

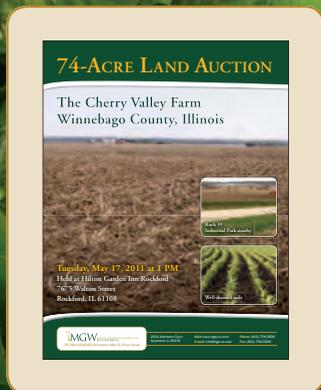
# Farmland SEASONS

SUMMER 2011



**MGW** MARTIN, GOODRICH & WADDELL, INC.  
REAL ESTATE SERVICES

*We plant profitable investment ideas  
in every season*



## MGW Launches Auction Division

**PAGE 4**

### *IN THIS ISSUE:*

News and Views  
Affecting Farmland **2**

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

Top Real  
Estate Listings **7**

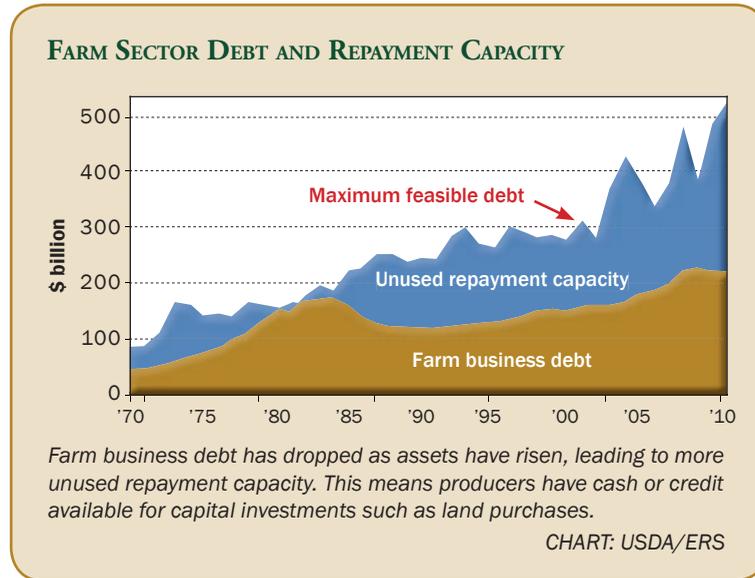
Setting Ethanol's  
Story Straight **8**

# AG CREDIT CONDITIONS SPELL STRONG LAND DEMAND

Thanks to a slightly better general economy and strong ag economy, farm credit conditions are very healthy and demand for farmland continues robust.

Not surprisingly, with solid cash flows at the end of 2010, crop producers paid off operating loans and pre-paid a large portion of their input costs for 2011, curtailing loan demand, reports Jason Henderson, vice president of the Federal Reserve Board of Kansas City. “Based on Federal Reserve surveys, commercial bankers across the nation reported higher loan repayment rates and fewer extensions and renewals for operating loans, with loan volumes falling more than 22% below year-ago levels in the first quarter of 2011,” he says.

Loan volumes for farm machinery and equipment have risen by 72% over a year



ago as crop producers ordered tractors, combines, trucks, pivot-irrigation systems, grain bins, and other farm equipment.

Not surprisingly, farm real estate loan volumes rose solidly with booming

cropland values, according to Henderson. “Cropland values in many Midwestern states have soared more than 20% over the past year. The northern and southern Plains also enjoyed strong farmland value gains,” he says. “By the end of 2010, farm real estate loan volumes at commercial banks and Farm Credit associations rose solidly, and industry contacts noted that life insurance companies, vendor creditors, and non-farm investors remained active in agricultural markets.”

Agricultural bankers report ample funds for farm loans and are lending to farmers at historically low interest rates. “Bankers are beginning to ease collateral requirements on farm loans,” Henderson says, noting that strong earnings will underpin future lending activity.

## 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: CIA WORLD FACTBOOK

### Linear Miles

Argentina	6,835
Australia	1,243
Belgium	1,269
Brazil	31,069
Canada	395
China	68,351
France	5,282
Germany	4,640
India	9,010
Indonesia	13,409
Italy	1,491
Malaysia	4,474
Sweden	1,275
USA	25,482
Venezuela	4,412
World	1,138,632

## MGW FARM & PROPERTY MANAGEMENT EXPANDS



PHOTO: MGW

MGW, Inc. is proud to announce a valuable addition to our Farm & Property Management team. Jake Zook, a native of Eureka, Ill., joined our firm in April as a Farm and Property Manager.

