scant 0.6%.

Cash crop producers are the dominant buyers, says FCC — as in the United States. Strong demand with limited supply makes farmland a hot commodity due to its historic performance as a stable investment and its current income

generating potential, FCC notes. Low interest rates also encourage buyers to seek farmland as an attractive investment and that demand presses farmland values upward. Although it seems that more people are interested in purchasing farmland, the supply is limited. This continues to fuel competition in the farmland market, FCC observes.

Favorable growing weather in 2010 paved the way for an abundant potato harvest. Higher potato prices coupled with the strong harvest helped producers recover financially after a poor crop year in 2009. These factors were the primary drivers behind the 3.2% gain seen in the value of quality farmland the last half of 2010 on Prince Edward Island, although buyers were selective, FCC says. However, values were unchanged in the two previous six-month periods. In fact, FCC notes, values have either shown no change or decreased on Prince Edward Island during every semi-annual reporting period since the last half of 2003.

% Change in farmland values		
Provinces	First half of 2010	Second half of 2010
Alta.	2.9%	1.5%
B.C.	-0.9%	0.4%
Man.	3.4%	1.3%
N.B.	0.0%	2.4%
N.L.	0.7%	0.0%
N.S.	3.1%	0.6%
Ont.	4.3%	2.4%
P.E.I.	0.0%	3.2%
Que.	2.3%	0.9%
Sask.	2.9%	2.7%
Canada	3.0%	2.1%



INDIANA: MIAMI COUNTY —
SEPTEMBER 10: 63.3 acres 4 miles west of Peru; Tracts 1 & 3: 28 acres; farmstead, pasture, woods and pond; **\$172,000** total. Tract 2: 35 acres; all tillable; **\$167,000** total or about **\$4,771** per acre. Larry Jordan, Halderman Real Estate Services, Peru, 765-473-5849.

KANSAS: PHILLIPS COUNTY —
SEPTEMBER 8: 1,090 acres 6 miles south of Phillipsburg; 114 acres cropland, remainder grass with Solomon River running through the property; **\$826** per acre. Farm & Ranch Realty, Inc., Colby, 800-247-7863.

N. DAKOTA: FOSTER Co. —
SEPTEMBER 8: 123 acres 1 mile south of Carrington; 101 acres tillable; PI 79; **\$2,529** per tillable acre. Charles Peterson, AFM, U.S. Bank, Farm Management Group, Fargo, 701-241-8206.

INDIANA: WABASH COUNTY —
SEPTEMBER 1: 162 acres 6 miles west of North Manchester; 130 acres tillable; OPCY 107.8; 93.1 corn base acres, 93 bu. yield; **\$650,000** total or about **\$5,000** per tillable acre. Bill Earle, Halderman Real Estate Services, North Manchester, 260-982-8351.

ILLINOIS: HENDERSON Co. —
AUGUST 26: 181.5 acres 2 miles south of Stronghurst; Tract 1: 64 acres; 50 acres tillable; **\$4,050** per acre. Tract 2: 67.8 acres; pasture; **\$1,550** per acre. Tract 3: 47.3 acres; 35 acres tillable; **\$5,150** per acre. Tract 4: 2 acres; farmstead; 100,000-bu. grain facility; **\$175,000** per acre. Van Adkisson Auction Service, LLC, Roseville, 309-426-2000.

ILLINOIS: HANCOCK COUNTY —
AUGUST 11: 59 acres 4 miles northeast of LaHarpe; 56.7 acres tillable; **\$8,200** per acre. Sullivan Auctioneers, LLC, Hamilton, 217-847-2160.

TEXAS: LAMB COUNTY —
AUGUST 4: 137 acres; 2020 CRP contract; **\$85,688** total. Eric Turpen, Clift Land Brokers, Amarillo, 806-679-6206.



Recent sales reported to...



Here's a listing of recent sales reported to us by real estate brokers and auctioneers across the country. If you have recent sales you'd like to share, call us at 319-277-1278 or e-mail us at landowner@profarmer.com.

