

Farmland SEASONS

FALL 2011



MGW

MARTIN, GOODRICH & WADDELL, INC.
REAL ESTATE SERVICES

*We plant profitable investment ideas
in every season*

Ag's Bright Future

PAGE 4

IN THIS ISSUE:

News and Views
Affecting Farmland **2**

Weather Hot Spot:
U.S. Southwest **3**

Top Real
Estate Listings **7**

America: The Best
Place to Farm **8**

LAND MARKET UPDATE: SCARCE LAND LISTINGS; STRONG MARKET

The agricultural land market continues to gain strength. The Federal Reserve Bank of Chicago recently reported that prices in the Seventh District rose 17% in the second-quarter compared with a year earlier.

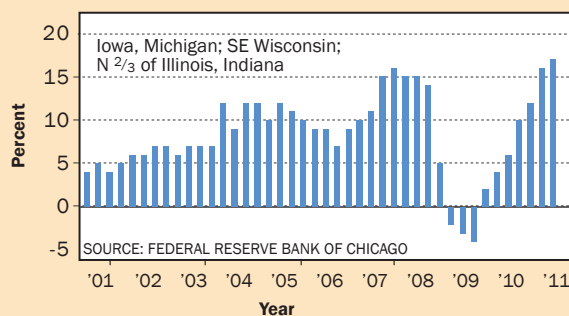
Throughout the Midwest, the supply of farmland listings has grown scarce. Overwhelming demand, coupled with a limited supply of productive farmland for sale, has created one of the strongest farmland markets in recent memory.

Despite the reduced inventory of ag land, our sales team is poised to make 2011 another great year as we continue to expand our network of farmers, investors and landowners.

In the demand-driven market we are in today, MGW has achieved many strong sales through both the brokerage and the auction approaches. Several auctions already are slated for this fall (see Listings on page 7), and our auction team is evaluating many new properties that will be added to our schedule soon (watch our Web site, www.mgw.us.com, for new additions).

In the near to medium term, it is difficult to envision a scenario that would lead to a severe correction in farmland values. As other asset classes continue to underperform, the historical strength and stability land produces makes it ever more attractive. Farmland continues to offer a very competitive rate of return as well as an excellent hedge against inflation, promising a continued bright outlook for U.S. ag land. —*Josh Waddell, Vice President*

QUARTERLY FARMLAND PRICE CHANGE



KEEP ON TOP OF LAND AUCTION TRENDS

In response to increasing requests, Martin, Goodrich & Waddell, Inc. is now providing an informative, monthly e-mail report detailing the performance, trends, and key considerations of the land auction market. This free offering is meant to be an educational tool and update for all parties interested in the auction process and the accelerated marketing method that it provides. Whether a potential buyer or seller, landowner, ag industry professional, or outdoor enthusiast, this report is sure to be a must-read. To receive the report, please send your e-mail address to mark.mommsen@mgw.us.com, or call us at 815-756-3606.

THE WORLD NUMBERS GAME

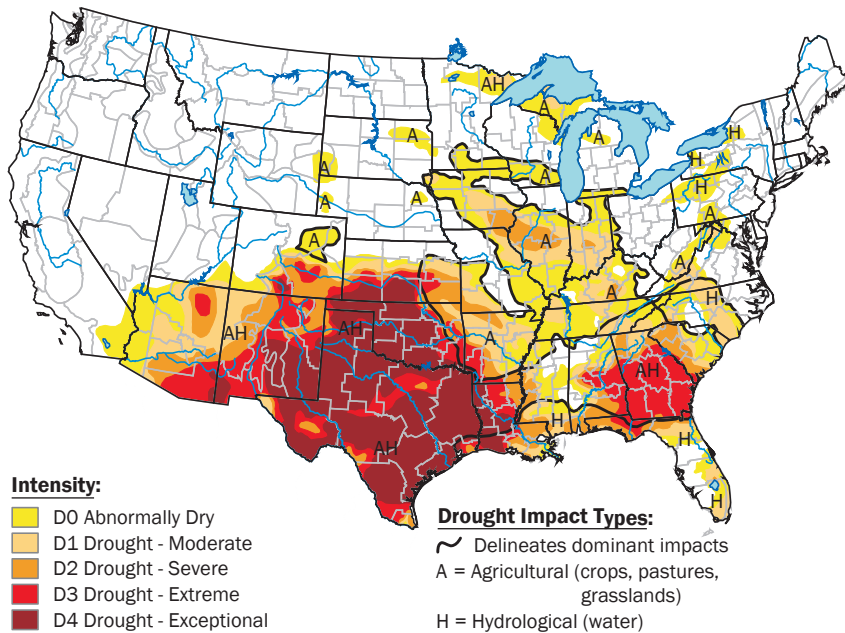
In each issue of Seasons, we'll supply comparative numbers that affect farmland prices or investment. The answer to what these numbers represent appears on the next page.

