Farm Heirs Seek New Approach to Farm and Land Management

The Sargent sisters carry on a legacy of stewardship handed down from previous generations

Des Moines, Iowa - Recollections of camping, fishing and fossil hunting on Sargent Farm northwest of Osceola run deep in the mind of sisters Diane Cutler, Carole Reichardt and Patty Housby. They spent their childhoods playing on 1,500 acres of nearly contiguous land that’s been in the family for more than 60 years.

Exploring wild habitats came easily to the siblings as they watched their father, Richard Sargent, walk the rural Iowa ground that provided a different type of education and a natural place to grow miles from their childhood home in Des Moines. They hiked and rode horses. They picked wildflowers and collected walnuts. They hunted, fished and swam.

The adventures sometimes made the girls feel as if they had stepped back in time.

Dick was a second-generation landowner who stayed actively engaged with the day-to-day operations of Sargent Farm until his unexpected death in December 2005. Following his passing at the age of 74, the three sisters looked back at the experiences that shaped their early days. They also peered ahead to the responsibility of running working farm operations while managing active lives and families in Greater Des Moines.

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THE LAND REPORT: PEOPLES COMPANY A TOP 30 AUCTION HOUSE

The Magazine of the American Landowner has named Peoples Company among the “Top 30 Auction Houses” in the nation. Included for the first time in The Land Report’s top auction house rankings, Peoples Company was listed at No. 21 in the magazine’s Summer 2012 issue.

“Another new name to this year’s list, Peoples Company is a diverse firm offering auction, brokerage, land management, valuation, and advisory services,” The Land Report offered. “It specializes in cropland and recreational timberland and presents educational seminars, including its Land Investment Expo.”

The article, which also drew attention to Peoples Company’s use of YouTube to post original videos of Auctioneer Jim Curran selling Midwest farmland and development ground, cited Peoples Company President Steve Bruere: “We use aggressive marketing strategies to expose auctions to local buyers and investors.”

Video productions featuring Peoples Company Land Auctions can be found at www.YouTube.com/PeoplesCo.

A NEW APPROACH TO CONSERVATION LAND MANAGEMENT

Peoples Company consistently strives to offer a variety of innovative services to landowners. The farm management sector recognizes a growing interest in the market for a conservation emphasis, and we are responding to that interest.

Traditional Natural Resource Conservation Service (NRCS) conservation practices, such as terraces and waterways, are frequently recommended and implemented to maintain productivity on tillable production acres. Beyond these more common conservation practices for cropped acres, additional programs and practices are available for non-cropped acres. Some of these programs include timber stand improvement, native prairie restoration and riparian protection.

Peoples Company is committed to working with landowners to help them achieve both their whole farm asset management and conservation goals. Managing cropped acres will continue to lead as an effectively strong program. Adding a conservation component to existing land management efforts will provide a more comprehensive package for landowners.

Specifically, conservation-minded landowners will be offered services to identify restorable natural habitats, link them to NRCS implementation funding, and help secure private providers to carry out the practices. Peoples Company’s new conservation initiative will go beyond providing traditional services that are under growing pressure due to cutbacks in state and federal government budgets.

While the initial focus will be strong in Iowa, Peoples Company is interested in assisting any landowners outside of the state with a conservation commitment. Peoples Company offers a menu of pricing options that match the needs of the landowner, as well as the needs of the land.

Darrel Mills has nearly four decades of Iowa work experience divided equally between self-employed grain and livestock farming and private nonprofit conservation work with the Iowa Natural Heritage Foundation. You may reach him at (641) 425-7171 or email him at darrel@peoplescompany.com.
Join us January 18, 2013 for the Sixth Annual Land Investment Expo

Sheraton West Des Moines
1800 50th Street
West Des Moines, IA 50266

The Expo, moderated by Ken Root (host of the Agribusiness Report), features keynote addresses by industry experts in agricultural production, land development, rural economic development and farm policy. The conference is a must-attend event for anyone with a vested interest in land, including land developers, investors and farm operators.

FOR MORE INFORMATION OR TO REGISTER
www.LandInvestmentExpo.com | 855-800-LAND

Sign up today, attendance is limited to 500 individuals!

Registration includes: all-day pass to informational sessions, continental breakfast, catered lunch, social hour and networking opportunities.

JIM ROGERS to Headline Land Expo Speaker Lineup

Author and investment expert Jim Rogers will headline the 2013 Land Investment Expo presented by Peoples Company in West Des Moines.

Now entering its sixth year, the Land Expo brings together varying facets of the land industry and provides knowledge, ideas and networking opportunities for those currently investing in, or interested in learning more about investing in land. The annual event also reflects the aggressive marketing tactics employed by Peoples Company to connect farmers, landowners and investors in Iowa, the Midwest and around the world.

