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

7 / 2012



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

DATES TO REMEMBER!

Sept. 9 thru 13 - Leadership Institute – Washington, D.C.
Sept 13 - West River Breakfast Meeting - 9 A.M.

Rapid City Marlin's Roadhouse Grill

September 19- SDSU Scholarship Banquet - Brookings

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

Sioux Falls Roll'N Pin

October 17 – SDSU Career Days

October 18-19 – SD ASFMRA Dairy Seminar – Brookings, SD

Oct 28 thru Nov.2 – 83rd ASFMRA Annual Meeting – Indianapolis, IN

Nov. 8 – Chapter Board Meeting – Rapid City

January 17-18–Winter Education & Joint Meeting W/PAASD - Chamberlain

PRESIDENT'S MESSAGE

I had to refer back to my last message to come up with a starting point for this message. I had talked about crops looking good but being stressed and needing rain. Well, for most, the rain never came, so much of the corn crop is already lost throughout the state, and pasture and hay are in very poor shape.

This type of year makes me reflect on my benchmark year as far as drought which was 1976. I started as a summer trainee for FmHA that year in Clear Lake, driving from Brookings each day. As I drove that summer each weekday, I observed the corn get about shoulder high and then get shorter as the summer went along.

One weird thing has stuck in my mind all these years. In late July, there was a small storm that came through that created a sudden downpour. The Interstate was like driving on an ice rink! Someone told me it was caused by the oily slime that had built up on the road with no rain. It could have never been my driving, or my tires!

Also, as a reference in age, the Interstate was only open to the Estelline-Toronto exit about 17 miles North of Brookings. Everything further north was still under construction.

On to present times. It has been a busy summer, and as projected last month, I have run out of time to get everything done! Refer to the dates to remember as far as upcoming events.

Continued

www.asfmra-sd.com

PRESIDENT'S MESSAGE CONTINUED

I plan to attend the Leadership Institute this year so I am looking forward to that trip. Brian Gatzke is working on plans for the Dairy Seminar. As noted last time, this will be a regional offering. September and October will be busy times for the Chapter, so plan to help out or attend those events that are planned.

WEST RIVER BREAKFAST NETWORKING

By Norm Edwards, ARA

It is a busy time in the West river area for appraisals and related activity so the attendance at the meeting was rather small. There was a short meeting at Marlins at the windmill truck stop.

There was an interesting conversation on current social and economic information in southern South Dakota and northern Nebraska by Loy Matthes and shared with the group.

Jay Widdoss updated the group on the current activities in the OST and sales needs and activities. Ryon Rypkema discussed current building costs and a recent course he attended in Colorado by the Society which he recommended.



Norm Edwards shared photos and information on the range course in Gillette. The group at the range tour is considering a joint meeting with the Ag Banker in Montana next year and then resuming the Range Camp the next year.

There was a brief discussion of the pending meetings for the South Dakota Chapter.

EAST RIVER BREAKFAST NETWORKING

By Allan Husby, ARA

Seven members were in attendance at the July 20 breakfast meeting. Members in attendance were Allan Husby, Tom Jass, Ron Rucker, Travis Shaykett, Paul Sickler, Don Threadgold, and Jerry Warmann.



The general discussion was about drought conditions in areas of those in attendance. Don Threadgold reported attending the Summer Ed Week and taking the second round of management classes.

Paul Sickler and Tom Jass had taken part in a social night for farm managers. All three believed the attendance was somewhat down from last year.

We discussed the education coming up and possible changes to the Kjerstad Scholarship to include sponsorship for attending the National meeting.

THANK YOU FROM SD ASSESSORS

**JUST A SHORT, LATE NOTE TO THANK
YOU FOR MAKING THIS 2012 SDAAO
CONFERENCE ONE OF THE MOST
MEMORABLE.**

**I HAVE RECEIVED SO
MANY POSITIVE COMMENTS!
THANK YOU SO MUCH FOR YOUR
SUPPORT, TIME AND HELP.**

MOST SINCERELY,

**JOHN R. COLE, CAA
PAST PRESIDENT SDAAO**

PUNS

A man's home is his castle, in a manor of speaking.

Dijon vu - the same mustard as before.