SOURCE: FAO STATISTICS

	g/person/day
Argentina	94
Australia	106
Belgium	97
Brazil	84
Canada	105
China	89
France	113
Germany	99
India	56
Indonesia	56
Italy	112
Malaysia	79
Sweden	107
USA	114
Venezuela	71

Cover Photo: Andrew Rich

WORLD WEATHER “HOT SPOT”: U.S. SOUTHWEST



SOURCE: U.S. DROUGHT MONITOR

The devastating drought in the Southwest has not caused the human suffering seen in the Horn of Africa, but agriculturally, its extreme impacts will linger far beyond this summer.

Drought now affects more than a million square miles or a third of the lower 48 states. The most extreme cases of “exceptional” drought stretch from Arizona to Louisiana and parts of Georgia. Almost half the beef cows were in states with poor or very poor pasture conditions in July, and conditions have worsened since then. Ranchers, unable to find feed or even water for their cow herds, have regretfully sent years of breeding and care to the sale barn.

USDA’s mid-year cattle inventory already found a record-low number of cattle and calves, at 99.96 million head. All cows and heifers that have calved were down 1% from last year, and the 2011 calf crop also is down 1%. At just 4.2 million head, ranchers are holding 4.5% fewer heifers as replacements than last year.

“We’ll have more beef supplies in the short term as calves are hustled into feedyards rather than lingering on pasture,” says Glynn Tonsor, Kansas State University livestock economist. “But it also means we will see no expansion in the cow herd or calf crop in 2012 or 2013.” Tonsor believes herds liquidated in the Southern Plains or Corn Belt may not come back as producers pursue lucrative field crops. Instead, ranching will be more centered in the mountain states. In addition, smaller producers who liquidate herds may not restock when the drought is over.

If meteorologists are right, that won’t happen soon. Many worry the La Niña conditions that shaped weather from last summer into the 2011 season—now neutral—may return. If so, “the intensity of the drought could be worse in the second year in Texas, Oklahoma and the southern Rockies,” according to Al Dutcher, Nebraska’s state climatologist.

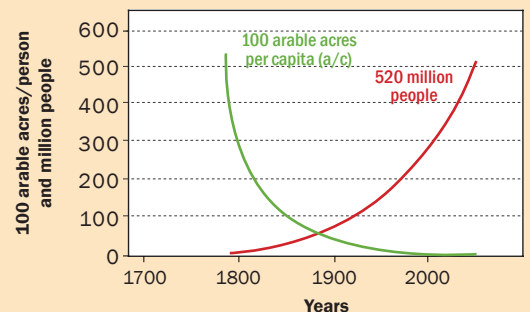
If there’s no relief in September, farmers will have to decide whether to bother seeding wheat. Some will choose the “no plant provision” of crop insurance and leave their fields idle. That means less wheat pasture and will further encourage rapid movement of calves to feedyards.

SHRINKING LAND PER PERSON

Many studies of world population growth mention its slow pace in developed countries such as the U.S., Europe and Japan. However, even a slow rate compounds to huge numbers: At the current rate of increase of 1.1% per year including legal immigration, the U.S. is adding about 3 million people a year, equal to the city of Washington, D.C. Its population is projected to reach more than 520 million by the year 2050, and by 2100, the U.S. could have a population of 1 billion—similar to that in China now.

At the same time, land is being lost to erosion and a million acres a year are removed from cultivation as America’s limited arable land is overwhelmed by the demands of urbanization, transportation networks, and industry. The intersection of these two trends means only 0.6 acres of farmland may be available to grow food for each American in 2050, about a third that available today.

