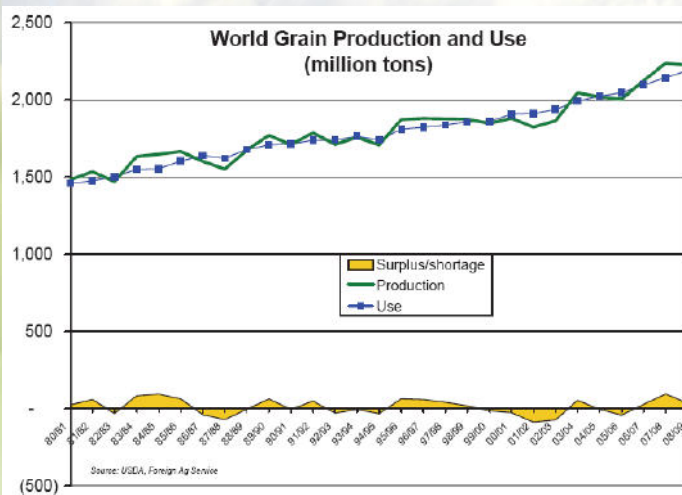


Feeding the World – Agriculture is up to the Challenge

Written by Hugues Rinfret, CFA, FRM
MetLife Agricultural Investments Research

With the world's population projected to reach 9 billion people by 2050, the old fear that food shortages could become more prevalent in the long-term is still entrenched. The emergence of the biofuel industry in recent years has strengthened that view as more grains, oilseeds and sugarcane are now diverted to the production of biofuels. However, this view tends to neglect the capacity of agriculture to respond to changing market conditions by boosting output.

On the demand side, dietary preferences coupled with rising incomes are changing food consumption patterns, suggesting caution when predicting distant food shortages based on current market views. As illustrated in the following chart, global grain use has been on a steady upward trend for decades, even gaining momentum since year 2000, a period of relatively fast global growth. Gains in global incomes were particularly strong and led to substantial changes in food consumption patterns. The chart also compares grain consumption relative to grain production. Although the latter is more volatile due to the inherent weather risk causing crop yields to swing from one year to the next, production agriculture has been able to meet long-term demand, adjusting to short-term shortages (or surpluses) by depleting (or building) grain inventories.



Meat demand is growing relative to wheat and rice, but cultural differences still support non-meat alternatives.

It is also important to note that production expansion has not necessarily occurred in markets with the fastest demand growth, supporting a boom in agricultural trade. As major agricultural exporters, the US and Canada have benefited considerably. Although off their 2008 peak, export flows are still strong with 2009 sales near \$99 billion for the US and \$35 billion for Canada. Such resilient performance amid an economic recession illustrates the benefit of tapping into the buying power of rapidly developing countries. Yet, a rising export trend is not always equal to steady annual gains, as a 14% drop in 2009 export sales volume vividly demonstrated. This is illustrating the challenge in forecasting steady export growth based on historical performance.

Global food demand is expected to continue to rise along with global income growth, but not all food categories are expected to gain. As consumers become wealthier, they tend to diversify away from basic grain-based diets and spend more on higher-value foods. Globally, we have already witnessed this trend as meats and other high value foods have gained ground at the expense of traditional low-cost grains like rice and wheat. However, cultural preferences vary widely around the world, resulting in additional complexity within food and commodity categories depending on the export destinations. So, while it may be tempting to apply to developing countries the assumption from rich countries that income growth directly leads to a boost in meat consumption - as seen in the US and Canada historically - doing so may overstate long-term global demand. For instance, India is rapidly getting richer, but is not consuming red meat at a proportional pace because of cultural and religious beliefs. Instead, they are showing preferences for vegetable oils, eggs and dairy products. Japanese consumers typically eat substantially less red meat than North Americans of comparable income levels, preferring fish for instance. Meanwhile, Latin America is an emerging market with more growth potential. Thus, growth is expected to vary across agricultural sectors and export destinations.

The supply side of agriculture has also been evolving at an accelerating pace over the past decade. The rapid adoption of biotech crops in the US and Canada, and increasingly spreading to the rest of the world supports accelerated yield growth. Coupled with higher fertilizer demand from emerging markets, agriculture is well positioned to keep up with demand expansion. Additionally, we have seen significant acreage gains in recent years.