INDIANA: HUNTINGTON COUNTY — OCTOBER 4: 74 acres northeast of Huntington; 54.3 acres tillable; **\$511,000** total or about **\$6,905** per acre. Offered as four tracts; purchased as single unit. Zach Hiner, Schrader Real Estate and Auction Co., Inc., Huntington, 800-451-2709.

IOWA: STORY COUNTY — SEPTEMBER 30: 158 acres 3 miles south of Colo; 155 acres tillable; NHEL; CSR 87.7 (77.6 county average); 77.3 corn base acres, FSA farm program direct yield of 118 bu. per acre; 77.3 soybean base acres, 32 bu. per acre direct yield; **\$9,900** per acre. Bill Vogel, Hertz Real Estate Services, Nevada, 515-382-1500.

IOWA: GRUNDY COUNTY — SEPTEMBER 27: 100 acres northwest of Grundy Center; 98.6 acres tillable; CSR 89.5 (84.7 county average); 53 corn base acres, 135 bu. direct yield; 45 soybean base acres, 37 bu. yield; **\$12,800** per acre. Jeffrey Obrecht, Farmers National Company, Iowa Falls, 641-648-5065.

KENTUCKY: HENDERSON COUNTY — SEPTEMBER 24: 75 acres; 63 acres tillable; house with pool and guest house; **\$385,000** total or about **\$5,133** per acre. John Kurtz, Kurtz Auction & Realty Co., Owensboro, 800-264-1204.

IOWA: GUTHRIE COUNTY — SEPTEMBER 22: 440 acres southwest of Guthrie Center; Tract 1: 160 acres; 149.4 acres tillable; CSR 63.4 (55.7 county average); terraced; Tract 2: 280 acres; 267 acres tillable; CSR 66.3; 2 acres wetlands; farm program direct yields of 96 bu. on corn and 35 bu. on soybeans; **\$7,800** per acre. Kyle Hansen, Hertz Real Estate Services, Nevada, 800-593-5263.

INDIANA: FAYETTE COUNTY — SEPTEMBER 22: 185 acres 3.5 miles south of Connersville; 141 acres tillable, remainder woods and pasture; billboard income; municipal water and sewer on or nearby all tracts; **\$3,837** per acre. Offered as 10 tracts; purchased as single unit. Steve Slonaker, Schrader Real Estate & Auction Co., Inc., Centerville, 877-747-0212.

MISSOURI: TEXAS COUNTY — SEPTEMBER 20: 480 acres 3 miles northwest of Licking; 455 acres hay and pasture, 15 acres woods; farmstead including cattle barn and pens; creek runs through property; Tracts 1 - 4, 6: 475 acres; includes access easement across Tract 5; cattle facilities; **\$1,410** per acre. Tract 5: 5 acres; farmstead; **\$62,000** total. Joe Bubon, Murray Wise Associates, Champaign, Ill., 217-352-6035.

MINNESOTA: ROSEAU COUNTY — SEPTEMBER 20: 3,271 acres southwest of Warroad; about 2,290 acres tillable; PIs ranging from 63 to 87; **\$557** per acre. Offered as ten tracts; purchased as single unit. Roy Wasche, Farmers National Company, Fargo, North Dakota, 701-232-6376.

NEBRASKA: STANTON COUNTY — SEPTEMBER 15: 120 acres northeast of Norfolk; 111 acres cropland; 82 corn base acres with 69 bu. yield; 29 soybean base acres, 27 bu. yield; **\$3,600** per acre. Jerome Settles, Farmers National Company, Norfolk, 402-565-4800.

METALS

Break in gold should turn into a buying opportunity

Weekly Gold Futures

Short-term trend is down.

The long-term uptrend was spiked but remains intact. A weekly close below the uptrend would leave key flat support at the last two correction lows, which line up with 38% and 50% retracements of the rally from the 2008 low to the all-time high.



Fundamental trends

GOLD: The nearly \$400 plunge in front-month gold futures strongly suggests the gold market has posted a major high. But gold holdings by exchange-traded funds (ETFs) have dipped just modestly. And open interest in gold futures remains strong. Both signal the price plunge has not been due to massive long liquidation.