POPULATION GROWTH AND FALLING LAND PER CAPITA



SOURCE: CARRYING CAPACITY NETWORK

AGRICULTURE'S BRIGHT FUTURE

Booming markets are adding jobs and attracting more young people

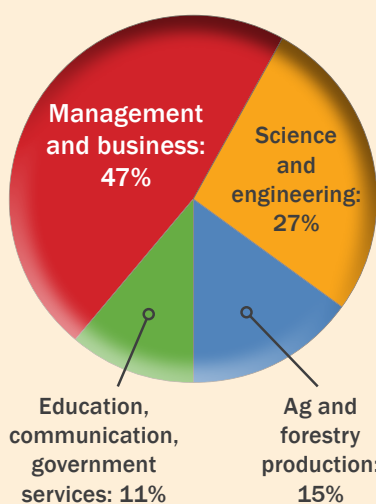
Become A Farmer! Seriously, it's the best job in the 21st century. So read the headline of an article in the July 11 issue of *Time*. Best-selling author and commodities bull Jim Rogers recently reiterated that agriculture is in a "supercycle" that will last at least 20 more years, and that agriculture is fundamentally positioned similar to gold and silver more than a decade ago—meaning prices have a long way to go.

Hot commodity prices and resulting record farm income have captured headlines in urban papers and business publications across the country. Agricultural and farmland investment conferences are proliferating not only in the U.S. but worldwide.

"There is clearly a boom underway," says Paul Mariani, of Variant Capital, a food and ag investment banker who has experience throughout the food chain. "A long-term trend is certainly in place for the foreseeable future, partly driven by strong, sustainable global demand for grains and the interplay between corn ethanol and oil."

He notes that agriculture is a unique part of the investor landscape, being both cyclical and volatile. "Investors and bankers alike have to understand that dynamic," he says, citing pork production as an example. "Producers were losing money in 2009, and now are making very good returns." The same can be said of dairy producers.

WHERE THE AG JOBS ARE



SOURCE: USDA/CSREES

RECORD FARM INCOME, RETURNS

U.S. farm income will surpass \$100 billion for the first time this year. "Many different crop and livestock categories are expected to achieve record-high sales," according to USDA. As a whole, that is translating into record returns as well.

"This is probably the strongest time in agriculture I've seen," says farmer Jeff Becker, who grows 2,500 acres of corn and beans near Baileyville, Ill. Becker grew up in town, although he spent much of his

free time and summers on his grandfather's farm. He rented his first farm in 1988, when he was a junior in high school. "Of course that was the year of a major drought, so my farming career got off to a rocky start," he says. As a senior and while attending junior college, he rented 235 acres from his grandfather, who passed away in 1996.

"In 1993, I rented some farms on bottom ground—and that was the year of the big floods," he says. "Then in 1994 I rented a sizeable amount of land and I've never looked back."

However, Becker adds that weather continues to challenge: "This year we've had cold, floods, heat, drought, wind, and hail. In another month we'll know for sure what's out there." In addition, he says, "Because of the higher costs, this farming environment has high opportunity but also high risk. It comes down to management."

Becker is in an expansion mode. "I'll probably double my acreage next year," he says. "Some land deals I've been working on for several years have come together. I hope my sons will come into the business, so I'm trying to establish a good base so we'll have enough income to support several families."

"American Agriculture is more important than ever, for several reasons," says Nate Janssen, dairy operations manager for Golden Oaks Farm in Wauconda, Ill. "Our consumers have become much more

interested in how their food is produced. Secondly, there is a great demand for many of our products on the world stage, and that demand will grow. The world's population is growing, but there is not much more available land to farm. The efficiency of the American farmer, along with the proper use of technology, can set the U.S. up to be a dominant player in world food production. We need to think globally."

JOBS, STUDENTS, COURSES

The number of jobs in the agriculture-food chain is increasing. "We continue to hire at least 20 graduates a year for our three-year program for bringing the next generation into our business, and we have done this for six years," says Bob Stutesman, national training and development manager for Wilbur-Ellis Company, a distributor and marketer of agricultural products headquartered in San Francisco. "It is encouraging to see more students entering agricultural businesses. At job fairs, we have seen a big influx of students with degrees in business, marketing and accounting who



Illinois farmer Jeff Becker is expanding acreage with the hope that his sons Dalton, 10, (left) and Cole, 7, someday will join his operation.

are interested in careers in agriculture."

He points out that as they grow and become more complex, farms need succession plans that bring in young people who are more technology and business savvy. "I can't stress enough the huge opportunities in agriculture," he says. "All along the value chain, the food system is growing, from farming to retailing"

Jobs in the agriculture and food sector have held up well during the economic downturn, says Don Boggs, associate dean for academic programs in the College of Agriculture at Kansas State University. "This year, we had 80 companies looking

to recruit ag students—no tail-off in the number compared with other years—whereas some other colleges did see a drop. And many of the companies that came still need additional recent grads."