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Feeding the World – Agriculture is up to the Challenge

Story continued from page 1

Responding to stronger prices led by rising demand for animal feed, vegetable oil and biofuel, farmers around the world have boosted acreage of grains and soybeans, which now covers an additional area of roughly 100 million acres relative to year 2000. If commodity prices remain above their historical averages – as they are expected to, amid the combination of higher consumer wealth and biofuel production - the supply side should continue to respond to such incentives given all the means of production available, including a larger productive land base where possible (i.e., Brazil), in addition to higher fertilizer use and wider adoption of biotech crops.

In all, agriculture has the potential to keep up with evolving demand patterns. Yet, rather than trying to grow more of everything, agriculture is more likely to focus on the evolving demand

and major growth categories. Thankfully, it is unlikely that the world will eventually run out of food to feed its growing population.

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Still Stronger Farmland Prices

By Roger Heller, A.F.L.B., A.F.M.



People not familiar with U.S. agriculture are surprised to learn of the seemingly high land values today. They question, why are farmland prices so high? Well, **it is the market at work.**

When asked to explain, we need to look at the economic factors that are at play in today's ag land market. Here are a few:

- 1. Net farm earnings from crop production are good.** Most Midwest crop yields, in particular Minnesota, are good to excellent. Some bumper crop yields are reported.
- 2. Crop prices are bullish and volatile again.** Crop production in several foreign countries, and even some regions of the U.S., have been reduced dramatically due to unfavorable weather conditions. With reduced crop carryover and stronger world demand, commodities are once again being traded heavily, driving up crop prices.
- 3. Modest lending rates to finance land acquisitions.** The economic downturn has kept interest rates low.
- 4. A lack of attractive alternative investments.** Whether that is totally true or not, it is the perception of many potential investors. They are looking for a relatively safe place to invest their money, having lost confidence in the stock market.

5. An inadequate supply of high quality farmland on the market to meet today's demand. Whenever demand outruns supply, prices rise. This is perhaps the strongest factor of all. There are other long-term factors at work as well. U.S. agriculture is one segment where productivity continues to increase. When productivity increases (high crop yields for example) over time, the increases become capitalized into higher farmland prices.

Another continuing long-term productivity factor is mechanization. Mechanization permits a farmer to farm larger acreages. Farmers then seek to increase their land base.

The remaining question is, should one be a buyer or should one be a seller in today's market? Only time will tell us. However as normal, if any landowner has a bona-fide reason to sell (and there can be many), this may be the ideal time to capitalize on all of the bullish behaviors. It certainly appears to be a seller's market and to date; capital gains tax rates are at historical lows. While some 'market makers' are cyclical and short term, they are still present today and are creating new highs in farmland prices.

There also seems to be attractive alternative investments in commercial real estate for the investor willing to do his/her research and take a little risk. For the astute investor, doing a section 1031 tax deferred exchange from farmland into well researched commercial property could be advantageous.

Sven and Ole are putting on a roof. Ole accidentally cuts off his ear. Ole goes down to look for it. Sven sees Ole on his hands and knees looking for something in the grass. "What happened, Ole?" "Oh, I cut my ear off and I'm trying to find it". Sven offers to help so he too is down on all fours looking for Ole's ear. A few minutes later Sven says, "Hey, Ole! I tink I found your ear." Ole says, "No, that's not it, mine had a pencil behind it."

2 MINNESOTA QUARTER ALERT (IMPORTANT) - Hang on to any of the new Minnesota Quarters you may have or acquire. They may be worth MUCH MORE than 25 cents! The US Mint announced today that it is recalling all of the Minnesota quarters that are part of its program featuring quarters from each state. This action is being taken after numerous reports that the

Fall 2010 Crop Reports

SE MN Crop Report Wayne Alberts, REALTOR®



From an early spring, to a picture perfect summer with warm temperatures, to ample rain in the fall, Southeastern Minnesota had the perfect growing conditions to make a bountiful harvest.