Previously, Jake served as an Asset Control Analyst for Caterpillar, Inc. and managed a family-owned lawn mowing service. Jake's ag background includes working on his family's corn and soybean operation near Danvers and Armington, Ill. and working for Mackinaw Valley Elk Farm near Congerville, Ill. Jake holds a degree in Agricultural and Consumer Economics, with a concentration in Agri-Finance, from the University of Illinois. As our Farm & Property Management division continues to flourish, we strive to add highly qualified personnel to maintain the highest level of performance and professionalism for our clients.

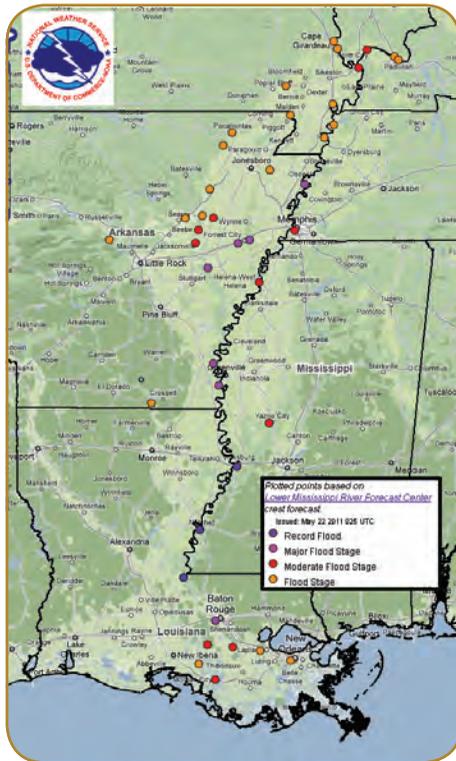
## WORLD WEATHER “HOT SPOT”

As spring arrived in the U.S., Mother Nature sent a number of challenges to farmers. Producers in the northern and eastern Corn Belt have faced a wet, cool spring again, causing planting to proceed at a very slow pace. Years with similar planting progress included 1986, 1993, 1995, 1999 and 2008. In those years, final corn acreage fell an average of 1.3 million from March Intentions.

USDA's methodology is to use the March Planting Intentions figure until its June survey is completed, so its May and June estimates are based on 92.2 million, the second-highest corn acreage since 1944.

The widespread and record flooding in Tennessee, Arkansas, Louisiana and Mississippi, where 3% of the corn crop and 10% of the soybean crop are grown, added another layer of uncertainty. How many inundated acres will still be planted remains up in the air. In fact, even USDA's June Planted Acreage report won't have the final word because a small number of acres could still be planted after the survey is done in early June.

Mid-May or earlier planting dates are needed for maximum corn yields. The average yield reduction from trend in the late-planted years was 7.3%. Using 162 bu./acre as 2011 trend yield, that would be only 150 bu./acre. In its first look at 2011



SOURCE: NATIONAL WEATHER SERVICE

supply-demand on May 11, USDA already trimmed its projected national average corn yield to 158.7 bu.

Should acreage and yield reductions match the averages of the previous slow-planting years, and assuming a typical 92% of planted acres are harvested, potential lost production would be 176 million bushels, which would reduce new-crop stocks to below the 730 million (5.4% of use) USDA May projection for the 2010 crop. New record prices would be likely.

The loss of southern acres could create corn shortages in August and September, when 2010 stocks are down to pipeline levels. This could lead to cash-price aberrations, as end-users battle for supplies.

At the same time, drought in Kansas through Texas has decimated the hard red winter wheat crop. For instance, in its May Crop Production report, USDA estimated the 2011 crop in Kansas, the No. 1 wheat-growing state, at 261.8 million bushels, based on an

exceptionally low yield of 34 bu./acre, 11 bu. below last year's level. That would be its smallest winter wheat crop since 1989, when it harvested 213.6 million bushels.

Spring wheat acreage will be down substantially due to the continued cool wet weather that has not allowed planting.

## LENDERS FAVOR GOOD MARKETERS

A recent survey of members of the Wisconsin Bankers Association Agricultural Section highlights the importance of marketing to farm businesses today. Eighty-four percent (48 of 57) of the respondents said producers with a marketing strategy have improved financial performance and stability, better management and decision making, greater awareness of their financial position and a better chance to land the loans they need.