Compared with 2005–10, the U.S. will have an additional 54,400 job openings each year for college graduates in agricultural and food systems, renewable energy and the environment between 2010 and 2015, according to USDA.

The strongest demand will be for graduates with degrees and related work experience in agriculture, forestry, and environmental science and management,

"A long-term trend is certainly in place for the foreseeable future, partly driven by strong, sustainable global demand for grains and the interplay between corn ethanol and oil."

USDA says. It is anticipated there will be a shortage of 900 graduating students a year, especially in business and science specialties in the latter half of the period.

That's despite increasing enrollment in ag colleges. During the 1980–90s, many agriculture programs languished. Some land grant universities, where ag-related topics were the bread-and-butter curricula, redesigned themselves to incorporate consumer food interests or environmental studies in an effort to attract students and research dollars.

Now, ag colleges find themselves in a renaissance of interest. "Our enrollment grew 10% between 2007 and 2010 and is at its highest level since the mid-1970s," says Boggs. "This growth pace is fairly typical among ag colleges."

"It is very exciting to be in an ag program that's growing rapidly," says Warren Gill, director of the School of Agribusiness and Agriscience at Middle Tennessee State University, who says the college has had to

TOP FIVE AG COLLEGE PROGRAMS

1. Texas A&M University
2. University of Illinois
3. Purdue University
4. Iowa State University
5. Cornell University

SOURCE: U.S. NEWS AND WORLD REPORT

add additional sections to its program. "It is wonderful to see students confident they will get a job or be able to develop their own business in agriculture."

Students are coming from a broader background today, Gill adds, and that brings more diverse interests and opinions to the classroom. "In the 1970s, practically all our students were from a farm background. That no longer is the case—I would say about half of the students in our college are not from a rural area or farm. Professors no longer can assume students know the basics of farming."

Ag-related courses also are cropping up at liberal arts schools. In the past, it would be rare for an art or history student to cross the boundary into an ag-related course. But today, interest in where and how food is produced is being translated into new courses such as "agroecology," "environmental ethics," "animals and culture" and animal law. One example is "Animals, Culture and Food," taught by Matthew Hill in the anthropology department at the University of Iowa—a topic now offered by two dozen schools.

"Everyone wants to be involved in agriculture right now," notes Illinois farmer Becker. "But those who want to enter into production farming face some challenges. It's difficult to rent or buy farms due to the strong demand," he says. "It would be hard to get started farming unless you have someone established to help you get into it. That's why I'm positioning my operation now for the possibility of my sons eventually joining me."

AGRICULTURE'S FAR REACH

Students' backgrounds are more diverse today, with about one-third coming from production agriculture, a third from rural communities and a third from urban areas, says Kansas State University's Don Boggs. "The specialties drawing interest have shifted toward food-related topics and economics more than biology and related sciences, and the college has started a new graduate program in urban food systems."

Rebecca Manes' relatives have been farming in Kansas for four generations, but her parents are teachers and she didn't grow up on a farm. "I really knew nothing about farming or agriculture," she says.

"As an undergraduate, I studied political science, public policy and international relations. I also considered going into law and trade. My plan was to work in Washington, DC," she explains. "Then I realized that in much of the world—particularly developing countries—everything revolves around agriculture. I decided to pursue a

master's degree in agricultural economics at Kansas State so I would have a better understanding of the issues." She added that she felt the degree in economics will also give her research background into quantitative methods that will strengthen her base in policy analysis.

Manes says she was fortunate that one of her professors works in developing countries and has afforded her the opportunity to study water-efficient corn for Africa. "I'd like to have a positive impact on people," she says. "So I'd like to work abroad for a time, perhaps on a USAID (U.S. Agency for International Development) project, for example."

She notes that interest in the food system and environment is widespread even among the non-agriculture students at Kansas State. "The KSU student farm, a farmers' market, and Student Environmental Association all have good student support," she explains.



Agriculture is key in economics and policy in developing countries, says Rebecca Manes.

Martin, Goodrich & Waddell LAND LISTINGS

All acreage and mileage figures listed here are approximate

ILLINOIS PROPERTY

BOONE COUNTY

- **52.5 acres. Nimitz Farm**, contiguous to the City of Belvidere. \$22,500/ac.
- **108.3 acres. Town Hall Road Farm**, 1.25 mi. S of Belvidere. \$6,950/ac. **SOLD**

BUREAU COUNTY

- **81.9 acres. Dalzell Farm**, 3 mi. W of LaSalle. \$6,900/ac. *Sale pending.*

COLES COUNTY

- **130 acres. Hasselmann Farm**, 7 mi. SE of Arcola. \$11,500/ac.

