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SOUTH DAKOTA CHAPTER
AMERICAN SOCIETY FARM MANAGERS & RURAL APPRAISERS
THE MOST TRUSTED RURAL PROPERTY PROFESSIONALS

9 / 2011



*Enhancing Our Members' Ability to Succeed
in Their Rural & Agriculturally Related Professions!*

DATES TO REMEMBER!

October 6-7 - Board Meeting in Pierre

October 13 - West River Breakfast Meeting - 9 A.M.

Rapid City Marlin's Roadhouse Grill

October 19 – SDSU Career Days

October 21 - East River Breakfast Meeting - 9 A.M.

Sioux Falls Roll'N Pin

October 22 thru 28 – 82nd ASFMRA Annual Meeting – Scottsdale, AZ

January 18-20–Winter Education & Joint Meeting W/PAASD - Chamberlain

PRESIDENT'S MESSAGE

Well, I made it through a wedding and a move and now it's time to get back into some type of routine (yea, right!) I've still got plenty of boxes to go through and figure out whether we keep Linda's or mine version of many duplicates! All I've got to say is the best move I made was to get a storage unit so this sorting can be spread out over a period of time.

The fall is here and September has been quite a change from the rest of the year with most areas of the state having an abundance of moisture for most of the year. I believe I heard on the weather report this morning that this September will likely go in the record books as the driest September on record for much of the state. Quite a change!

Anyway, it's now time to get on to Chapter duties which I have greatly neglected and get things organized for several upcoming items.

The fall Board meeting will take place on October 6th in Pierre. We need to make several decisions as far as upcoming education, and the usual items for the budget and organizational items going forward. As is always the case, we will need the chapter members' help to carry out several activities for the Chapter and hope that all of you will be willing to help out where needed. I believe the Chapter carries out many activities to help support the members in their effort to succeed in their professions.

The National Convention in Phoenix is the week of October 24- 28th. I am planning to attend as well as several other members. As noted later in this newsletter, Brian Gatzke will be receiving his ARA at the National Convention. That is a great milestone to achieve this status, and I, along with the whole chapter, congratulate Brian! No more sweating about demos, exams, etc., right Brian?

As noted, there will be several upcoming activities for members, such as career days at SDSU, education offerings this winter, the annual meeting, etc. We hope you as members are able to help out with, or attend these functions.

CHAPTER SCHOLARSHIP PRESENTED AT SDSU

Members Jay Knuppe and Jeff Barker represented the chapter at the September 22nd Ag-Bio Scholarship Banquet at the Student Union Volstorff Ballroom.

Jerilyn Reed was announced as the recipient of the chapter's \$1,000 scholarship for the 2011-12 academic year. Jerilyn was chosen from those who submitted application / essays for the scholarship. She is a Faith, SD native. She is an Animal Science major.



Her extracurricular activities include Block and Bridle, Collegiate Farm Bureau, South Dakota Young Farmers and Ranchers, South Dakota Cutting Horse Association, Rodeo, and Intramural sports. She is vice-president for Collegiate Farm Bureau and serves on the Young Farmers and Ranchers committee. Her career plans after graduation are to return home to the family ranch. She is the fifth generation on the family ranch.

Upper level undergraduate students enrolled in the College of Agriculture and Biological Sciences are eligible for the scholarship. A cumulative GPA of 2.5 minimum, or upper half of class ranking, is required – along with a stated interest in considering rural appraisal, farm management, or agricultural consulting as a career. The following preferences are also considered:

- Community service achievements and demonstrated leadership qualities,
- Completion of / or current enrollment in the Rural Estate Appraisal course (Econ 373 / Plant Science 373) and / or Farm and Ranch Management course (AgEd 271).
- South Dakota resident,
- Financial need.

The establishment of the scholarship continues to contribute to a strengthened chapter relationship with SDSU personnel and students.