However, there is a lot of room for improvement in that area: When asked what percentage of their clients actually implement a consistent and disciplined approach to commodity marketing, 20 said zero to 20%; 25 answered 20% to 40%; 9 said 40% to 60% and just 3 said more than 60%.

Furthermore, 79% said a plan and goals are required for favorable lending decisions; 93% said they are more confident about a producer's management ability when they see a track record of marketing success; and 93%, that they are more confident in a farm's potential for success when the lender understands the farmer's approach to marketing.



# MGW LAUNCHES AUCTION DIVISION

*The auction venue works especially well in fast-appreciating markets like this one*

In response to client requests and a rapidly changing land market, Martin, Goodrich & Waddell, Inc. is pleased to announce the offering of their full-service auction division, MGW Auctions. The most successful auctions all have a common theme—superior marketing and buyer development—both strengths at MGW.

Years of innovative marketing and loyal relationship building have formed the foundation of MGW's industry-leading results, positioning the organization as a national leader in agricultural real estate sales.

“Our unique practices have sold more than 400 farms in the past decade,” says President Jeff Waddell. Since 1975, the MGW team has focused on mutual loyalty



*The Stillman Valley Farm auction of 59 acres in Ogle County, IL, sold on June 1.*

and prosperity with clients across the globe while providing the best possible service and results in every transaction. Their many long-term relationships are a source of great pride, and the base of a vast network of farmland buyers.

Over the years, these attributes were cause for MGW to partner with other auctioneers in marketing and conducting land auctions across the United States.

Despite success in applying their extensive real estate knowledge and marketing experience to the auction process, MGW's Real Estate division has predominantly focused on the land brokerage approach, a method that continues to deliver tremendous results. In fact, MGW has sold more farms than any other land brokerage firm in the state of Illinois for each of the past 10 years.

“We strive to be the best at what we do, and that means continuous innovation in our sales approach. Client needs change

## MGW'S RECENT AND UPCOMING AUCTIONS

<b>05/17/11</b>	<b>The Cherry Valley Farm</b>	<b>Winnebago County, IL</b>	<b>74 acres</b>	<b>SOLD</b>
<b>05/19/11</b>	<b>The Decatur Farm</b>	<b>Macon County, IL</b>	<b>38 acres</b>	<b>SOLD</b>
<b>06/01/11</b>	<b>The Stillman Valley Farm</b>	<b>Ogle County, IL</b>	<b>59 acres</b>	<b>SOLD</b>
<b>07/28/11</b>	<b>The Gill Farm</b>	<b>Ogle County, IL</b>	<b>56 acres</b>	
<b>09/08/11</b>	<b>The Franklin Farm</b>	<b>Lee County, IL</b>	<b>80 acres</b>	
<b>10/18/11</b>	<b>The SJD Farm</b>	<b>Lee County, IL</b>	<b>237 acres</b>	

*For the most up-to-date information on listings, including auctions, visit [www.mgw.us.com](http://www.mgw.us.com).*

