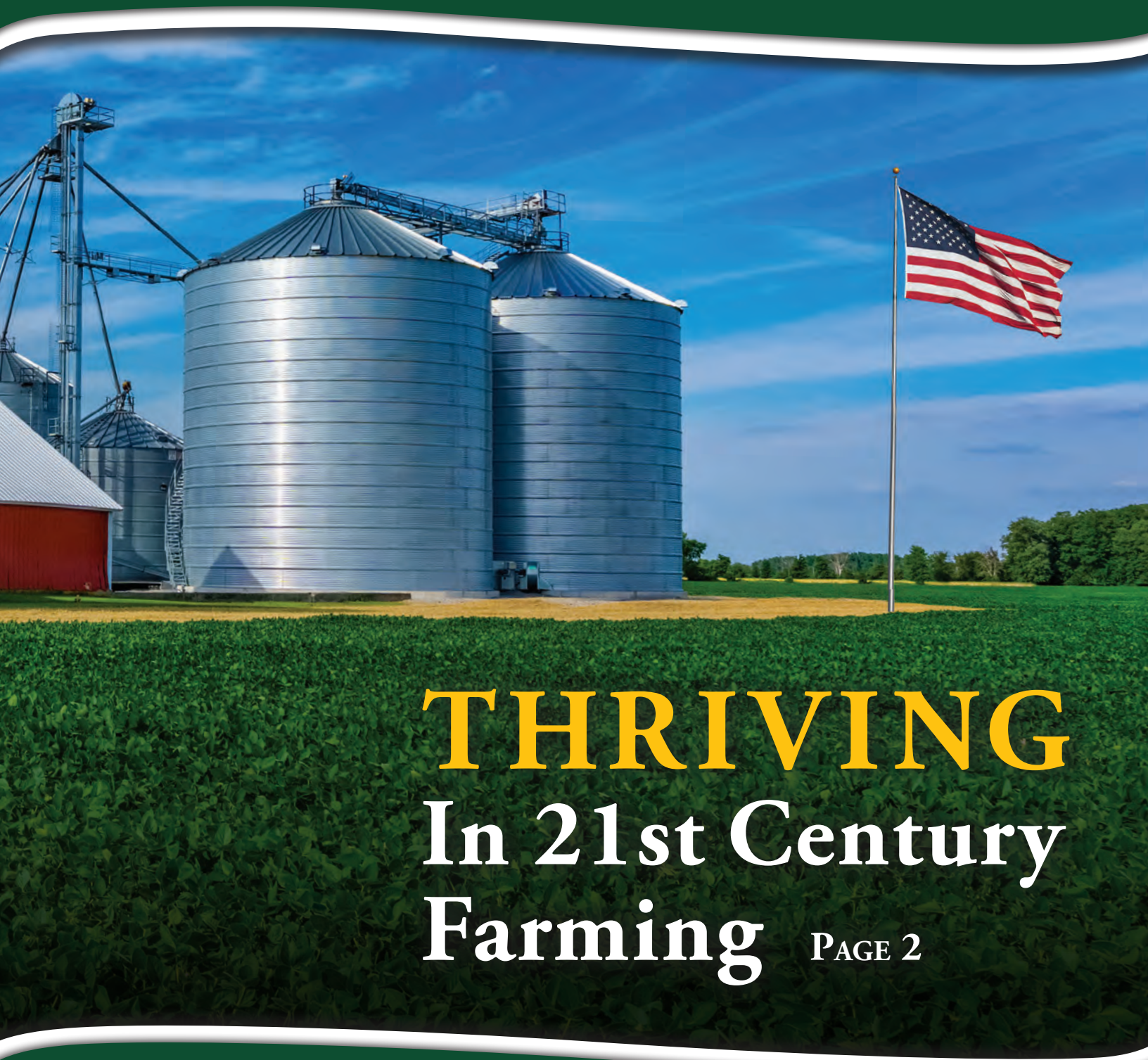


# SEASONS

SUMMER 2017

 **MGW** MARTIN, GOODRICH & WADDELL, INC.  
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## THRIVING In 21st Century Farming

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# THRIVING in 21st Century Farming

The story of American agriculture is one of adaptability and endurance. Stories of these traits in agriculture are longstanding, and in fact they permeate the lives of American farmers. Similar to how crops withstand seasons of change and difficulty, often in the face of uphill circumstances, the strength of farmers shines brightly when needed most.