Crop prices fell as the summer progressed and the USDA found more grain than expected. The crops in SE MN looked as

good as anywhere in the country. However, pressure was building in other parts of the country as some crops didn't get in on time, or not at all.

Then in late summer, the USDA came with another report; there was not as much crop carry over as was anticipated. In addition, some areas that normally have excellent crops were not having the normal yields, so we saw a huge increase in prices. These higher prices have carried through harvest time. Where they will go from here, no one knows. Have a great winter!

WC MN Crop Report By Pet Keltgen, REALTOR®



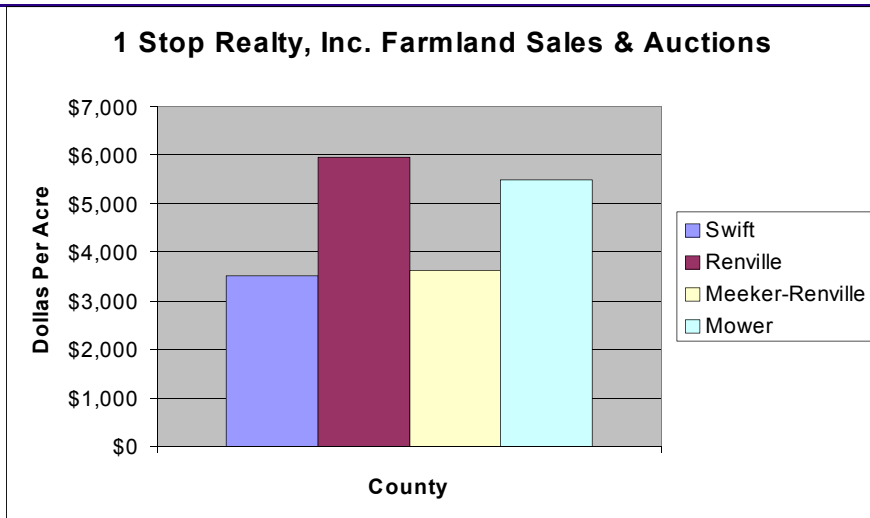
What a difference a year can make! In October, 2009, we had a wet cold and cloudier than normal month, making it a struggle to get the crops out.

Now in October of 2010, we have had beautiful weather with above normal temperatures until the last week in October, making harvest progress faster than normal.

With the excellent weather we have had, the majority of the harvest is completed, but a lot of the fall tillage needs to be completed yet.

The yields varied in the area depending how much rainfall was received and how the tile drainage worked on the farms during the heavy rainfalls that we received. In the areas where the drainages was good and rains timely, corn yields around the 200 bushel per acre mark are being reported, with soybeans yielding about 60 bushels per acre. Very little of the corn required drying as it field dried to levels where it could go directly into the bins. Sugarbeet yields were comparable to the 2009 record yields, but harvest went much better due to the favorable harvesting conditions in 2010. With this crop year over, our thoughts turn to 2011.

Most of West Central, Minnesota had plenty of rainfall this growing season, in fact, in some places, there was excessive rainfall and there were some drowned out spots to harvest around.



County	Buyer	Sold Date	Sale Price	Acres	\$/Acre	Type of Sale
Swift	investor	04/23/10	\$ 81,000	40.0	\$2,025	Auction
Swift	farmer	04/23/10	\$ 451,451	112.8	\$4,004	Auction
Swift	farmer	04/23/10	\$ 533,286	159.0	\$3,354	Auction
Swift	farmer	04/23/10	\$ 363,090	97.5	\$3,724	Auction
Swift	farmer	04/23/10	\$ 149,760	40.0	\$3,744	Auction
Renville	young farmer	09/15/10	\$ 477,920	80.0	\$5,974	Auction
Renville	investor	09/20/10	\$ 914,300	160.0	\$5,715	Auction
Renville	farmer	09/20/10	\$ 874,376	141.0	\$6,201	Auction
Meeker-Renville	neighbor farmer	10/06/10	\$ 500,000	138.1	\$3,621	Private Sale
Mower	investor	10/18/10	\$2,145,000	390.0	\$5,500	Private Sale

new quarters will not work in parking meters, toll booths, vending machines, pay phones or any other coin operated devices. The problem lies in the unique design of the Minnesota quarter, which was designed by a couple of Norwegian specialists, Sven and Ole. Apparently the duct tape holding the two dimes and the nickel together keeps jamming up the machines.