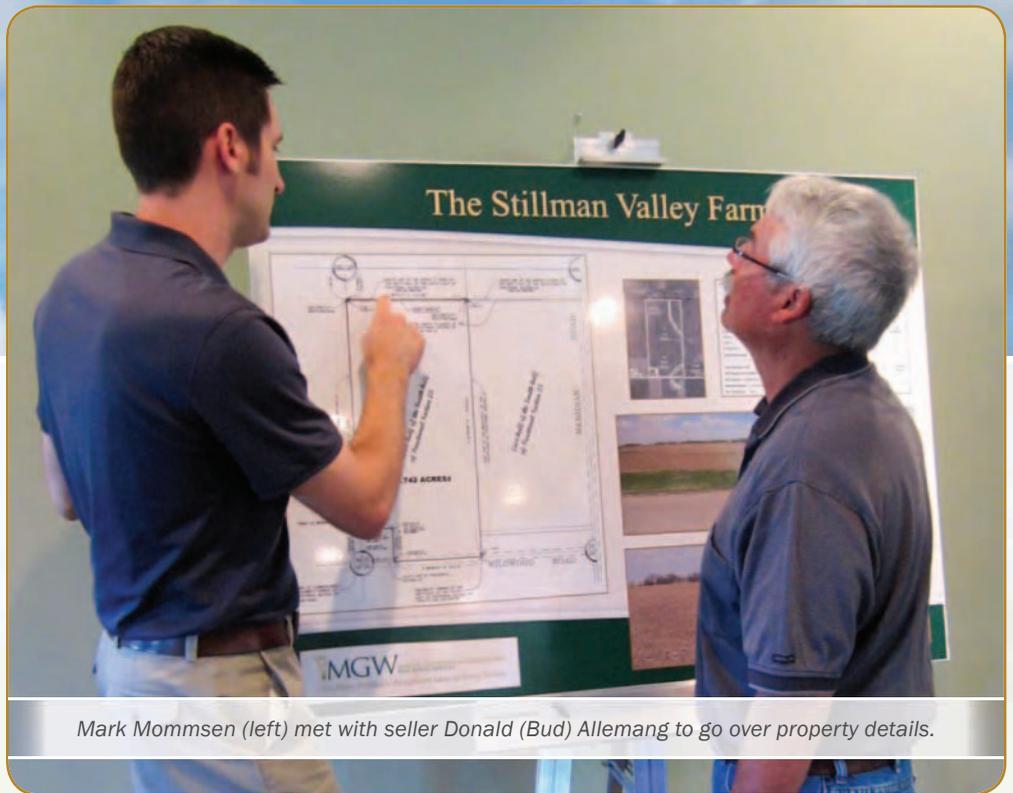
over time, and we are quick to evaluate our service offerings in relation to the land market,” says Waddell.

“Today’s land market is much different from that at any other time in history, and its rapid appreciation has led many of our clients to inquire about auction services. Our quest to deliver excellent customer service in this changing marketplace led to the creation of our auction division, providing a very good alternative in today’s bullish environment.”

#### THE BULLISH OUTLOOK

The current market is fueled by corn and soybean prices that are strong because stocks are low and demand is high, adds Josh Waddell, vice president of sales for MGW. “These prices have enhanced the balance sheets of many agricultural producers, fueling demand for land.”

Indeed, the land market is continuing its



Mark Mommsen (left) met with seller Donald (Bud) Allemang to go over property details.

upward march, even after its strong 2010 performance, when Illinois farmland rose 11% and Iowa, 18%, according to a survey by the Chicago Federal Reserve Bank.

“Investors are interested because alternative investments are not as attractive,” said Waddell. “And farmland is a good hedge against future inflation.”

#### SO, WHAT CAN YOU EXPECT FROM AN MGW AUCTION?

“We customize our auction strategy for each owner and every property,” says Mark T. Mommsen, Auctioneer. “It’s all about marketing and buyers—that’s what sets us apart. We deliver superior marketing and the highest levels of property exposure to

*“We strive to be the best at what we do, and that means continuous innovation in our sales approach. Client needs change over time, and we are quick to evaluate our service offerings in relation to the land market.”*

a targeted, proprietary audience. Our expertise enhances inspection dates at the property by updating buyers on current market conditions and preparing them to act on auction day. Ultimately, our thoroughness and due diligence ensure an exciting, well-bid auction.”

#### REASONS TO AUCTION

There are many reasons why landowners choose the auction process. Most commonly, MGW clients find benefit from it when they:

- Hope to close a transaction quickly, often within 30 days;
- Seek a cash sale at market value through competitive bidding;
- Want to avoid buyer contingencies;
- Are managing many relationships and wish to provide an open buying opportunity to all;
- Want to sell their property “as is” and “where is” without guarantee.

One such client requesting auction services was the Donald (Bud) Allemang family of Rochelle, Illinois. Their 59-acre Stillman Valley Farm was auctioned by MGW on June 1, 2011.

“The MGW team did an outstanding job auctioning our property, and I was very pleased with the results. Having worked with them in the past, I was confident in their ability to do a top-notch job in achieving maximum



MGW is well-suited to auction farmland, development land, recreational land, farmsteads and building sites, commercial real estate, and agribusiness facilities.

sales price. As usual, they did not disappoint,” says Allemang.

Upon making the decision to auction, Bud met with the MGW team to review property details and the auction strategy was tailored to his property. “I was quite pleased with the level of detail and effort that went into understanding the farm,” he says. “The marketing of the property was nothing short of first class.”

As clients find success through MGW Auctions, the company remains steadfast in delivering the best possible service and results in every transaction.