DEKALB COUNTY

- **73 acres. BJM Enterprises LLC Farm**, 2 mi. W of Hampshire. \$7,400/ac. **SOLD**
- **56.3 acres. Nowicki Farm**, 4 mi. S of Waterman. \$8,600/ac.
- **84.76 acres. William Duriavich Estate Farm**, adjacent to the Village of Kirkland. \$5,900/ac.

KANE COUNTY

- **94 acres. Gurke Farm**, 3.6 mi. W of Elgin; abuts forest preserve. \$18,000/ac.

LA SALLE COUNTY

- **149.66 acres. Becker Farm**, 0.5 mi. E of Mendota. \$7,900/ac. **SOLD**

LEE COUNTY

- **64 acres. Barber Farm**, 1 mi. SE of Paw Paw. \$5,450/ac.
- **75 acres. Reynolds Farm**, 4 mi. S of Rochelle. \$9,500/ac. *Sale pending.*
- **40.34 acres. Townline Road Farm**, ½ mi. S of Rochelle. \$9,950/ac.
- **36 acres. Shaddick Farm**, 4 mi. S of Paw Paw. \$7,200/ac.
- **115 acres. Viola Farm**, 11 mi. S of Rochelle. \$9,500/ac. *Sale pending.*

McHENRY COUNTY

- **20 acres. Huntley Farm**, 1 mi. W of Huntley. Price reduction: \$13,250/ac.
- **40 acres. Prairie Point Land Development Farm**, ¼ mi. N of Johnsborg. \$11,500/ac. *Sale pending.*

OGLE COUNTY

- **171.3 acres. Baker Farm**, 3 mi. N of Byron. \$6,900/ac. **SOLD**
- **162 acres. Deprin Farm**, 7 mi. SW of Rockford. \$5,900/ac.



OUR FEATURE FARM

SMITH FARM AUCTION, 9/22/11.
429 ACRES. CONTIGUOUS TO THE CITY OF ROCKFORD, IL.

Offered in eight tracts. The Smith Farm has productive soils, excellent road access, and future development potential.

- **37 acres. Emery Farm**, 8 mi. SW of Rockford. \$6,150/ac. **SOLD**
- **76.22 acres. Kishwaukee Road Farm**, ¾ mi. E of Byron. \$7,350/ac.
- **104 acres. Ritz Farm**, 1 mi. W of Byron. \$6,250/ac. **SOLD**

WILL COUNTY

- **30 acres. Green Garden Farm**, 4 mi. S of Frankfort. \$12,900/ac. *Sale pending.*
- **78.5 acres. Smith Road Farm**, 2 mi. E of Manhattan. \$22,900/ac.
- **128.22 acres. Watermark Farm**, 4 mi. S of Frankfort. \$11,500/ac.

WINNEBAGO COUNTY

- **191 acres. Castle Farm**, contiguous to City of Rockford. \$9,900/ac.
- **83 acres. Dickinson #2 South**, contiguous to City of Rockford. \$16,000/ac.
- **35 acres. Dickinson #2 North**, contiguous to City of Rockford. \$13,900/ac. **SOLD**
- **70 acres. Pelley Road Farm**, just W of Rockford. \$8,450/ac.
- **76 acres. Tate-Latham Farm**, 4 mi. NW of Rockford. \$5,200/ac. **SOLD**
- **14.67 acres. Tipple Road Farm**, just west of Rockford. \$7,900/ac.
- **309 acres. Vern A. Davis Farm**, 6 mi. NW of Rockford. Price reduction: \$5,800/ac.
- **342 acres. Westfield Oaks Farm**, 3 mi. S of Winnebago. \$4,900/ac. **SOLD**

WISCONSIN PROPERTY

WALWORTH COUNTY

- **180 acres. Alton West Farm**, 7 mi. W of Mineral Point. \$3,150/ac.
- **831 acres. Elk Farm**, 6 mi. S of Mineral Point. \$3,350/ac.

- **130 acres. Genoa City Farm**, annexed to the Village of Genoa City. \$8,250/ac. **SOLD**
- **350 acres. Heried Farm**, 10 mi. NW of Darlington. \$3,350/ac.