In considering the historical adaptations of American farmers, a great resiliency and inherent resourcefulness is brought to light—traits critical in the current, sometimes challenging farm economy. These characteristics have stood the test of time, benefited our local farming communities, and helped farmers succeed, regardless of economic conditions.

We thought now would be a good time to revisit farmers' enduring narrative, one that considers the perseverance of the individual farmer and their families as they navigate farming in 2017 and beyond.

## SOME HISTORICAL PERSPECTIVE

Farming is certainly not for the faint of heart. The life of farming often feels like a full-time gamble! For starters, the worries of weather, compaction, cost management, and yield potential never go away. Then,

once crops are in the bin, the task of grain marketing and trying to find the right time and method to sell for the highest price begins. The farmer's story of good years and bad years is universal, and can at times be a yo-yo of emotion and energy. Farm operators hope for the reliability of the weather, but grow to expect its fickleness. They hedge crops, and hope that their marketing plan is fool-proof. They look forward to impending spring and fall seasons, but worry about soil erosion, the possibility of breakdowns and a below

average harvest.

The recent bull market in American agriculture began in 2007 after American farmers and farm groups spent years laboring in Washington D.C. to increase corn demand through government policy. At that time, Congress passed the Clean Energy Act in 2007, dramatically increasing profit opportunities on the farm. This act designated ethanol as a cleaner burning fuel to replace 10% of petroleum based fuels in the United States. Groups of farmers worked diligently for many years

## Asset Return Characteristics

	Annual Avg. Return	Standard Deviation
Asset/Index	2000-2016	
U.S. Farmland	8.58%	4.71%
S&P 500	2.48%	18.31%
Gold	8.08%	14.99%
Treasury 10 Year	3.60%	1.20%

Source: TIAA Center for Farmland Research, University of Illinois

to pass this piece of legislation, and it had monumental impacts on agriculture in the United States. It was a job well done, and a battle hard-won. As a result, demand for corn, slated for ethanol production, rose from 2 billion bushels to the current level of over 5 billion bushels per year. Consequently, this increase in demand for corn production thrust into motion a new Golden Age of Agriculture, marked by historically high commodity prices and rising farmland values.

The ushering in of higher grain prices and investor support for the agricultural sector set the stage for farmland to serve as a wealth preserver in otherwise desperate times during the U.S. credit crisis in 2008. With choppy waters across the American financial system, farmers were not immune to pressures in lending and reduced consumer spending. However, U.S. agriculture proved to be unwaveringly stable, offering one of the few safe havens for capital seeking preservation and a hedge against possible inflation. As the economy began its slow and painful recovery in subsequent years, farmers and investors continued to bank on agriculture for security—enjoying historically strong and consistent annual returns.

Mother Nature intervened in 2012 with drought conditions all across the United States. In adapting to the challenge at hand, farmers relied on their years of prior investment—improvements in seed technology, application of efficient irrigation systems, and benefits from maintaining a healthy soil with balanced fertility conditions, among other things.

All these successes and challenges have provided a baseline of experience that is on display in 2017 as farmers work to maximize profits in the face of significant

headwinds. The following highlights showcase a number of strategies being used by farmers to ensure success in their operations.

## 1. LIMITING OR ELIMINATING CAPITAL PURCHASES

Many farmers have put a hold on capital expenditures for the time being. Solid profits during recent years allowed a great deal of investment to be made in updating trucks, farm equipment and grain bins and dryers. With the profit picture slumping for now, farmers will look to ride out these conditions and many will put a freeze on any new capital expenditures.



## 2. MINIMIZING EXPENSES

Along with capital expenditures, farmers are more likely to take a defensive posture regarding costs in general. Because a family farm is also a small business, seasoned operators will look for savings and efficiencies where they can be found. Small businesses everywhere can be expected to “trim overhead” when market conditions soften, and farmers are no different. From planting and harvesting costs to household budgets and personal expenditures, these temporary defensive measures are the hallmark of small businesses throughout the agricultural community. The sound financial foundations borne from this correction will set the stage for the next golden era of agriculture.