2011 LEADERSHIP INSTITUTE HIGHLIGHTS

By Jim Dunlap, ARA

I had the opportunity to go to Washington DC for 5 days as part of the 2011 ASFMRA Leadership Institute and as a new council member assuming the role of District VI VP, taking over next month from Mike Krause who has been our district VP for the past three years. Since I do both appraisal and farm management, I took this opportunity to attend as a farm manager.

The managers met at the Reagan Airport on Sunday, had lunch and departed by bus for the Chesapeake Farms located about 50 mile north of DC. This 3,300 acre farm is owned by DuPont, and has a stated mission of fostering growth of DuPont's Agriculture and Nutrition by providing facilities for demonstration, promotion and research, and to serve as a flagship of environmental stewardship for crop protection. There is about 1,085 acres in agricultural production, 1,700 acres of woodlands and 515 acres of ponds, marshes and fields managed intensively for wildlife.

The farm continues a hunting element for DuPont clients, which is not, hired hunting as we see in South Dakota, but is by invitation and regulated for species management. From there, we bused over to the Trey Hill farm. This individual operates about 14,000 acres in this area, which covers land from about 30 miles north to 40 miles south of their main farm. He has over 65 landlords, and his average size farm field is 30-35 acres.

Because of traffic and narrow roads, heads have to be removed from combines, and generally they choose to move equipment very late at night for safety reasons. This creates an additional management headache.

In addition, he has Maryland and Chesapeake River drainage area regulations that prohibit fall application of fertilizer, and encourages the planting of fall cover crops to hold nitrogen and other fertilizer out of the river and its runoff areas. This has become increasingly worrisome as Maryland is talking about further limiting the amount of nitrogen he can apply even through split application which will affect the potential yield on corn and soybeans, his primary crops.

In the current year he has had two hurricanes and significant rainfall events, so much of his corn is flat, requiring combining one direction. If we think we have problems in the Midwest....it is nothing compared to this area of the east coast. We had additional meetings with farmers and Pioneer personnel explaining local ag issues the following morning.

We arrived at Arlington at noon on the 12th and had additional briefings by Pioneer personnel on research, product protection, business and strategic planning for the ag industry, and ended the day with a dinner cruise on the Potomac River.

Tuesday, the managers took part in Communication and Advocacy Training compliments of Pioneer HyBred and DuPont. The training, conducted by WIXTED Pope Nora Thompson & Associates had us managers in front of video cameras from 7:30 AM to 5:00 PM with a very short break for lunch. This was a tremendously effective means of training us how to get our story across to the media and legislators in our "sound bite" world.

Continued

DUNLAP LEADERSHIP INSTITUTE HIGHLIGHTS CONTINUED

Our first task was to do an introduction of ourselves to our senator or congresswoman; build some common ground with them; emphasize our main idea; identify our qualifications or relevant experience on the subject and get ready to present the message, ***ALL IN 90 SECONDS!!!*** That was indeed a challenge and an eye opener. **However, I did find out it is doable!**

Briefings with the appraisers occurred over dinner by our lobbyist as well as some DuPont executives about biotech, market economics, global crop consumption, and in interaction of global population and income sources and their take on where our current government debt is and how it will affect agriculture in the future.

The following day we had briefings all morning with individuals from FDIC; Senate Ag Committee staffers; Undersecretary Scuse at USDA; Commodity Group briefings that included not only corn, beans, and wheat, but also rice and cotton which gave those of us from the Midwest information on other segments of the ag economy that we don't see in the Midwest. We also had a briefing from the New Zealand Trade Secretary which provided some overseas perspective of the agricultural world from a Pacific perspective.

The afternoon was spent talking to Senator Thune and Representative Noem and their staff about issues affecting our farmers in the upcoming 2012 Ag Bill and our concerns regarding budget cuts that are sure to come with the next US Budget talks. What many do not realize is that over 80 percent of the Ag Bill budget goes to Nutrition, Food Stamps and other food aid programs to the needy.

