

Farmland

IN PERSPECTIVE

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GOODWIN

Goodwin & Associates Real Estate, L.L.C.



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Real Estate Broker

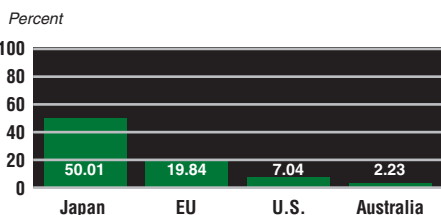
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Trade barriers protect Japan's agricultural sector

Agriculture in Japan is heavily protected by trade barriers and domestic subsidies. Producer support estimates (PSEs), calculated by the Organization for Economic Co-operation and Development (OECD), show that about 50% of the value of Japan's farm production comes from government support. In comparison, U.S. government support of agricultural products accounts for about 7% of production value.

While high by world standards, the degree of protection varies widely across commodities in Japan. Some agricultural industries can compete with imports without heavy protection because they use labor-saving technologies or produce commodities having unique characteristics. However, much of Japan's agricultural production is inefficient compared to exporting countries and is sheltered behind very high trade barriers and subsidies.

Share of agricultural output value from government support, 2010



Source: USDA, Economic Research Service using data on producer subsidy estimates (PSEs), calculated by the Organization for Economic Co-operation and Development (OECD).

Professional farm managers offer advantages

by Paul Stoddard, ARA

Does your farm need better management than you can provide? When should a landowner hire a professional to look after his or her farm? A reason often given, among others, for hiring a professional farm manager is the "simplicity" professional farm management offers. This is especially true when a farm has multiple co-owners, the family owns multiple farms with multiple tenants, or the landowner has problems or concerns with the complexity of the farm business.

Professional farm managers typically complete tasks more adeptly than absentee landowners as they are used to routinely dealing with these tasks. Their depth of understanding and expertise allows them to maximize income while conserving and preserving the land which may be a principal asset, a vital part of the family's heritage, an important legacy for heirs, and/or diversification in an investment portfolio of other assets.

Professional farm managers are educated and trained to foresee and understand existing and developing agricultural trends. These trends can range from the effect of weather on commodity prices, changing land values, and the possibilities of new technology, such as wind farms and ethanol production, etc. Farm managers who advance decision making with their agricultural knowledge and expertise can enhance risk management for the landowner.

Services offered

Farm management has evolved from a small collection of individuals in the late 1920s and early 1930s who managed agricultural land holdings for individuals, insurance companies, and banks to today's profession. Farm managers currently serve absentee owners who control an estimated 25 million U.S. acres.

The services they offer can vary, but typically include:

- Selection of a lease that achieves the owner's objectives
- Analysis of input selection
- Planning of enterprise combinations
- Tenant selection
- Development of crop marketing strategies
- Capital improvement allocations, as needed
- Evaluation of government programs and policies
- Evaluation and implementation of conservation programs, and
- Tax planning, for both the short and long term.

Continued on page 2

A management contract outlines what services the farm manager will provide. The contract includes regular on-site visits, as needed, with written farm visitation reports of crops/livestock progress, weather, markets, and potential problem areas and recommendations.

Professional farm management companies have access to a broad range of information and exposure by developing multiple spheres of expertise. Most managers are college-educated and have developed strong ag backgrounds. This expertise will bring you security in knowing that qualified ag professionals are looking after your farm investments.

Not all landowners seek full-service management programs. Their interest may be in tenant selection, record keeping, marketing and/or investment management programs. Over time, however, absentee landowners and

their management firms find the level of efficiency that best satisfies the landowners' management goals, while assessing and analyzing the overall production of the farm. For these reasons, many landowners gravitate toward full-service farm-management agreements.

Professionalism

Often farm managers enhance their professionalism and expertise by networking and interacting in professional ag trade organizations. One of the leaders in the farm management industry is the American Society of Farm Managers and Rural Appraisers (ASFMRA). Professionals participate in continuing education, monitor changing trends and technical improvements, and adhere to a strict professional code of ethics. Their participation may include attaining further education and recognition

for professional levels of expertise in the industry. The ASFMRA confers the Accredited Farm Manager "AFM," Accredited Rural Appraiser "ARA," and Real Property Review Appraiser "RPRA" designations upon members who meet rigorous specialized education, testing, experience, and continuing education requirements. At www.asfmra.org landowners can use the "Find a Land Expert" tab to identify potential professional farm managers.

Several desirable characteristics of a farm manager include a college degree in ag or a business-related field, tested farm operation experience, and proven management expertise in dealing with properties similar to yours. These professionals can often be found managing farms in the general area of your property.

When interviewing professional farm management candidates, make

History of Farm Management

1860s	1862	1862	Late 1800s	1887
President Lincoln creates the Federal Department of Agriculture (today's USDA) during the Civil War.	Homestead Act. More than a half billion acres of fertile land, about one fourth the area of the continental U.S., is settled in 50 years.	Morrill Act establishes Land Grant Colleges.	Development of agricultural economics begins as an applied version of general economics.	Hatch Act creates the USDA Agricultural Experiment Stations to form a system of research, instruction and outreach to farmers.