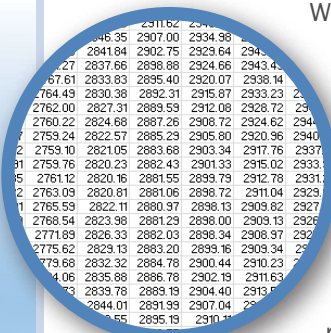
### 3. DECREASING CROP INPUT COSTS

There is an increased focus being placed on cost management in light of lower grain prices. In many cases, farmers pool their buying power with other producers to diligently search for the best price on things like seed, chemicals and fuel. For example, lower commodity prices have some using cheaper non-GMO seeds instead of more advanced varieties that are built to withstand disease and weather pressures. In the absence of high tech seeds, these farmers are diverting more resources toward physical scouting of their fields to keep watch for pests and disease.



### 4. UTILIZING COLLECTED DATA

With years worth of data collected in the form of yield maps and soil tests, many producers are dusting off those data points to increase yields and cost efficiency. Some less productive and unprofitable acres are being put into the Conservation Reserve Program (CRP) while other acres are receiving additional crop inputs to further boost their ability to produce bushels of grain. Farmers also use this information to ensure that drainage tile installations will have a positive and financially rewarding impact.



### 5. EXECUTING GRAIN MARKETING PLANS

When grain prices are below the cost of production, it's not uncommon for farmers to take a wait-and-see approach with grain marketing. Many farmers have more of their 2017 soybean crop sold compared to corn. These producers are keeping a close eye on global events, including possible issues with grain supply and demand. Their goal is to be positioned to capitalize on good pricing when it becomes available. Continual information flow and discipline helps them execute on the marketing plans they have in place. Five or ten cents per bushel might be the difference between profit and loss.





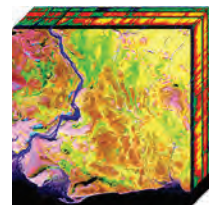
## 6. LEVERAGING SPECIALTY SERVICES AS NEEDED



Given that most farming operations continue growing in size, it's difficult for operators to have time for everything. To supplement expertise, many are leveraging third parties to complete certain activities. That might include things like scouting fields for plant health, installing and supporting technology in tractors and machines, or analyzing data gathered from planting, harvesting and soil testing. It's helpful that these experts typically have access to expensive and complicated software that can analyze collected data and make recommendations for how to best operate the farm.

## 7. IMPLEMENTING NEW TECHNOLOGIES

One element of drone technology with tremendous potential for improving yields and returns on the farm is hyperspectral imaging. Described by some as “an MRI scan of your farm,” this imaging shows several layers of useful data: identifying the presence of diseases, nutrient deficiencies, crop maturity and yield estimates to name a few. Hyperspectral technology use has been largely confined to South America, but leading technology companies in the field are determined to bring the technology to North American farmers. The drone, in effect, represents a way to deliver and administer a much more developed and focused imaging system that could revolutionize input cost efficiency.



## 8. OPTIMIZING THE USE OF INPUTS

New developments in herbicide application are as cool as they are efficient. With the ability to differentiate weeds from crops, up and coming smart sprayers can move continuously, spraying chemicals only on the plant (weed) desired. Some predict a 90% reduction in chemical use as a result of the precision of this technology. Coupled with potential efficiency gains across the spectrum, like the hyperspectral imaging mentioned above, efficiency and profitability may be poised for an impressive step forward.



Just like we've observed in years past, the resiliency and resourcefulness of farmers is on display as they work through challenges and opportunities in the agricultural sector. Producers are doing what they excel at—taking care of the blocking and tackling of farming, and using additional resources and technologies to achieve success. With that in mind, we wish farmers, their families, and landowners a successful 2017 crop year.



# VALUE-ADDED AGRICULTURE: GOING DIRECTLY TO THE CONSUMER

Adjusting to the winds of change that continually move through the agricultural sector, farmers in local communities all across the countryside are increasingly diversifying their operations with value-added agriculture. This may sound like old news as we have been touching on this in our *Seasons* newsletters since the mid-1990s, but what's new is that we have been observing a shift in how these producers operate.

It used to be that value-added agriculture meant getting a premium for your grain by growing high oil corn under contract or selling it to the local ethanol plant. Sometimes, farmers even specialized in unique livestock like ostrich or alpacas, or sold pumpkins, gourds and vegetables at roadside stands. While these types of activities still provide farmers with opportunities to increase profits, the times are a changing.

What has occurred in dramatic fashion in recent years has been an evolution toward direct-to-consumer marketing—the “farm to table” movement. Operators in the value-added arena use highly sophisticated techniques to understand what consumers want, produce that product effectively on the farm with home-grown products, and then sell those offerings directly to consumers across a broad geography. These enterprises cover a broad spectrum of products, including: wine making, whiskey distilling, animals raised without added hormones, specialty vegetables and salsas, and milled organic whole grains and flours, among other things.