The all-day Land Expo on January 18, will feature seven keynote speakers, including Educator and Agribusiness Expert Dr. David Kohl, Ag Economist and Professor Dr. Barry Flinchbaugh, and Climate Economist and Commodity Yield Expert Dr. Simon Atkins. Ag Reporter Ken Root will moderate the event at the Sheraton West Des Moines Hotel. Dr. Mark Dotzour of the Real Estate Center at Texas A&M, Stephen Kenney with Hancock Agricultural Investment Group, and Susan Payne, CEO of ag-investment advisor EmVest, are also slated to take the stage.

The Land Expo is the cornerstone of Peoples Company’s educational, networking and marketing efforts, and a must-attend event for ag managers, CPAs, policy experts, REITs, hedge funds, pension funds, endowments, attorneys, family offices and anyone with a vested interest in real estate or farmland.

“The 2013 Expo is going to be the largest land and agriculture related event we’ve presented to date,” Bruere says. “Don’t miss this opportunity to hear from and meet with some of the most knowledgeable people in real estate investing and the ag economy.”

Mark your calendars for January 17-18, 2013, and stay tuned to our website www.LandInvestmentExpo.com for more information regarding registrations, workshops and breakout sessions, as well as additional details on the keynote speakers, sponsors and exhibitors who will be present and available throughout the day.

www.PeoplesCompany.com • 855-800-LAND

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Iowa farmland value increases of 32.5 percent made headline news in 2011. The year before, farmland prices shot up 15.9 percent, with similar increases in other Midwest states. With investors struggling to find any kind of positive returns, farmland has become a hot topic in the investment world.

Prominent and respected investment advisors are recommending agriculture as an industry to turn to for positive returns. Yet, unless an investor already has a direct connection, it is a difficult marketplace to enter. It can also be challenging for those that an investor turns to for advice and counsel, such as trust officers, accountants and attorneys.

There are two primary barriers to entry into the farmland market: acquisition of a sound investment and on-going management of the asset. The farmland market is not like the financial or commodity markets with extremely efficient and timely exchange of information and knowledge. Information is closely held and very localized. It is more like the market for airline tickets: everyone is on their own to find the best deal possible.

At any moment there are a vast range of deals being made and, unless you are well informed, you really don’t know if your deal is good or bad. When an investor does pull the trigger on a farmland acquisition, a need then arises to find a top-notch tenant and negotiate an equitable lease. This requires a set of very specialized skills if you desire to optimize the cash return and the appreciation of the asset.

Consider the airline ticket market with Orbitz, Priceline, Kayak, Expedia, et cetera, all claiming to be the “answer.” I have observed numerous investment funds, limited partnerships and other land investment groups rushing into the farmland market modeling systems as “the answer” to the investors’ needs. These investment groups face the same barriers to entry as an individual investor.

Many approaches to serving the farmland investor market tend to become overly complicated, inflexible and expensive for the investor. On the other hand, the existing farm broker and farm manager models are outdated and not well suited to serve these clients either. Anyone who has ventured into the market to buy a farm has quickly realized land brokers are typically structured and financially motivated to direct buyer inquiries to the land they have listed. The financial incentive to undertake an extensive search for a property other than one they already have listed is very limited and therefore rarely happens.

Then, when it comes to managing the asset, an investor often confronts a farm management system that has basically stayed the same for decades; one that was set up to manage a flow of income for the heir(s) of the farmer that owned the land.

Today’s investors are in need of a manager with the skills and knowledge of both a farm operator and an investment advisor. The asset needs to not only be managed for an expected level of annual income, but also needs managed for optimal value appreciation with meaningful investor reports showing more than annual cash flow from the land.

At Peoples Company, we are introducing the “Separate Land Management Account.” We noticed a void in the market between where investors want into the market and where farmers are looking for investors to purchase land they can lease. We have also listened to trust officers, accountants and attorneys describing the challenges they have faced as their clients looked toward land as an investment for their portfolio.

In response to these needs we have designed our Separate Account model so that Peoples Company can act as the clearing house for farmers and investors to ultimately source and manage deals for our clients. The local farmer is often the first to know that an existing landowner in the area is thinking about selling. This connection with the farmer, and knowledge of “off-market deals,” has proven time and again to be a valuable link in structuring transactions that meet the needs of the seller, the buyer and the farmer.

This newly designed Separate Account Land Management service provides investor clients an innovative, economical and comprehensive solution to confidently deal in the farmland marketplace.