Practice safe eating - always use condiments.

Shotgun wedding - A case of wife or death.

A man needs a mistress just to break the monogamy.

A hangover is the wrath of grapes.

Dancing cheek-to-cheek is really a form of floor play.

Does the name Pavlov ring a bell?

Condoms should be used on every conceivable occasion.

Reading while sunbathing makes you well red.

ASFMRA NATIONAL DAIRY SEMINAR IN BROOKINGS, SD - FALL 2012

Hosted by the SD Chapter ASFMRA and Richard Gilmore, ARA, Instructor

The event is co-promoted by the SD Department of Agriculture, SD Bankers Association, MN Chapter ASFMRA, WI Chapter ASFMRA, and ASFMRA.

SD Chapter of the ASFMRA is proud to announce the North American Dairy Valuation/Appraisal and Business Seminar conducted by Mr. Richard Gilmore, ARA, an internationally renowned valuation and appraisal instructor and consultant.

Dates: October 18 and 19, 2012 (Thursday / Friday)
Optional pheasant hunt is available (separate registration)

Times:

- Registration: 8:00-8:30 am
- Program: 8:30 am – 5:30 PM (Thursday and Friday)
- Social: Thursday (6:15-9PM) (registration will be 30 minutes before the event)

Location: McCrory Gardens Visitor Center, Brookings, SD

Fee:

- **Package for entire event: \$680 or register separate days**
- Day 1 Thursday: \$450 (Appraiser CE)
- Day 1 Evening Social \$100 (CE unknown at this time)
- Day 2 Friday \$350 (CE unknown at this time)
- Audit: \$200 per day (Includes evening social)

Fees Include: coffee/soda, noon meal and evening hors d'oeuvres and the

Hotel Shuttle: Thursday & Friday.

Airport (Sioux Falls – FSD) shuttle = BATA 605-692-5416, call for pickup 7 days in advance.

Instructor: Richard Gilmore, ARA, FASA, FRICS, MRICS

Specialties: Agricultural Commercial Appraising, Dairy & Food Processing; Banking/Financial; Cold Storage Facilities/Packing House Facilities; Conservation/Scenic Easements/Development Rights Restrictions; Fruits/Orchards/Vegetables; Review Appraisal; Timberland/Forestry, Banking and Regulatory Consulting

The seminar is for the appraiser, real estate professional, Dairy industry specialists, consultants, finance managers, business valuation specialists (BV), accounting / finance firms, management groups, government officials, and owners / operators.

- Section 1 = 1st Day seminar ASFMRA Dairy Valuation Best Practices (This one has 7 hours CE for Appraisers and ASFMRA members.)
- Section 2 = Evening Guest Lectures from the Region Industry Specialists and Government officials, held at the NEW Children's Museum of South Dakota, lobby and meeting room with hours hors d'oeuvres.

Continued

DAIRY SEMINAR CONTINUED

- Section 3 = 2nd Day seminar Dairy business value / equipment / outside influences / policy / government / supply & demand and closing with a round table panel of industry specialists for Q&A. (We will attempt to apply for Appraiser CE, however, due to “NEW AQB” policies, full approval is unlikely.)

SD Dept of Ag is co-sponsoring with promotion and publicity at the World Dairy Expo, Madison, WI the first week of October.

Sponsorships Available: (A Placard and name recognition along with discount for attending and recognition in program brochure and mailing lists)

- Day 1 Noon Meal (2 sponsor positions) \$300 per sponsor
- Day 2 Noon Meal (2 sponsor positions) \$300 per sponsor
- Both days coffee (4 sponsor positions) \$100 per sponsor
- Day 1 evening social/guest speaker (4 sponsor positions) \$250 per sponsor

Sponsors to provide:

- Logo and name in a Jpeg or Tiff format 20 days before event and literature
- Literature to have on display on table near registration and coffee
- Name of sponsor contact to be introduced at event
- Full payment for sponsorship to be paid prior to the listing

Optional Pheasant Hunting:

1. Two-Day Package Guided Hunting (one group of eight): includes one night lodging, meals, bird cleaning, with local guide, dog. October 16th, arrive at noon; return late afternoon October 17th. Contact Gary Black 605-881-0393, Estelline, SD or Brian Gatzke, 605-691-2119 (\$550 per person). The fee will not include license, gun, ammo, dogs, guides, permits, or cleaning.
2. Public hunting on area lands after the event, opening weekend for the SD Pheasant hunt is Saturday October 21. (Please make arrangements for your travel in advance accordingly). Visit the South Dakota Game Fish & Parks home page for more details on walk in and public hunting areas. <http://gfp.sd.gov>

Registration will be available at the ASFMRA web site (www.asfmra.org) in the near future. A brochure mailing will be sent in August.