Instead, much of the selling was end-of-the-quarter win-

dow dressing by hedge funds and investors taking profits out of gold to make margin calls in other markets.

The underlying data suggests investors still see gold as a long-term “buy.” That should not be surprising given gold’s traditional safe-haven status.

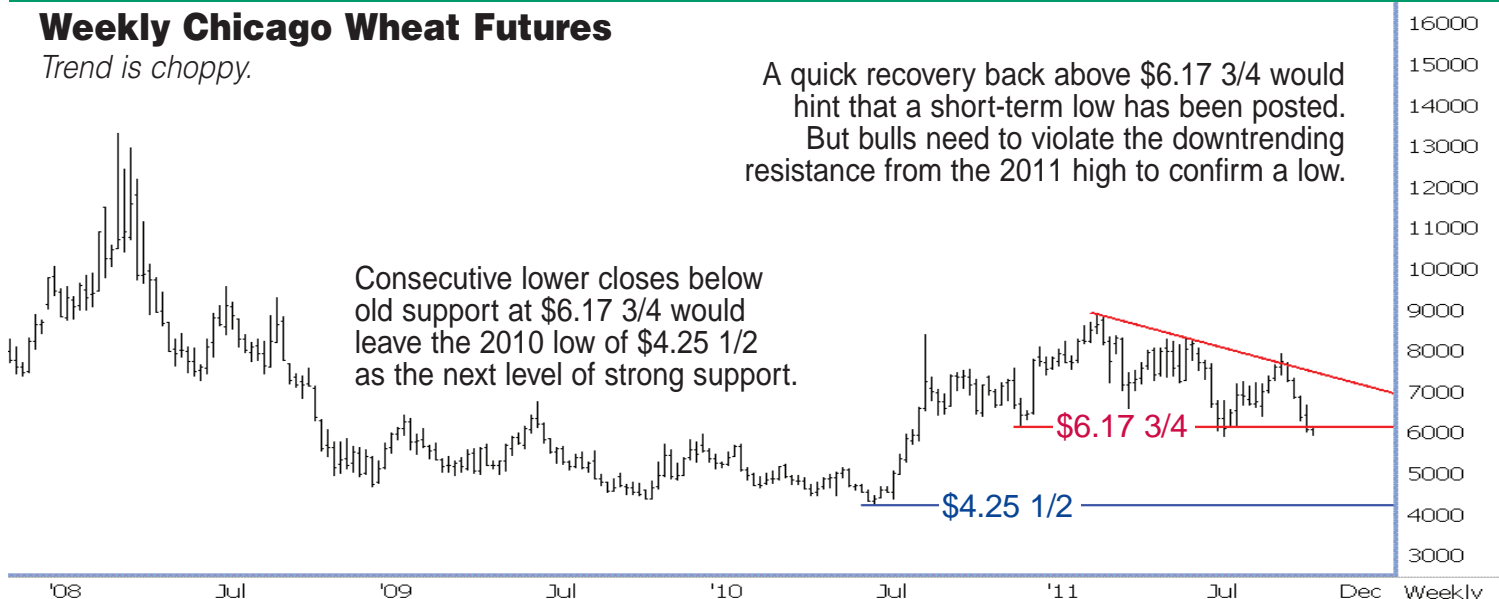
With increasing economic uncertainty, investors should to view gold favorably and push gold higher again.

WHEAT

Wheat at risk of more price pressure

Weekly Chicago Wheat Futures

Trend is choppy.



Consecutive lower closes below old support at \$6.17 3/4 would leave the 2010 low of \$4.25 1/2 as the next level of strong support.

A quick recovery back above \$6.17 3/4 would hint that a short-term low has been posted.

But bulls need to violate the downtrending resistance from the 2011 high to confirm a low.

Fundamental trends

SRW: USDA’s Sept. 1 wheat stocks came in well above expectations despite a smaller-than-expected all wheat crop estimate. That implies wheat use was very sluggish through the first quarter of the 2011-12 marketing year. A lack of demand and macro-economic concerns will continue to make it hard on bulls.