The Separate Account model marries the acquisition phase with streamlined asset management, also newly designed to meet investors’ needs. The client retains control and decision-making over the investment as Peoples Company leads the client through all phases: documentation of the client’s goals, identification of land acquisition opportunities, completion of detailed property analysis, negotiation of acquisitions, negotiation of an equitable lease, management of the assets for return and appreciation, reporting of results; and, when appropriate, planning of an exit strategy.

This approach seamlessly utilizes Peoples Company’s resources to cover every step in an economical fashion that will result in enhanced returns for the client.

Many of the new so-called farmland investment experts are very bullish on farmland. At Peoples Company, we do not claim to know exactly when land values will increase or decrease. But we are very confident in saying that we know investment diversification works, and having farmland in your portfolio is a good idea. It can always provide a positive annual cash return, and has proven to be a vehicle for real long-term gains with significantly less volatility than many alternatives.

Remember this, you make all of your money the day you buy and we can help you buy right.

To learn more about Separate Account Land Management, please contact me, or any Peoples Company representative, to schedule a meeting or webinar.

Ron Beach built a business providing consulting and management services to a diverse spectrum of agricultural producers and businesses. He gained his professional knowledge, skills and experience through a multifaceted career in finance management and leadership in corporate positions, start-up venues and consulting roles. Ron may be reached at (712) 579-2587 or ron@peoplescompany.com.
Farm Heirs ...continued from page 1

Quarry operations and row crops have been among the primary income-producing industries on a number of Sargent family properties in Iowa and Missouri. Milling around the quarry and exploring the nooks and crannies of Sargent Farm gave the children a raw sense of ownership long before they could envision someday taking possession of the land. Diane, 55, recalls how work and play often commingled just off Iowa Interstate 35.

“We all slid down the rock piles; all of our kids have done that,” says Diane, referring to byproducts of Sargent Farm’s limestone quarry; a mining operation that over the decades has moved to different spots as the land was reclaimed in varying degrees. “We fished and hunted, went on camp outs, and played in the pond my father had built. Occasionally we stepped in cow pies. The farm is a special place for our family, and because of it we have been able to teach our own children to appreciate nature, and the beautiful landscape of Iowa.”

When Dick died, the sisters considered how they could build on the legacy passed down to their dad from their late grandfather, Ernest Sargent, and carry on both the work ethic and conservation mentality that influenced their upbringing. “Our dad managed the farm,” Carole, 53, says. “He found and retained proper tenants. He worked with all the operators. He handled maintenance issues. He always respected the land. When he passed away, that responsibility fell to us.”

“**We look at this as an incredible gift we’ve been given. We want to do right by it permanently, and Peoples Company understands our needs.”** - Carole Reichardt

Carole, who for nearly 20 years has been actively engaged with the Iowa Natural Heritage Foundation (INHF), strives to share with others the good business sense and set of conservation principles she inherited. The family is now taking an even harder look at the hands-on approach Dick took to managing income-producing farms, and preserving mixed-use properties for future generations.

In 2010, the landowners began working with Peoples Company Land Manager Randy Luze to handle the day-to-day operations of Sargent family properties as they talked of balancing conservation with the ability to generate revenue. Darrel Mills, a former grain and livestock farmer who spent the past two decades working in the nonprofit conservation sector as an employee of the INHF, recently joined Peoples Company’s conservation land management team.

Together, they work to find common ground among owners and tenants, address goals related to both productivity and preservation, and uncover total land asset management solutions for clients.

“We’ve had a lot of discussions about land stewardship,” says Carole, adding that her mother, Joanna, remains active at 77. “We want to maximize our natural resources and practice a conservation ethic. Having a wild place to go is a real treasure. We also understand that it has to make economic sense.”

Mills, whose experience both in and out of the field has helped him realize the need for a more concerted effort of managing farms for conservation, now partners with private landowners to reconcile their natural resources with the ability to turn a profit. He is mapping out a diverse “tapestry” of land uses and protected areas on the Sargent properties as he and the family develop a sustainable model to encourage other conservation-minded landowners and farm heirs in the Midwest.

“There are real inherent conflicts with usage and conservation,” says Mills, pointing to Sargent Farm as a prime candidate for the new approach to land management he brings to the table. Going beyond tiles, terraces and ponds - all of which can bolster productivity and improve cropped acres - Mills says protecting wildlife habitats, restoring native prairies, bettering timber stands and igniting prescribed fires are among the tactics landowners may consider to enhance pastures, woodlands and riparian areas.

Luze, whose own family farming operation has been in business for nearly 90 years, deals directly with multiple row crop tenants who hold long-term leases as he facilitates equitable lease arrangements with the potential to benefit both owners and operators. He says flexible cash rent leases instill in both landowners and tenants a shared interest and sense of responsibility for properly tending to cropland and increasing yields.