In our briefings we were told on the one hand that all programs had to take a budget hit, and then the next document showed what programs were "exempt". You got it...Nutrition, Food Stamps and food aid programs are exempt. Which means production agriculture may have some significant challenges and really provides a challenging arena for our elected officials to operate in, since production agriculture has a smaller constituency than other parts of the budget.

Brian Gatzke & I covered concerns that crop insurance not be affected, since that provides a safety net for our producers; we covered concerns about geospatial information used by appraisers and farm managers were not being made available to us since the last farm bill under a Section 1619 amendment that closed off all information without farmer consent and provided them with the information needed for good appraisal and management practices.

In addition, we covered concerns about "Light Squared" technology and its fatal effect on precision farming as well as emergency vehicles that utilize GPS that would be affected. This issues appears to be a long way from being resolved, so stay tuned!

Bottom line is....**IF YOU HAVE THE OPPORTUNITY TO GO TO LEADERSHIP INSTITUTE IN THE FUTURE, DO SO, YOU WILL NOT BE SORRY.** It is a learning experience, it provides you with a huge amount of information regarding current and proposed legislation that will affect your business and life, and you will come away with a circle of friends and associates that you can turn to across the country. This is good for our association, our state and will benefit you as an individual.

BRIAN GATZKE JOINS ARA RANKS!

South Dakota chapter member Brian Gatzke was one of six who successfully passed the ARA Accreditation Exam held in Denver at the end of August. Brian has received his accreditation and will be formally recognized at the Phoenix national meeting in October. Brian is eligible for the Kjerstad Memorial Chapter Member Scholarship available to those attending and receiving their accreditation at a national meeting.

Gatzke earned his ARA designation by meeting stringent requirements in experience and education, in addition to passing rigorous oral and written examinations and abiding by the American Society's Code of Ethics.

He joins a select 45% of the ASFMRA membership, who have received the Accredited status and currently maintain it through the ASFMRA continuing education program.

The South Dakota chapter now has 18 individuals with the ARA (12), RPRA (1), or AFM (5) accredited designations. This is 40% of the membership that are in rural appraisal, appraisal review services, and farm management careers.



2011 LEADERSHIP INSTITUTE HIGHLIGHTS

By Brian J. Gatzke, ARA

Change was definitely in the air of Washington DC and national politics. I have attended this event two times prior to this event and the last time was 3 years ago and never experienced such negative energy and drawn lines in the sand between parties. I left with wondering, what they actually implement that are positive in DC to help us, rather than adding layers upon layers.

The people who have written the change are the ones behind the bills, aka life time government servants who continue adding layers to the bills and rules / regulations. We had three full days of appraisal meetings starting at 7 Am and ending at 9 PM. We joined the farm managers on Wednesday and Thursday.

We had sun and heat the entire time visiting DC. The hotel was in Alexandria and we took the subway to out stops with supplemental taxi travel. The taxi travel reminded me not to be the last one in the cab. The following is a summary of the highlights:

There were errors and challenges common across all presenters for the appraisal / valuation industry that the agencies see increasing and need to stop from occurring:

- Disconnect between education and practice and enforcement. Education is critical to the self-development and if appraisers do not improve, the government will regulate them until they improve.
- Future shortage of appraisers, require senior appraisers to train (caution with quality trainers and trainees)

Continued

GATZKE LEADERSHIP INSTITUTE HIGHLIGHTS CONTINUED

- Failure to define linear relationships, larger parcel, and understand differences between IRS rules and Yellow Book supplement to USPAP.
- No support to the highest and best use conclusion (lack of research data) and use of canned H & B statements.
- Failure to review title and ownership for rights on the property and a lack of understanding property rights and partial interests.
- For conservation trust land valuations, appraisers fail to read the “base line” report.
- Federal Acquisitions Regulations (FAR) exceptions will lead to more changes in Professional Services as shortages exist for appraisers. Agencies can obtain alternative methods to valuation and appraisal.
- Failure to examine and qualify sales and history of subject and sale. Sales must be fully analyzed and not reported from an MLS.
- Do not take the time to do the job right; e.g. math errors are increasing.