HRS: USDA’s spring wheat production estimate came in even smaller than expected. But while the supply side of the market is favorable, bulls are trying to tread water amid heavy spillover from the corn market and negative macro-economic factors. For now, bullish supply-side fundamentals will do little more than help limit pressure in Minneapolis wheat futures.

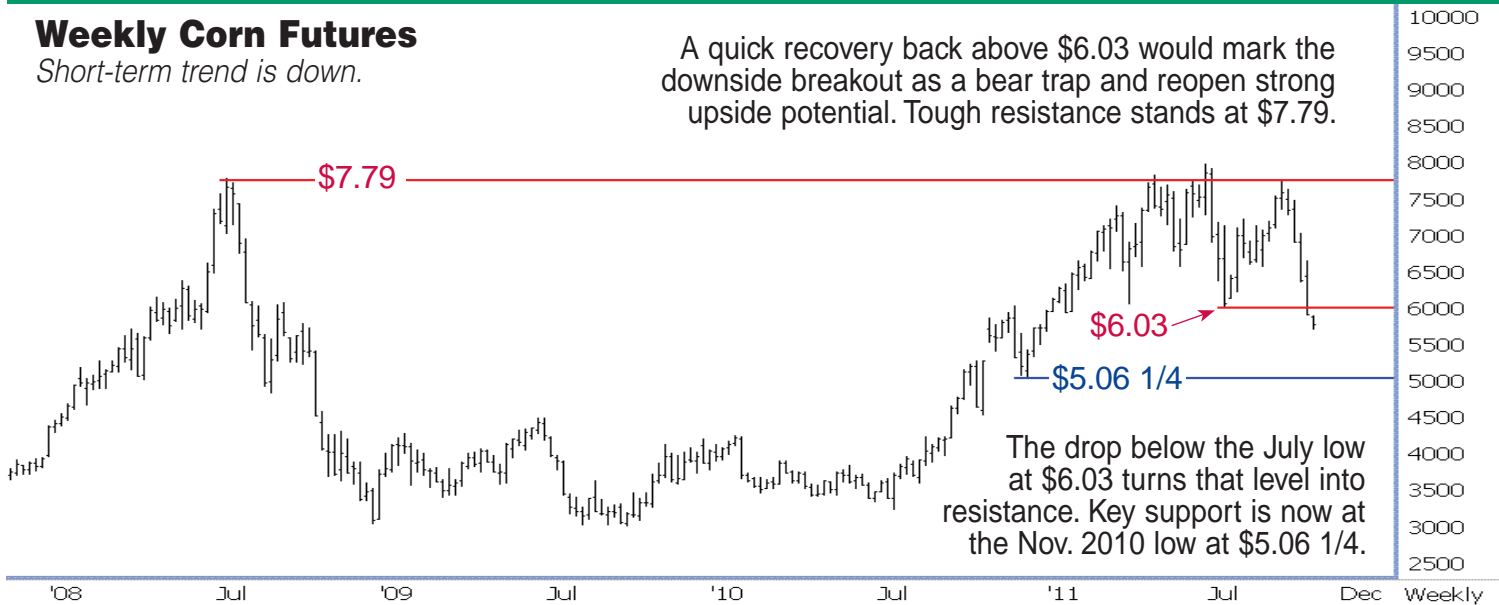
CORN

Macro-economics, higher-than-expected stocks weigh on corn

Weekly Corn Futures

Short-term trend is down.

A quick recovery back above \$6.03 would mark the downside breakout as a bear trap and reopen strong upside potential. Tough resistance stands at \$7.79.



Fundamental trends

CORN: USDA delivered a bearish surprise by pegging Sept. 1 corn stocks (2010-11 carryover) at 1.128 billion bushels. While traders were expecting an uptick in corn stocks from the September Supply & Demand Report estimate, USDA's figure was 166 million bu. above the average trade guess. When combined with building harvest pressure and macro-economic uncertainties, bears have plenty of ammo to drive

the market even lower. Key to putting in a short-term low will be demand and investor confidence. If end-users actively step in and buy corn on the sharp price break (there's already been signs of that), it would suggest the corn market has dropped "far enough." But funds must also pump money back into the long side of the market after aggressively liquidating long positions in September to put in a low in corn.