MONTANA PROPERTY

- **4,320 acres.** \$420/ac. **SOLD**
- **4,000 acres.** \$420/ac. **SOLD**
- **1,400 acres.** \$420/ac. **SOLD**
- **7,200 acres.** \$420/ac. **SOLD**

AUCTIONS

- **156 acres. Strathman Farm**, 7 mi. E of Rockton, IL. 9/29/11
- **237 acres. SJD Farm**, 3 mi. E of Amboy, IL. 10/18/11
- **85 acres. Harmon 85 Farm**, ½ mi. N of Amboy, IL. 10/26/11
- **320 acres. A&J Farm**, 6 mi. W of Mineral Point, WI. 11/10/11
- **67.28 acres. Thompson Farm**, 3 mi. S of Bloomington, IL. 11/12/11
- **197 acres. Dickinson #1 Farm**, contiguous to the City of Rockford, IL. 11/17/11
- **73.91 acres. Cherry Valley Farm**, ¼ mi. S of Cherry Valley, IL. **SOLD**
- **38.33 acres. Decatur Farm**, adjacent to the City of Decatur, IL. **SOLD**
- **56 acres. Gill Farm**, 5 mi. S of Rockford, IL. **SOLD**
- **58.74 acres. Stillman Valley Farm**, 2 mi. N of Stillman Valley, IL. **SOLD**

For details on these properties, call Jeff or Josh Waddell at 815-756-3606 or visit our website at www.mgw.us.com.

AMERICA THE BEAUTIFUL: THE U.S. IS STILL THE BEST PLACE IN THE WORLD TO FARM

As we are bombarded with negative news about the general U.S. and world economy, it would be easy for our spirits to slump as well. But that would be a huge mistake. The U.S. is still the best place in the world to farm, own land and do business. Harvest-time is a good time to inventory our country's strengths and count our blessings.

1. The U.S. is blessed with outstanding natural resources.

At 3.8 million square miles, it is the world's third-largest land mass and No. 9 in the world in terms of arable land per person. We have abundant water (256,645 square miles) and 810.7 trillion gallons of it are renewable. Virtually every person in the U.S. has access to clean water.

We may love to hate the Environmental Protection Agency, but the clean water legislation it enforces is helping reduce erosion and preserve farmland. More than a third of farmland today is farmed using no-till and an even higher percent with minimum tillage, reducing soil erosion and improving productivity.

2. The U.S. has the best infrastructure in the world.

U.S. farmers enjoy a comparative advantage relative to competitors such as Brazil in moving food and feed domestically and into world markets.

3. Some of the best bioscience, ag science and food research is done in the U.S.

The country is home to some of the world's biggest and most progressive seed and machinery companies. Our farmers have first access to the newest seeds and technology such as precision farming and autosteering. In addition, our land grant system is still an important source of ag and food research, ranging from cropping practices to food safety to new uses for our ag production. We also have excellent communications and Extension outreach so producers can learn about the latest findings.

4. Although it varies by state, private land ownership is largely unrestricted and property rights are enforced.

This means those who wish to buy land have open access and a strong legal framework

THE U.S. HOLDS A HIGH RANK IN MANY RESOURCES

Land: No. 3 (3.8 million square miles; 1.5 acres/person)

Airports: No. 1 (19,700)

Railroads: No. 1 (139,679 miles)

Roadways: No. 1 (4 million miles; paved 2.7 million; interstates 46,750)

Waterways: No. 4 (25,537 miles)

DATA: CIA; PHOTO: LISINSKI

to protect their investment. It also encourages long-term care of the land versus countries where land is owned by the government.

5. U.S. ag trade is largely immune to government vagaries.

Export embargoes and taxes rarely are imposed, unlike some competing nations, where export taxes often penalize producers, or other countries where export licenses are required and sometimes are halted.

6. The U.S. still has a strong financial system.

Farm production and long-term loans are available and affordable, in contrast to some countries where growers frequently fear they won't be able to plant for lack of money.

7. America's farmers are among the most honest and honorable in the world.

This reputation means growing up on a farm is a huge plus for students seeking jobs, even in corporate America.

Sure, I know the naysayers can raise negative points regarding all of these resources. I also recognize 2011 brought tremendous weather challenges to many and economic challenges to some—and I don't mean to make light of those hardships. But overall, year in and year out, I think it is hard to find a better place to farm, own land and do business.



Jeff Waddell
President

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