Appraisal Institute is leading the lobbying industry in DC for appraisal issues. Keep in mind the Appraisal Institute is no longer involved with The Appraisal Foundation. The Appraisal Institute representatives attended our sessions and provided insight into state and federal issues impacting them and the appraisal industry. Those included discussions / legislation regarding the following:

- Brokers price opinions.
- Appraisal management company regulation.
- Use of distressed sales.
- Regarding development values with “as is” and “as proposed” and “as complete”. Congress wishes to remove “as is” from the analysis to help financing entities value only the end of “as proposed” “as complete”.
- The Administration has engaged the Dept. of Energy (DOE) to create the definition and methodology to determine how to value “Green”. The AI is planning to become more engaged in the value of “Green”.
- Implementation of accreditation for members to obtain preferential treatment for appraisal work in government agencies.

Appraisal Foundation and Appraisal Subcommittee - This was the highlight of the trip with noted education about changes and the dynamic and ever changing appraisal / valuation profession we are in.

- Three noted changes in USPAP for 2012-13
 1. Interest Disclosure to be added to the certification page
 2. Disclosure about Exposure time added
 3. Record Keeping is now split from the Ethics section

Continued

GATZKE LEADERSHIP INSTITUTE HIGHLIGHTS CONTINUED

- Education of the future will be through Webinars and On line seminars.
- New uniform disciplinary action guidebook to state agencies.
- Working with DOE at the President's request to host a seminar on "Green" valuation models on 9-23-11. This will be available to members via a 120 minute Webinar.
- Confirmation the AI is not part of The Appraisal Foundation. However, the Appraisal Foundation does not lobby or engage in lobby efforts. My opinion is this will strengthen AI in the eyes of bureaucrats and politicians.
- Mark to Market with IVSC will become the norm and RICS is now an active sponsoring member of The Foundation.
- Under Dodd-Frank Bill /Act or the banking reform act a rule is in place to establish a "HOT LINE" to turn in appraisers across the country. Increases burden on states for follow up. Reminds me of Napoleonic law, "guilty until proven innocent".
- Two Graduate programs offer degrees in appraisal / valuation profession for licensing and education requirements. They are Texas A&M and University of Denver. The Appraisal Foundation is looking for programs at Undergraduate Schools for entry level licensing requirements. Expect more education requirements in the future.

American Bankers Association-ABA

Frank-Dodd act is changing finance industry forever except Farm Credit Council and association members were excluded from the act and changes; including a new \$500 Million a year fund to establish a new agency "Consumer Finance Federal Protection Bureau".

Regulators are being trained on how to verify if an appraisal is USPAP compliant for bank examinations of files. This is an opportunity for ASFMRA-USPAP instructors with bank review of appraisals.

ABA believes the appraisal industry is not doing enough to train and bring on new appraisers and this will result in more changes with use of BPO and other methods of valuation models.

Farm comments:

- Direct payments are expected to be gone
- Crop insurance will be restructured for higher premiums and profit generator for USDA and on line reporting
- Dept of Ag and Dept of Interior will expand conservation programs for land in reserve and restrictions apply to land use in return for receiving funds
- Future in banking is not positive unless you are Farm Credit Council Association member, as they were excluded. ABA praised Farm Credit for their strong lobbying effort and issued a caution about the future that the banking industry will not bail them out as they did in the 80's.

Continued

GATZKE LEADERSHIP INSTITUTE HIGHLIGHTS CONTINUED

Farm Credit Council and Policy Development of FCC.