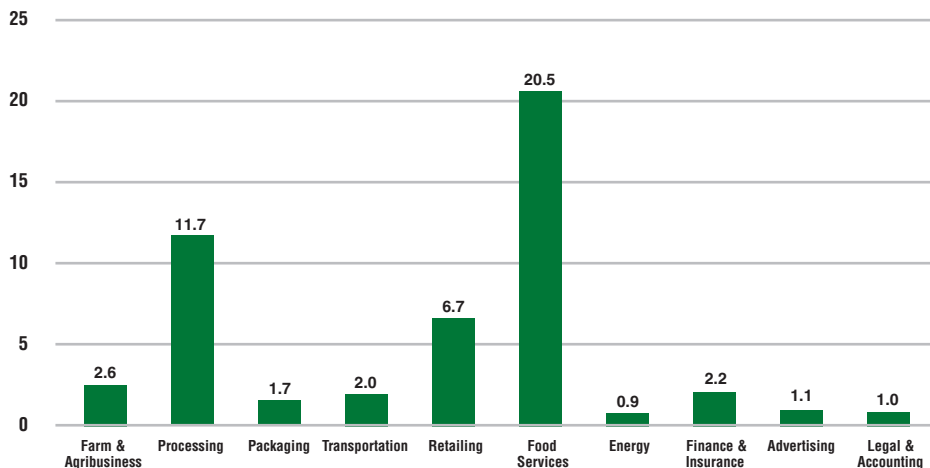
Salaries and benefits half of U.S. food dollar

In 2010, 50.4 cents of each food dollar spent by U.S. consumers on U.S.-produced food went to cover the gross salaries and benefits of U.S. workers. Wait staff, cooks, managers, busboys, and other foodservice workers accounted for the largest portion – 20.5 cents of the food dollar.

The food dollar covers total food expenditures, including both grocery store and eating out purchases. Workers in food processing and food retailing accounted for 11.7 cents and 6.7 cents of the food dollar, respectively.

2010 food dollar payments to U.S. workers

Cents per food dollar



Source: USDA, Economic Research Service, Food Dollar Series

U.S. agricultural trade with NAFTA countries reached record levels in 2011

Agricultural trade within the North American Free Trade Agreement (NAFTA) reached record levels in 2011, according to the Economic Research Service of the U.S. Department of Agriculture. The total value (exports and imports) of U.S. agricultural trade with Canada and Mexico reached about \$72.1 billion in 2011, compared with \$60.7 billion in 2008 and \$54.7 billion in 2009.

Prior to the downturn, regional agricultural trade had enjoyed a long period of sustained growth with few interruptions. Even when accounting for the effects of the recent downturn, U.S. agricultural trade with Canada and Mexico has nearly quadrupled since NAFTA's implementation in 1994.

sure you assess and analyze the company's goals and objectives. Ask for copies of typical management contracts to review with your attorney and/or family members. Find out what professional associations they maintain and at what level they participate. Ask for references from other owners/clients for whom they currently manage land. Ask how and why their services are better than their competitors and outline the reasons their services are superior to others. Some management firms, for example, may be able to pool purchase orders for ag inputs and thereby get volume discounts for their management clients. Confirm what their fee structures are. Fees may vary depending on the level of service, type of lease, type of operation, and local factors. Finally, evaluate the responses to see which company best fits your philosophy and objectives.

Impact of absentee landowners

Absentee landowners are significant to U.S. agriculture. In 2007, during the most recent ag census, absentee landowners owned approximately 29% of the land in farms nationwide. That proportion has declined since 1992. In three of the top four regions with land in agriculture – the Northern and Southern Plains and Corn Belt – absentee owners own more than 30% of the land.

The distribution of rented farmland varies across regions. Areas with the highest proportions of rented farmland are in Illinois, Iowa, Kansas, and the Mississippi Delta. Except for increases in a few areas – the Mississippi Delta region, southern Illinois, eastern North Dakota, and the Central Valley in California – the geographic concentration of counties with at least half of farmland rented or leased in 2007 was similar to that of 1950. Rented farmland includes the land of both absentee owners and other non-operators.