Adding the auction division has brought much excitement to Martin, Goodrich & Waddell, Inc. They are pleased to deliver outstanding results through several sales alternatives in today’s changing land market.

*“As clients find success through MGW Auctions, the company remains steadfast in delivering the best possible service and results in every transaction... They are pleased to deliver outstanding results through several sales alternatives..”*

# Martin, Goodrich & Waddell LAND LISTINGS

All acreage and mileage figures listed here are approximate

## ILLINOIS PROPERTY

### BOONE COUNTY

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

### BUREAU COUNTY

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

### DEKALB COUNTY

- **190 acres. Donnelly Farm**, 3 mi. SW of DeKalb. \$8,900/ac. **SOLD**
- **128 acres. Mary Wesson Farm**, 6 mi. S of Shabonna. \$8,650/ac. *Sale pending.*
- **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.
- **161.7 acres. Motz Farm**, 0.25 mi. E of Elburn. \$13,500/ac. **SOLD**

### LA SALLE COUNTY

- **149.66 acres. Becker Farm**, 0.5 mi. E of Mendota. \$7,900/ac. **SOLD**
- **75 acres. Rex Farm**, 4 mi. E of Mendota. \$8,650/ac. **SOLD**

### LEE COUNTY

- **64 acres. Barber Farm**, 1 mi. SE of Paw Paw. \$5,450/ac.
- **85 acres. Harmon 85 Farm**, 1/8 mi. N of Amboy. 9,200/ac.
- **75 acres. Reynolds Farm**, 4 mi. S of Rochelle. \$9,500/ac.
- **209 acres. Scully Farm**, 12 mi. SW of Dixon. \$4,450/ac. **SOLD**
- **40.34 acres. Townline Road Farm**, 1/2 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.

### MC HENRY COUNTY

- **20 acres. Huntley Farm**, 1 mi. W of Huntley. \$13,500/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. \$5,950/ac.
- **342 acres. Westfield Oaks Farm**, 3 mi. S of Winnebago. \$4,900/ac. **SOLD**

## WISCONSIN PROPERTY

### WALWORTH COUNTY

- **232 acres. Corporate Ridge Business Park**, 0.25 mi. N of the Wisconsin-Illinois border. \$9,900/ac. **SOLD**
- **130 acres. Genoa City Farm**, annexed to the Village of Genoa City. \$8,250 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. New price: \$5,900/ac.
- **37 acres. Emery Farm**, 8 mi. SW of Rockford. \$6,150/ac. **SOLD**
- **156.06 acres. Hausen Farm**, 4 mi. N of Dixon. \$5,700/ac.
- **17 acres. Land Investment Development Sale Farm**, 4 mi. N of Rochelle. \$9,900/ac. **SOLD**
- **104 acres. Ritz Farm**, 1 mi. W of Byron. \$6,250/ac. **SOLD**

### WILL COUNTY

- **78.5 acres. Smith Road Farm**, 2 mi. E of Manhattan. Price change: \$22,900/ac.

### WINNEBAGO COUNTY

- **191 acres. Castle Farm**, contiguous to City of Rockford. \$9,900/ac.
- **197 acres. Dickinson #1 Farm**, contiguous to the City of Rockford. \$6,900/ac. *Sale pending.*
- **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. *Sale pending.*
- **79 acres. Goldie Palm Farm**, 3 mi. S of Winnebago. \$4,500/ac. **SOLD**
- **70 acres. Pelley Road Farm**, immediately W of Rockford. Price change: \$8,450/ac.
- **422 acres. Smith Farm**, contiguous to City of Rockford. \$8,500/ac.

## MONTANA PROPERTY

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

## AUCTIONS

- **56 acres. Gill Farm**, 5 mi. S of Rockford. 07/28/11
- **80 acres. Franklin Farm**, 1 mi. N of Amboy. 09/08/11
- **237 acres. SJD Farm**, 3 mi. E of Amboy. 10/18/11
- **38.33 acres. Decatur Farm**, adjacent to the City of Decatur. **SOLD**
- **73.91 acres. Cherry Valley Farm**, 1/4 mi. S of Cherry Valley. **SOLD**
- **58.74 acres. Stillman Valley Farm**, 2 mi. N of Stillman Valley. **SOLD**

For details on these properties, call Jeff or Josh Waddell at 815-756-3606 or visit our website at [www.mgw.us.com](http://www.mgw.us.com).