Cooking With Jan

Grandma Laura's Soup Made With Her Famous Danish Dumplings

Jan Schley GRI, REALTOR®



Fall is a great time to serve up tasty soup

Prepare soup with stew meat {can use any leftover cooked meats, beef, pork, or chicken} add carrots, potatoes, cabbage, celery, corn, onions peppers, or your favorite vegetable. For broth if there isn't enough, you can add canned broth or granulated, along with some water and whatever seasoning you prefer, or use just plain salt and pepper seasoned to your

taste. Simmer slowly for several hours. With our hectic schedules, a crockpot works very well.

Danish Dumplings

2 cups flour
1/2 cup butter {can use margarine} butter is better
1 cup milk or soup stock
3 eggs
Salt and pepper to taste

Combine the butter, milk or soup stock, and 1 cup of flour in a heavy pan, cook until thickened stirring constantly. Remove from heat, add 3 eggs, 1 at a time, stir real good, put back on low heat, add 1 more cup flour, a little salt, dash of pepper. Stir until forms a ball. Drop by teaspoon in boiling stew turn down and cook for 12 minutes, do not cover.

These Danish dumplings are a family favorite of ours. It is one of many recipes that I am sharing from my Family cookbook.

Fall Is Officially Here

WOW! 3/4ths of 2010 is behind us. Hope everyone had a great Summer. Many changes happen this time of year. Mother Nature has lived up to her expectations, by bestowing beautiful color on our trees. Farmers are busy harvesting their crops. Many of us are finishing up tasks that need to be completed before Winter arrives. For the most part we had a good growing season. With all those 90 + degree days and adequate moisture, the crops matured quite quickly. It appears the quality and quantity is living up to our expectations.

In mid September, I attended a Plot Field test day in Mower county, hosted by Corn Production Services. For me there were many amazing and interesting facts that occurred from this 87 day variety corn. It produced on an average of 208 bushels to the acre, 21% moisture and 56 pound test weight. It was so golden in color, remember this was mid September. In my earlier years we were lucky to start harvesting in late October, running into November well after everything had frozen, many changes.

Throughout the year there were several of you who experienced some very difficult times. Several tornadoes and high winds ripped through this area, leaving much destruction in its' path. More recently there were devastating floods. Weather related disasters are so hard on those who happened to be in an area where this occurred. My heart goes out to each of you who were affected by this horrible situation that you had no control over.

Here's hoping many better times lie ahead!

The Housing Corner

Market Slowly Improving, Just Give It Some Time

Jan Schley GRI, REALTOR®



There is a spark of ecstasy on the horizon in the housing market. Sales have been better than previously. There was the tax incentive program that helped make sales increase, that is no longer available. Unfortunately we are getting in to the typical downside of sales, this being more of a season related trend.

Fall and winter finds less people choosing to buy, of course there are still sales taking place because of job factors. Listings continue to be strong in our area. We are hearing

that markets are responding, jobs are becoming more secure, unemployment rates have dropped.

It still will be a testy market for awhile, even all the wishing in the world will not make this problem go away until foreclosures lessen. Personally I am an optimist and planning on Spring showing an exciting growth in sales.

If your home is on the market, priced right, and hasn't sold yet, hang tight, things will change. It might take just a bit longer marketing time. Nothing is more satisfying in this real estate business then to be able to put a "SOLD" sign on your property.

4

Moose Hunters - Two Norwegian hunters from Minnesota got a pilot to fly them to Canada to hunt moose. They bagged six. As they started loading the plane for the return trip, the pilot said the plane could take only four moose. The two lads objected strongly, "Last year we shot six and the pilot let us put them all on board and he had the same plane as yours." Reluctantly,

The Auctioneer's Corner

Fladeboe: Even in a recession, good farmland will find buyers

By Dick Hagen, The Land Staff Writer

The country may still be in a recession, but it is hard to tell from recent sales of farmland. Take, for example, the early June farmland auction of the Gordon L. Ruebel Estate. This farm has been in the Ruebel name since Feb. 27, 1920.