- Regulatory examiner of the Farm Credit Associations in the US.
- Today they are not the problem like in the 80's.
- New is the Rural Business Investment Company (RBIC).
- Future is changes in mark to market with having to obtain business value for all commercial operations.
- Manage by Silent Consensus.
- Appraisers are internal employees of the Farm Credit Associations and strict guidelines apply.

FDIC

- Largest change is banking rules and the future is still being written.
- Need review training for regulator / examiners.
- Farm Credit Council and Associations were excluded from the Frank-Dodd Act and wondered how did this happen?
- Frank-Dodd has over 2,300 pages and some pages were empty and written in Conference committee, so new regulations and rules are found every day. There are 44 new rules. Examinations have to determine if appraisal is USPAP compliant. Designed to strengthen a review process and offer stability to banking industry because the finance industry did this crisis themselves and FDIC is given more authority to regulate and examine for future protection.
- Believe farm land is overpriced and a correction is forthcoming because farm land is dependent on government and changes coming may not be positive

Government Agencies:

Department of Justice

- Case load is heavy with home land security and border crossing
- Handling US Corps of Engineer cases
- US Park Service cases are increasing
- 800 cases in Florida Everglades
- GSA demands with Land Ports and Home land Security
- Errors in appraisals is not permitted and they hire attorneys who then hire appraisers and they all expect to have high quality and time is on the appraisers side if they need time

Office of Valuation Services (OVS) former ASD

- Goal is to complete 85% of appraisals in 120 days.
- Yellow Book complaint unless noted or excluded with FAR rules.
- New is the 2010 software for tracking appraisal work (IVIS)
- 52 staff appraisers and review appraisers
- Encourage professional development with Accreditation (GS-13)
- New trainee program and internships for appraisers (5 years)
- Office of Mineral and involved with valuation of "green" and "alternative energy" models with Administration

Continued

GATZKE LEADERSHIP INSTITUTE HIGHLIGHTS CONTINUED

Department of Interior

- Overseeing: US Forest Service, BLM, Park, USFW, and Agriculture Conservation programs
- FAR is implemented for valuation models of easements for conservation (Dakota Area is the new model).
- Land and water funding comes from the off shore oil interests and they have \$900 million a year to spend on conservation programs and preservation of nature
- Question was raised who will determine the value on the life of nature and the animals, so what is the value of this over the land? It was asked “who will represent the animals and nature”? USFW will.

Department of Transportation

- Uniform Relocation Act of 1970, Section 49 CFR is “yellow book” the standard of Federal Land Acquisitions. Expect Congress or Administration to open this act and redefine the appraisers section.
- Oversee the implementation of the 18 government agencies and 2 outside agencies (US Postal and Amtrak).
- Expect FAR to become increasingly used by agencies.
- 2 year apprentice program being implemented to train appraisers / valuation specialists.
- Expect changes in raising valuation levels from \$5,000 to \$25,000 then up to \$50,000 before they need an appraisal for obtaining full or partial interest property.
- Heavy involvement in supporting the IRWA (international right of way association).
- State DOT’s are given autonomy to order and conduct valuation.

Conservation Easements and Conservation Lands

- IRS and The Nature Conservancy offered highlights.
- Handout of new rules currently in quiet period before implementation of 2008-401RB, Part IV for regulation 140029007.
- Discussed forms and differences for Non Cash Charitable Contributions and valuation process differences between IRS and Federal “yellow book”.
- Expect high quality and will go after appraisers who make errors, severe penalties for failure to comply.

Farm Bill Discussion Expectations

- Expect direct payments to be removed except for rice or cotton.
- Crop insurance will be one method for government to raise \$.
- Uniformity between crop insurance and USDA reporting requirements and forms to be one stop
- Internet filing and paper work will be future.
- Section 1619 is unlikely to be touched if any \$ are reported; CLU layers are a possibility.
- Conservation is untouchable and will be increased.
- Food and nutrition programs are protected.
- GPS issues with Light Squared and Verizon are being reviewed, but the satellite is in space.
- Valuation process for NRCS will not change.