The proliferation and user-friendliness of technology has enabled this sort of planning and marketing by opening doors not only to local consumers, but also to customers well outside a local farm's immediate surroundings. Websites and social media extend the customer base of these farming endeavors, increasing traffic and the bottom line.

Increased information through the internet has become an expectation for the American consumer. They want to peek behind the curtain and know the details on where their food was produced, how it was grown, and who handled it. These desires have caused a major shift in demand from the convenient processed foods offered by large manufacturers to more locally grown whole foods and products. This shift has created plentiful opportunities for savvy farmers who wish to capitalize on changing consumer preferences.

Value-added agriculture is not without its challenges, however. Building a farming business around value-added agriculture takes considerable time and effort. To achieve success, farmers work to research the potential for their product, being careful to select a niche market with desirable customer profiles. Much time-consuming activity is also spent on creating formulations for products, opening distribution channels for selling goods, and developing a loyal consumer-base through consistent marketing practices. The creative farmers working in this space are meeting these challenges head-on and reaping the rewards of adding value to their operations.



*Whiskey Acres Distilling Company in DeKalb, Illinois produces whiskey and vodka right on the farm, with grains selected especially for the distilling process.*



*Popcorn, wheat berries, hullless oats, buckwheat and flour are produced at Brian Severson Farms near Dwight, Illinois.*



*The Wide River Winery produces and sells wine at three retail locations in eastern Iowa, as well as in stores throughout Iowa and Illinois.*



*Chicken and beef are raised in the pastures at Summerdale Farms in Belvidere, Illinois without growth hormones.*

# Martin, Goodrich & Waddell LAND LISTINGS

All acreage and mileage figures listed here are approximate

## ILLINOIS PROPERTY

### ADAMS COUNTY

- 17.3 acres. Adams Swine Facility, 3 3/8 mi. NE of Loraine. \$2,190,000

### BOONE COUNTY

- 92.8 acres. I-90 Belvidere Property, 3/8 mi. S of Belvidere. \$49,900/ac.
- 205.8 acres. Leroy Center Farm, 1 mi. NW of Capron. \$7,900/ac. SOLD
- 80 acres. Manchester Farm, 6 1/4 mi. N of Poplar Grove. \$8,700/ac. SOLD
- 28 acres. Lawrenceville Road Property, 2 mi. NE of Belvidere. \$330,000.

### BUREAU COUNTY

- 116.7 acres. Dover South Farm, contiguous to Dover. \$10,900/ac. SOLD

### CHAMPAIGN COUNTY

- 97.5 acres. Ostfriesland Farm North, 1 5/8 mi. SE of Rantoul. \$12,900/ac. SOLD

### COOK COUNTY

- 35.5 acres. Lynwood Property, village of Lynwood. \$8,500/ac.

### DEKALB COUNTY

- 211.7 acres. Kirkland Farm, 2 1/2 mi. N of Kirkland. \$10,900/ac. SOLD
- 110.1 acres. Cortland Farm, town of Cortland. \$10,900/ac.
- 24.8 acres. Carr Farm, town of Cortland. \$11,500/ac. SOLD
- 49 acres. Feldott Farm, 1/2 mi. E of Hinckley. \$10,000/ac. SOLD
- 100 acres. Somonauk Road Farm, 2 3/4 mi. S of Cortland. \$8,500/ac. SOLD
- 20 acres. Quitno Road Farm, 1 3/4 mi. E of Creston. \$455,000.

### DEWITT COUNTY

- 77.3 acres. Craddock Farm, 2 3/4 mi. S of Farmer City. \$10,900/ac. SOLD

### FORD COUNTY

- 606.8 acres. Ford Farm, 2 mi. SW of Sibley. \$11,800/ac. SOLD

### HENRY COUNTY

- 123.4 acres. Herren Farm, 3 1/4 mi. NE of Geneseo. \$10,500/ac. SOLD

### IROQUOIS COUNTY

- 146.7 acres. Pigeon Grove Farm, 1 1/2 mi. NW of Rankin. \$5,650/ac. SOLD

### KANE COUNTY

- 82 acres. Lueth Farm, 3/4 mi. S of Algonquin. \$14,900/ac.
- 97.5 acres. Turner Farm, 1 1/2 mi SW of Elgin. \$8,900/ac. SALE PENDING
- 40.4 acres. Scott Road Property, 1/2 mi. NW of Big Rock. \$420,000. SOLD
- 132.6 acres. Perkins Farm, village of Burlington. \$10,900/ac.
- 20 acres. Peterson Road Farm, 2 1/4 mi. N of Maple Park. \$10,650. SOLD