This farmland has a crop production index of 89.6, soil maps detailing soil types and drainage information including the absence of designated wetland areas. The land was being offered in two separate tracts, of 141 acres and 160 acres.

At 7:30 p.m., the opening bid auctioneer Kristine Fladeboe Duinck took on tract 1 (141 acres) was \$4,000. Jumping in \$250 increments, at 7:45 the bid was \$5,000.

Strategy then suggests that if you have two tracts of land, hold that bid and start on Tract 2. That parcel also opened at \$4,000 per acre. It was also soon at \$5,000. Again the two-team auction (Kristine and her brother Glen) called for a "hold" bid. At that point, bidder No. 7 was high bid on both parcels. Moving to Round 2, the bidding now on \$100 increments jumped to \$5,300/acre. The same on Tract 2. Third-round bids reached \$5,500 on both tracts. The process continued until the 8th round when Tract 1 reached \$6,050; Tract 2 reached \$5,575 (before buyer's premium).



Glen, who was then calling the bids, asked if there were any last minute bids. Bidders were silent. The auction was done. It was 8:25 p.m. The auction generated about \$1.7 million revenue. The bids represented new highs for a Renville County land auction. "This county has some of the most beautiful, the most productive land in Minnesota," said Glen Fladeboe, "and that's partially why



buyers aren't bashful out here. They know they are putting seed into some of the most productive land in America."

The Fladeboe auction family work closely with their real estate broker, Heller Group, 1 Stop Realty, Inc. on all of their farm sale transactions. Dale Fladeboe, who assisted his children at the auction, said, "this auction again typifies that good land always will find buyers. I don't see good farmland losing value, unless there is a significant drop in corn, soybeans and sugar beet prices."

Kristine called the Ruebel action a special event because of the proceeds to the hospital foundation and local hospice. "This will make a difference in the lives of many people. And that's always good."

She's encouraged about the future for younger farmers. "I'm a second-generation auctioneer, and now a second generation land owner. I see land auctions going both to established farmers wanting to enlarge their land base, but also to younger guys in their 20s and 30s who've managed to line up financing and now want some land ownership."

**Check our website for
current listings!**

www.1stop-realty.com

Ye Old Required Disclaimer:

This newsletter is intended as general information to our clients and friends on agricultural subjects. It is not intended to render specific advice; such advice can only be given when related to actual situations and will be different for each person. If you have any questions, please contact "The Experienced Farmland Professionals" today, Kasson: 507-634-7033, Olivia: 320-523-1050.

the pilot gave in and all six were loaded. However, even on full power, the little plane couldn't handle the load and went down a few moments after takeoff. Climbing out of the wreck one Norski asked the other, "Any idea where we are?" "Yaaah, I tink we's pretty close to where we crashed last year."

What's For Sale?

AUCTION: Prime Farmland Real Estate

November 16, 2010 @ 10:30 AM



American Legion
100 East Astro Blvd
Cosmos Minnesota

154.51 acres with 149.5 tillable acres. • Crop Production Index of 90.1 • Two Pole Sheds • County and Private Tile

Auctioneer's comments: For over five decades, the Koeberl family has owned this beautiful farm. They believe the time has come for another family or owner to enjoy and utilize this land. Located between Cosmos and Grove City, the 154.51 acres is a great opportunity for any buyer to expand their operation with some of the area's most productive soil. If you are thinking of purchasing additional ground this fall, this is a farm you will want to see.

If you have any additional questions, feel free to call me, **Kristine Fladeboe Duininck** at (320) 212-9379 or email me at kristine@1stop-realty.com

Auctioneer Kristine Fladeboe Duininck - License Number 34-05-006

AUCTION: 90 (+/-) AC near Bricelyn MN

November 18, 2010 @ 2:00 PM

Bricelyn Community Center
309 North Main Street
Bricelyn Minnesota

Located near Bricelyn MN, this 90 acre (+/-) farm has 77 acres (+/-) of tillable land that currently has a 100% corn base.

Do not miss this great opportunity!



Please contact **Ron Sander** at (507) 383-3032 or the Olivia Office at (320) 523-1050 for further information.