# SETTING ETHANOL'S STORY STRAIGHT: HERE ARE SOME FACTS YOU MAY NOT SEE IN THE POPULAR PRESS

The many pros and cons regarding corn ethanol production are often highlighted by the popular press, making it challenging to form a fact-based option. Thus, I hope to shed light on some points that may not be picked up by mainstream media.

1. Prior to the development of the corn ethanol industry, U.S. farmers frequently produced more corn than the U.S. or the world needed. Gluts led to prices below the cost of production, subsidies, costly federal storage programs and government infrastructure to administer them. In 2011, farmers are being well paid for their management and capital investments. USDA reports that despite production topping \$300 billion for the first time ever, net farm income will increase \$15.7 billion from last year, reaching \$94.7 billion. The top five earnings years for the past three decades have occurred since 2004, attesting to the profitability of farming this decade. The vast majority of net farm income now comes from the market.

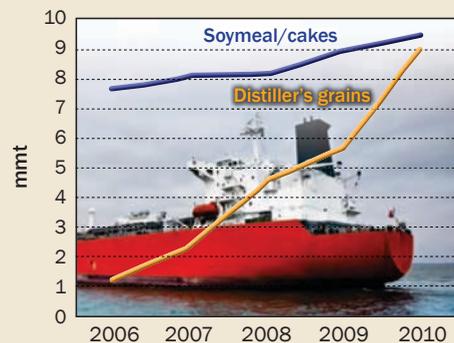
2. Ethanol production is not starving humans or livestock. Yes, ethanol now consumes 5 billion bushels of corn in the U.S., but food, feed and exports have not contracted, and animals still eat more corn than ethanol plants. The corn market pie has simply gotten bigger.

3. The feed value of distillers' dried grains with solubles (DDGS) and other co-products of ethanol is close to 40% of each bushel because of their higher protein content. Distillers' grains will surpass soybean meal as the second-largest livestock feed in the U.S. this year (see chart). You might say that netted out, ethanol really uses 3 billion bushels of corn, not 5 billion. The Renewable Fuels Association (RFA) reports that if the 39 million metric tons of DDGS produced in the 2010 crop year were a nation's corn crop, it would be the fourth largest in the world. It also is enough to produce one chicken breast for every American every day, or enough to produce 50 billion quarter-pound burgers—seven for every person on the planet.

4. Corn prices have very little impact on food prices in the U.S. In fact, less than 12¢ of every food dollar is spent on actual food, and less than 2¢ is attributable to corn. You can easily make the case that food transportation costs would rise more than that if we didn't have ethanol to bolster gasoline supplies.

5. Consumers benefit through lower prices at the pump thanks to more ample fuel supplies. Ethanol accounts for 10% of U.S. gasoline

## DISTILLER'S GRAINS SET TO PASS SOYMEAL



*Distillers' grains are gaining widespread acceptance as feed here and abroad.*

SOURCE: COMMSTOCK

consumption—more than our oil imports from Saudi Arabia. A recent study by agricultural economists at the Center for Agricultural and Rural Development found ethanol availability reduced wholesale gasoline prices by an average of 89¢/gal. in 2010.

RFA President Bob Dinneen cites data that show the average household consumed 900 gallons of gasoline at an average \$2.74/gal. in 2010. That means the average family's annual gasoline bill was \$2,470, but would have been \$800 higher without ethanol, he says.

A recent study by RFA examined what would happen to U.S. gasoline prices if ethanol production came to an immediate halt. It found that the estimated gasoline price increase would be of historic

proportions, ranging from 41% to 92%. That means gasoline prices would rise from roughly \$4/gal. to \$5.60-\$7.70.

6. Compared with ethanol blenders' credits for using ethanol—about \$5.94 billion this year, based on 45¢/gal. and production of 13.2 billion gallons—the U.S. government provides many times as much support to the petroleum industry through tax benefits and other incentives. In addition, the U.S. military spends an estimated \$84 billion a year to guard oil company infrastructure and protect key transportation points.

When you hear critics of ethanol telling their side of the story, please keep in mind the positive impacts on our economy—agriculture's continued success depends on it.



Jeff Waddell  
President

2020 Aberdeen Court, Sycamore, IL 60178

Web: [www.mgw.us.com](http://www.mgw.us.com) E-mail: [info@mgw.us.com](mailto:info@mgw.us.com) Phone: (815) 756-3606