### KENDALL COUNTY

- 10 acres. Creek Road Property, 5/8 mi. W Plano. \$225,000. SALE PENDING

### LA SALLE COUNTY

- 104.6 acres. Groveland Farm, 1 1/2 mi. NW of Dana. \$8,995/ac.



### OUR FEATURE FARM:

## THE GRANVILLE FARM PUTNAM COUNTY, IL, \$9,500/AC.

84.16 total acres. 82.43 tillable acres, of which 5.10 acres are currently enrolled in CRP through 9/30/2024. The annual CRP contract payment is \$1,525.

- 153.1 acres. Lostant Farm, 1 1/2 mi. W of Lostant. \$10,900/ac. SOLD
- 155.7 acres. Richland Farm, 1 5/8 mi. SE of Lostant. \$9,400/ac. SOLD
- 147 acres. Priscilla Farm, 3 mi. NE of Magnolia. \$10,500/ac. SOLD

### LEE COUNTY

- 120 acres. Butler Hill Farm, 4 1/2 mi. SE of Lee Center. \$7,900/ac. SOLD
- 205.2 acres. Sublette Farm, 4 1/4 mi. W of Sublette. \$9,000/ac. SOLD
- 157 acres. Oleson Farm, 6 3/8 mi. SE of Rochelle. \$7,975/ac. SOLD
- 113.4 acres. Cantlin Farm, 2 3/4 mi. S of Paw Paw. \$9,450/ac.

### LIVINGSTON COUNTY

- 75 acres. Blackstone Farm, 1 mi. S of Blackstone. \$3,975/ac.

### MC HENRY COUNTY

- 99.7 acres. Gober Farm, 1/2 mi. W of Marengo. \$8,400/ac. SOLD

### MCCLEAN COUNTY

- 196 acres. Anchor Farm, 2 1/4 mi. SE of Anchor. \$10,450/ac.

### MERCER COUNTY

- 28 acres. New Boston Property, 2 1/4 mi. NW of New Boston. \$2,350/ac.

### OGLE COUNTY

- 127 acres. Ogle County Crossroads Property, city of Rochelle. \$39,900/ac.
- 160 acres. Twombly Farm, 3/4 mi. E of Hillcrest. \$9,850/ac. SOLD
- 88 acres. Rock River Ranch, 3/4 mi. E of Mount Morris. \$899,000. SOLD
- 75 acres. White Rock Farm, 4 1/8 mi. S of Stillman Valley. \$5,950/ac.
- 321.9 acres. Cooper Farm, village of Hillcrest. \$12,500/ac. SALE PENDING
- 57.5 acres. Hub City Route 38 Farm, 1/4 mi. W of Rochelle. SALE PENDING

### PIATT COUNTY

- 70 acres. Howe West Farm North, 2 mi. NW of Mansfield. \$11,700/ac. SOLD

### PUTNAM COUNTY

- 84.2 acres. Granville Farm, 5/8 mi. NE of Granville. \$9,500/ac.

### ROCK ISLAND COUNTY

- 73 acres. Lake Forest Property, village of Milan. \$5,450/ac. SALE PENDING
- 94.4 acres. Route 92 Property, 3/8 mi. S of Muscatine, IA. \$5,250/ac.

### STEPHENSON COUNTY

- 221.8 acres. Davenport Farm, 1 1/2 mi. N of Rock City. \$8,475/ac. SOLD
- 112.8 acres. Rock Grove Farm, 3 7/8 mi. NW of Rock City. \$6,950/ac.

### WILL COUNTY

- 103.6 acres. Brettingen Farm, 3/4 mi. E of Beecher. \$5,950/ac.
- 54.9 acres. Lincoln Highway Property, village of Frankfort. \$29,500/ac.
- 103.9 acres. Crete Farm, 3 3/4 mi. NE of Beecher. \$5,900/ac.
- 212 acres. Eagle Lake Farm, 3 3/4 mi. NE of Beecher. \$8,450/ac. SOLD
- 71.6 acres. Sapphire Pointe Farm, 3/4 mi. SE of Frankfort. \$8,200/ac.
- 280 acres. Wilton Prairie Farm, 3 1/2 mi. SE of Manhattan. \$7,800/ac.