Auctioneer Gary Hotovec - License Number 65-70

40 ACRE FARMLAND

DODGE CO. MN
MLS# 4022512 - \$210,000



40 ac with 35.2 tillable, very good soils, tilled, approx. 3.8 acres of pasture ground. Possession after fall crop removal. 2.5 miles west of Mantorville.

Contact **Wayne Alberts** or **Wendy Forthun** for more details at 507-696-0955 wayne@1stop-realty.com or 507-251-1637 wendy@1stop-realty.com

FOR SALE!

HUNTING LAND WITH INCOME Pheasant, Deer, and Waterfowl

45.7 acres
Southeast of Maynard, MN
CRP & CREP Income

For more information, please contact Roger Heller at Heller Group, 1 Stop Realty, Inc.

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Olivia, MN 56277
(320) 523-1050

roger@1stop-realty.com
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Don't forget to check out our website for more details!

www.1stop-realty.com

154.5 ACRE FARMLAND

OLMSTED CO. MN
MLS# 4021982 - \$594,500



154.5 acres of good farmland in Olmsted County. 101.7 acres tillable, average CPI values. Whether you're looking for addtl acres to add to your current farming operation, or looking for income producing opportunities, this parcel has it!

Call **Wendy Forthun** for more details at 507-251-1637
or email at wendy@1stop-realty.com

OFFERING
THE
Rio Corp.
Baudette, Minnesota FARM

A LARGE SCALE FARM OPPORTUNITY
Wheat - Oilseeds Producer

**±3,972 acres with ±2,600 acres tillable
plus 146.2 acres in CRP and CRP filter
strips and 200 acres planted to trees.**
Extensive River Frontage Recreational Land

Call **Roger Heller** for more details at 320-523-1050
or email roger@1stop-realty.com

45 ACRE FARM SITE

MLS# 4021671 - \$479,000

26020 600th St Mantorville, MN 55955



You must see this one of a kind 45 acre farmsite! Great for any type of animals, or a small construction company in need of space. Located on blacktop road with newly remodeled house. Central air, forced air heat, and hot water heat. 3 bedroom, 2 bath, with a basement family room with a wood burning fireplace. Insulated shop with attached machine shed, cattle barns, quonset shed, and silos.

Contact **Wayne Alberts** for more details at 507-696-0955
or email at wayne@1stop-realty.com

COUNTRY HOME ON 3 ACRES

MLS# 4024479 - \$197,500

16189 635th St Dodge Center, MN 55927



Want to move to the county? Need storage space for your toys or machinery etc? Check out this large 54x80 pole shed. Nice sized rambler with plenty of room for growth. Quick access to Hwy 14 to either Rochester or Owatonna. A real must see!

Contact **Wendy Forthun** or **Wayne Alberts** for more details
at 507-251-1637 wendy@1stop-realty.com
or 507-696-0955 wayne@1stop-realty.com

402 S Mantorville Ave
Kasson, MN 55944
Phone: 507-634-7033



1302 West DePue Ave
Olivia, MN 56277
Phone: 320-523-1050

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Kirk E Swenson



kirk@1stop-realty.com
507-634-7033

Wendy Forthun



wendy@1stop-realty.com
507-251-1637

Roger Heller



roger@1stop-realty.com
320-523-1050

Pat Keltgen



pat@1stop-realty.com
320-523-1050

Dale Fladeboe



dale@1stop-realty.com
320-212-9379

Jan Schley



jan@1stop-realty.com
507-421-8440

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Kristine Fladeboe Duinick



kristine@1stop-realty.com
320-212-9379

www.1stop-realty.com

Wayne Alberts



wayne@1stop-realty.com
507-696-0955

Gary Hotovec



gary@1stop-realty.com
612-202-5090

Ron Sander

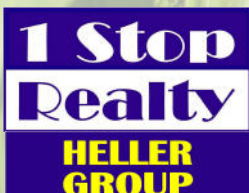


ron@1stop-realty.com
507-383-3032

Glen Fladeboe



glen@1stop-realty.com
651-208-3262



Kasson: 507-634-7033
Olivia: 320-523-1050