MORE PUNS

When two egotists meet, it's an I for an I.

A bicycle can't stand on its own because it is two tired.

What's the definition of a will? (It's a dead give away.)

Time flies like an arrow. Fruit flies like a banana.

In democracy your vote counts. In feudalism your count votes.

SOUTH DAKOTA AGRICULTURAL LAND MARKET TRENDS & EXPECTATIONS

Dr. Burton Pflueger and Dr. Larry Janssen
Professors of Economics, South Dakota State University

Agricultural land values continue to boom for all land uses and in most regions of South Dakota. The most recent annual (2011 to 2012) increase of 26.8% for all agricultural land values in South Dakota is the highest annual rate of increase reported over the past 22 years of the SDSU Farm Real Estate Survey.

This article provides recent and longer-term perspectives on farmland market changes in South Dakota. The recent perspective is based on survey respondent expectations for the past year and for next year. The longer-term perspective is based on authors' analysis from conducting this survey for 22 years.

FARM LAND MARKET EXPECTATIONS: RECENT AND PROSPECTIVE

In each survey, respondents were asked to estimate the percentage change in land values during the previous year and to forecast percentage changes in land values for the forthcoming year. During the past year, respondents' estimated percentage increases in land values averaged 18% for cropland, 16% for hay land, and 13% for rangeland. The median rate of increase was 17% for cropland, 15% for hay land, and 10% for rangeland. There were no reports of declining land values, and relatively few reports of no change in land values. Overall, nearly 94% of rangeland and hay land reports and 98% of cropland reports indicated land value increases in the past year.

The 2012 and 2011 survey reports were considerably more positive than the 2009 or 2010 surveys, when a substantial proportion of respondents (40 to 60 percent depending on land use and survey period) reported no change or declines in land values. For most surveys, including 2012, respondent perception of percentage change in land values was generally lower than the actual percent changes calculated from the survey data.

Most respondents, 84% to 91% depending on land use, providing forecasts expect land values to increase in the next 12 months and the remainder projected no change in land values. None of the respondents forecast a decline in land values during the next 12 months! The median (mean) forecast in per-acre values for cropland was 10% (9%) compared to 5% (7%) for hay, pasture, and rangeland.

Respondents to the 2012 survey are very optimistic about farmland market conditions for 2013. This optimism reflects the impact of very high agricultural commodity prices on farm profits and on cash rental rates which are capitalized into increasing land values. There are concerns about impacts of future possible federal policies for deficit reduction, taxation, credit / finance, agriculture, and renewable energy. However, most respondents continue to indicate the farm sector is in good shape, from a financial perspective, and expect continued resilience in the next few years.

It is important to note that respondent expectations were based on market conditions and outlook in February and March of 2012 and do not reflect changes that have occurred due to the onset of drought conditions in South Dakota and the Midwest!

Continued

LAND MARKET TRENDS & EXPECTATIONS CONTINUED

LONGER-TERM PERSPECTIVE ON FARMLAND MARKET CHANGES, 1991–2012

Based on 22 years of examining trends in agricultural land values, cash rental rates, and rates of return by land use and across regions, a few key observations are offered.

First, agricultural land values increased more rapidly from 2001 to 2008 than in the other time periods. From 2001 to 2008, average annual increases in land values were 11% or more in all regions of the state, with statewide increases averaging 15.3%. In the earlier time periods, statewide average annual increases in land values were between 4.7% and 7.4%, with most regional increases varying from 2% to 8% annually.

During the past four years of general U.S. economic recession and slow recovery, statewide agricultural land values increased at an annual rate of 13.7%. Much of this increase is due to the farm commodity price boom in the past few years. Sharp regional differences in annual rates of increase in land values emerged, with considerably lower rates of increase in the regions west of the Missouri River.