### WINNEBAGO COUNTY

- 147.6 acres. Brolund Farm, contiguous to Pecatonica. \$6,750/ac. SOLD

## IOWA PROPERTY

### MUSCATINE COUNTY

- 84.6 acres. Murdock Property, 3 mi. E of Muscatine. \$495,000. SOLD

## INDIANA PROPERTY

### LAKE COUNTY

- 80 acres. Minder Property, city of Hobart. \$7,950/ac.

## WISCONSIN PROPERTY

### ROCK COUNTY

- 115.6 acres. Spring Creek Farm, 3/4 mi. W of Beloit. \$5,350/ac. SOLD

## FLORIDA PROPERTY

### LEE COUNTY

- 57 acres. Windjammer Property, Pine Island, FL. \$2,400,000.
- 78.1 acres. Palm Farm, Pine Island, FL. \$1,700,000.
- 2.7 acres. Stringfellow Property, Pine Island, FL. \$145,000.

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



## New Leadership at the U.S. Department of Agriculture: SECRETARY PERDUE OUTLINES A SUPPORTIVE VISION

Newly appointed Agriculture Secretary Sonny Perdue has been making the rounds in recent weeks explaining his vision and priorities for the future of the Department of Agriculture. In a series of recent gatherings, Perdue laid out the new administration's plans on everything from trade to the future of ethanol. I thought it would be worthwhile to take a brief look at Secretary Perdue's background and how it might shed light on what we can expect from the USDA and the new administration as a whole on matters that affect the agricultural community.

Speaking to a group of farmers and agricultural businesspeople recently, the new Secretary of Agriculture laid out a vision that seems to resonate with most in the ag community. "I'm a grow it and trade it kind of guy...I want to grow it and I want to sell it," Perdue said. As President Trump has taken a new approach to our trade imbalances around the globe, Perdue made it very clear that he and the President both understand that global trade is vital for American farmers and ranchers. "The President understands the value of NAFTA," the Secretary noted, "we're going to review and renegotiate NAFTA for the benefit of American citizens." When asked to address the difference between former Secretary Vilsack and himself, Perdue stated, "I like Secretary Vilsack, he's a great guy...the primary difference is he's an attorney, I'm a farmer."

As a farmer and veterinarian, Perdue's perspective on agricultural issues is very much mirrored in our farm communities nationwide. He speaks to the issues most pressing to the farm community in a language we all understand. One rule he addressed specifically at a visit to Kansas City in late April was the Obama Administration's Waters of the United States (WOTUS) rule that expanded the Environmental Protection Agency's jurisdiction over waterways and tributaries. Viewed as an aggressive overreach by many



farmers and ranchers, it was welcome news that Secretary Perdue made it clear that his office, in conjunction with the President, will "review and rescind or revise" the Waters of the United States rule. This signals, we can hope, the new administration's desire to localize matters of agriculture and keep federal bureaucrats at a distance. In early May, Perdue met with a group of farmers in Nevada, Iowa and provided a similarly pro-farmer vision for the future of renewable fuel.

While some in the Corn Belt were no doubt skeptical at the selection of a Georgian to lead the Department of Agriculture, these fears seemed to be addressed thoughtfully at the Nevada, IA meeting where Perdue stated emphatically, "ethanol is here to stay." He went on to voice his support for the Renewable Fuel Standard, and made it clear that the mandate to blend ethanol and biodiesel remains a priority for the new administration. As one columnist noted, Perdue addressed the Renewable Fuels Standard with "the steam from a nearby ethanol plant visible behind him." In a statement following Secretary Perdue's visit with Iowa farmers, Monte Shaw, the Iowa Renewable Fuels Association's executive director, stated, "We fully expect he will continue the USDA's legacy in this area and continue to aggressively pursue greater access to renewable fuels at the pump."

While we are all inescapably aware of the difference between what a politician says and what a politician does, I see very hopeful signs that our new Secretary of Agriculture is in tune with the feelings and priorities of most farmers and agricultural professionals throughout the country. This extends to his support for the President's commitment to revisit the inheritance tax, which makes continuity of family farms from generation to generation especially difficult, and a new, more nuanced approach to immigration as it relates to the agricultural sector.



Jeff Waddell  
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