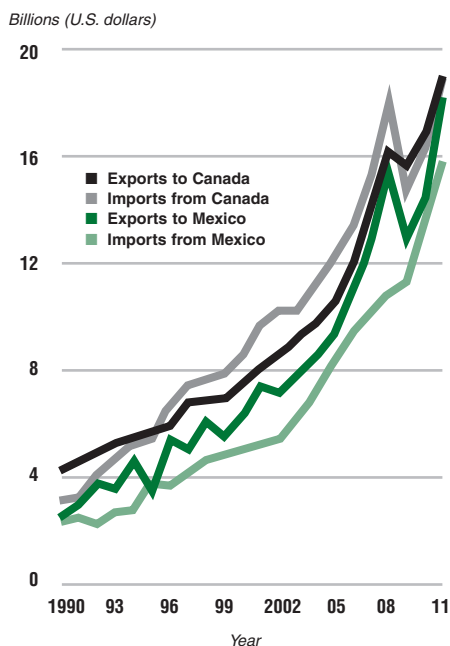
If you are wrestling with the complexities of the latest farm bill and its implications for your farm, or if you're wondering if the terms of your lease are fair and in the best interests of you and your farm, or even if you are tired of the stress and anxiety of marketing farm commodities, you may want to consider the services of a professional farm manager. Simpler may truly be better. Simplicity can be a good thing.

Paul B. Stoddard, ARA, is a lecturer in agribusiness in the Agricultural and Consumer Economics Department at the University of Illinois. Stoddard teaches courses in farm management, agricultural marketing, food and agribusiness management, and personal finance. Previously Stoddard served as chief appraiser for the Farm Credit Services of Illinois. He is an accredited member of the American Society of Farm Managers and Rural Appraisers.



1910	1914	1920s	1930s	1930s – 2000s	2000s
Organization of the American Farm Management Association follows the emphasis on farm management at Land Grant Colleges.	Smith-Lever Act formalizes extension education and outreach.	Professional farm management emerges as progressive farmers and farm managers oversee land in large farm estates for absentee owners.	American Society of Farm Managers and Rural Appraisers (ASFMRA) establishes professional standards for members that apply today.	New technology is embraced and applied from ag economics and mechanization to advances in agronomy and genetics to computerization and GPS.	A broad range of farm management services meet the specific interests of widely ranging absentee owners.

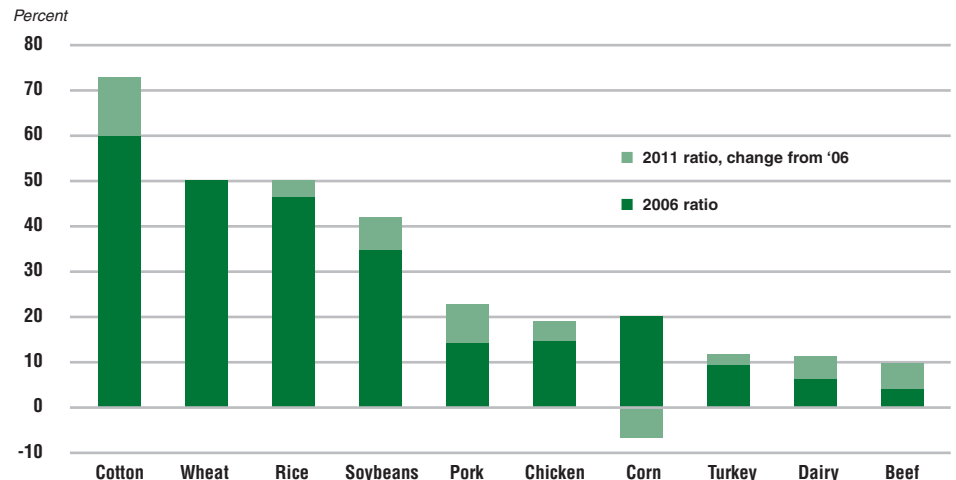
U.S. agricultural trade with Canada and Mexico, 1990–2011



Source: USDA, Economic Research Service using data from U.S. Census Bureau, *Foreign Trade Statistics*, as cited by USDA, Foreign Agriculture Service, *Global Agricultural Trade System*.

Importance of Trade in U.S. Agriculture Export-to-production ratios

The relationship between U.S. agriculture and foreign markets has changed in the past decade due to rapidly growing exports. Yet, the export-to-production ratios remain higher for crop outputs than livestock outputs. The levels are influenced by several factors including economic growth in emerging markets, the strength/weakness of the U.S. dollar, long-term changes in the U.S. textile industry, foreign competition, income growth and the corresponding demand for higher value food categories.



Source: USDA – ERS

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Mark Goodwin Named Illinois Land Broker of the Year

Mark Goodwin, ALC, president & owner of Goodwin & Associates Real Estate, LLC, was named the Land Broker of the Year by the Illinois Farm and Land Chapter of the Realtors® Land Institute.

Goodwin, who oversees millions of dollars in farmland sales annually, was recognized for his accomplishments as well as his dedication and service to the community. His selection acknowledges his ethics as a Realtor and his knowledge of and expertise in the Illinois land market.

The Realtors Land Institute is dedicated to building knowledge, building relationships, and building business for its members – the extraordinary real estate professionals who broker, lease, sell, develop, and manage our most precious resource: the land.

Mark Goodwin, ALC
Past President, Illinois Chapter,
Realtors' Land Institute
Member, Will County Farm Bureau
Member, Rotary International



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