Second, considerable insight about impacts of federal policies on land values is gained by comparing annual rates of land increases for four periods. The first period, 1991 to 1996, reflects the impacts of the 1990 farm bill, continued recovery of the farm sector from the farm financial crisis of the mid-1980s, and long-term farm mortgage interest rates averaging 8% to 10%.

The second period, 1996 to 2001, reflects the impacts of the 1996 farm bill and subsequent increases in federal farm program spending. However, there were no major changes in farm mortgage interest rates from the earlier period.

The third period, 2001 to 2008, reflects the impacts of major reductions in farm mortgage interest rates, continued farm program support and planting flexibility, growing use of crop revenue insurance, and relatively low rates of inflation. Federal policy shifts in favor of renewable fuels and the growing importance of ethanol production from corn has further increased commodity prices and indirectly contributed to increased cash rental rates and land values.

The most recent period, 2008 to 2012, reflects the impact of the major economic recession and its aftermath on the farm sector, interacting with the commodity price boom in the past few years. The national (and global) economic recession continues to have much more negative impacts on other sectors of the U.S. economy.

Third, cash rates of return (gross cash rent to land value ratio) to agricultural land were relatively stable from 1991 to 2000 and declined substantially from 2001 to 2012. These findings indicate that increased land values during the 1990's were supported by comparable rates of increase in cash rental rates. However, from 2001 to 2012, cash rental rates usually increased at a slower rate than land values. This finding illustrates the much greater impact of reduced interest rates on land values compared to its impacts on cash rental rates. During all 22 years of farmland market reporting, average rates of return to cropland exceeded average rates of return to rangeland.

Continued

LAND MARKET TRENDS & EXPECTATIONS CONTINUED

Fourth, cash rates of return to farmland are very low. For most years during the 2001 to 2012 period, farmland investors were in speculative market conditions where most of the total returns were from expectations of capital appreciation instead of current cash returns. This pattern of declining rates of cash return to land also occurs during the latter stages of land market price booms.

The national economic recession and financial turmoil in the second half of 2008 and through 2009 slowed the rate of increase in farmland values and likely altered farmland market psychology to greater emphasis on current income and cash flow. However, the subsequent boom in commodity prices has led to major increases in both cash rental rates and land values, especially for cropland.

Fifth, regional and county cluster rankings in per-acre land values and cash rental rates are relatively stable for most land uses, reflecting fundamental differences in soil productivity and long-term weather patterns and relatively slow shifts in the economic structure of most counties in South Dakota.

Sixth, during the 22 year period, cropland and hay land values have generally increased more rapidly than rangeland and pasture values, especially in the more cropland-intensive regions east of the Missouri River. Some of the contributing factors have been crop productivity increasing faster than rangeland / pasture productivity due to production technology changes, changing crop mix favoring corn and soybeans, and growth of ethanol production.

Finally, longer-term trends in agricultural land values show increases above the rate of price inflation in all regions. From 1991 to 2012, the average annual rate of general price inflation has been less than 3%. The statewide average annual rate of increase for all-agricultural land was 10.3% during this period, with regional variation from 7.3% to 11.7%.

SUMMARY OF LONGER-TERM TRENDS INFLUENCING FARMLAND MARKETS IN SOUTH DAKOTA

The longer-term trends in land values, cash rental rates, and cash rates of return discussed above are closely related to key economic factors. These factors include:

- (1) Sharp declines in farm mortgage interest rates from early 2001 to late 2004 and continued relatively low mortgage interest rates.
- (2) Federal farm program provisions of the 1996 and 2002 farm bills, especially the level of crop subsidies and removal of planting restrictions.
- (3) Substantial increase in use of crop insurance for yield or revenue protection.
- (4) Technology change in agriculture that expanded the geographic range of corn and soybean production, along with rapid development of ethanol plants.
- (5) General economic conditions of low inflation rates in most years.

Major changes in these key economic and policy factors would likely lead to substantial changes in farmland market trends. The extent and persistence of the drought throughout the Midwest should also contribute to slowing of recent upward trends.