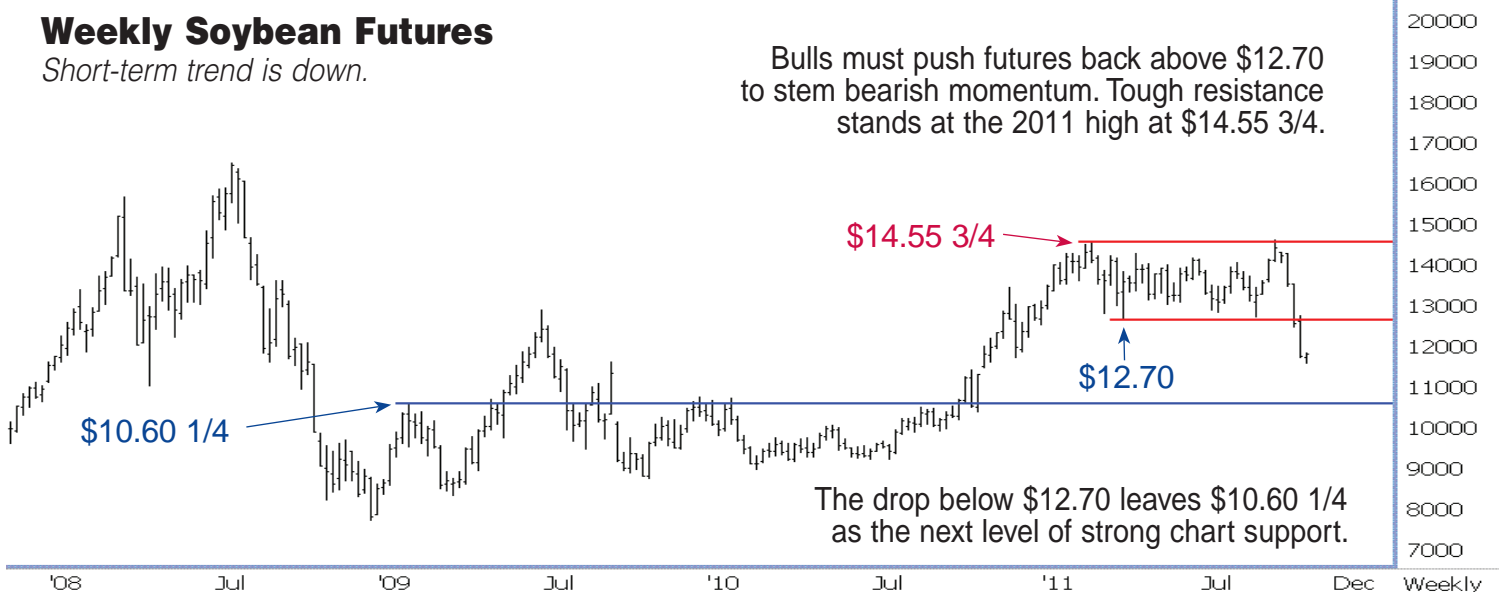
SOYBEANS

Momentum swings to bears

Weekly Soybean Futures

Short-term trend is down.

Bulls must push futures back above \$12.70 to stem bearish momentum. Tough resistance stands at the 2011 high at \$14.55 3/4.



Fundamental trends

BEANS: USDA's Sept. 1 soybean stocks figure came in 10 million bu. lower than expected. But the market had a sharp negative reaction as corn and outside markets continue to weigh on soybeans. While soybean futures are now below levels that have repeatedly attracted fresh buying interest since the beginning of the year, there's risk of more near-term pressure. Combines are starting to actively roll

across the Corn Belt, which means seasonal selling pressure will increase. Plus, the technical picture is now decidedly bearish, which could attract more chart-based selling. And macro-economic uncertainties are building. But soybean prices are looking cheap to end-users. Export sales for the week ended Sept 22 topped 1 million metric tons, with China buying 845,600 metric tons of U.S. soybeans.