“We set a guaranteed base rent that is typically less expensive than what a cash rent lease would be in the open market,” Luze says. “It has a bonus provision that says if gross revenue on the farm exceeds our expectations, a portion of that income is shared with the landowner. Rather than hold a tenant's feet to the fire now for next year, we help owners share in some of the risk and potentially reap the rewards.” The flexible agreements also allow for more cooperation among conservation-oriented owners such as the Sargent family, and the families and farmers with homes, livelihoods and long-term interests tied to the rich soil of Midwest farmland.

“For me, it’s valuable to see examples of families and property owners who have done some amazing conservation work,” Mills says. “I see opportunity for conservation everywhere. We all know it’s not easy. Yet it’s very rewarding to see people doing it. My focus is on a balanced whole farm asset management approach.”

Patty, 50, says her dad, who passed along a strong conservation ethic to his three daughters, his eight grandsons and his granddaughter, was a hardworking provider who always encouraged his descendants to respect one another and the land they had been given. Today, Ernest and Dick’s offspring are eager to enhance the natural resource value of their family’s land while working with others to balance conservation and stewardship with a sustainable economic model.

“**I see opportunity for conservation everywhere. We all know it’s not easy. Yet it's very rewarding to see people doing it. My focus is on a balanced whole farm asset management approach.”** - Darrel Mills

Thinking of their father produces in the Sargent sisters memories of carefree days filled with jumping off hay bales, sliding down rock piles and hiking through the woods. As adults, Carole says when the complexities of managing a large grain and livestock farm become overwhelming, her family chose to align with a professional land company committed to helping people preserve their real estate, their heritage and their return on investment.

“We’re excited we have Randy and Darrel’s expertise to help us develop a sustainable economic model for other Iowa landowners while ensuring our land is protected for generations to come,” Carole said. “We look at this as an incredible gift we’ve been given. We want to do right by it permanently, and Peoples Company understands our needs.”
PEOPLES COMPANY GROWTH OPENS NEW FIELDS FOR LAND AGENTS

Growing in recent months beyond the borders of Iowa, Peoples Company continues its Midwest expansion plans and is now licensed to sell real estate in Montana, Missouri, Illinois, Minnesota and Nebraska.

With an experienced team of 30 real estate professionals, our land company continually strives to uncover opportunities for farmers, investors and owners amid strong ag-related economies tied to the sale and management of farmland and development ground in six Midwest states.

As we look to the future of land brokerage and land management, we see advances in technology and a generational shift in land ownership that’s opening new doors for bright and enthusiastic sales agents at Peoples Company. We are committed to recruiting and retaining highly motivated sales professionals and land managers to acquire new farm management accounts and spearhead those efforts as our market share grows.

Are you ready to accelerate your career in real estate by joining a Midwest land company with enormous potential? To learn more about current opportunities in Iowa, and our aggressive recruiting efforts across the Midwest, contact Steve Bruere by phone at (515) 222-1347 or email him at steve@peoplescompany.com.

Predicting...

This newsletter sheds some light on the moves we are making as we announce our recent entry into a number of neighboring states to expand our business. We are also rolling out new-and-improved land management services to help landowners and farm operators negotiate an equitable lease that protects both parties in these volatile times. And we are excited to introduce our Separate Account Land Management for investors looking to diversify into farmland, and partner with farm operators looking to expand their operations (see related article). The addition of Conservation Land Management is a result of several new land management accounts we added in 2011, and the apparent need to address these types of issues in the land-management business. Our cover story presents a great example of how we are executing on this strategy.

So, though we don’t have any bold predictions to offer, we believe it is a time to be cautiously optimistic, and continue to invest in our business knowing that there are political forces at work we can’t predict. We hope you mark your calendar for the 2013 Land Investment Expo on Jan. 18.

Jim Rogers, who has been the biggest farmland and commodity bull in the world for many years, will headline this year’s event as we welcome back many of our past keynote speakers for the most dynamic land-related conference Peoples Company has presented to date.

Thank you for your continued readership and interest. We are constantly looking for new opportunities to connect Midwest property owners with the tools they need to buy, sell or care for land, and hope we may be a resource to meet your needs.
Negotiating an annual farm rental rate can be stressful. Whether your tenant is a relative, a long-time neighbor or a young tiger from the next county, the process can be uncomfortable for landowners and tenants alike. Landowners and tenants still often abide by the tradition of meeting annually for dinner, and nervously talking about anything except “the rent” until it can no longer be avoided.

The process can be stressful for a number of reasons. The landowner may not know the yield history, current production costs or the guaranteed crop revenue from multi-peril insurance. Likewise, the tenant knows that there is no shortage of potential renters who will pay whatever rent the landowner asks just to control the land. Throw in the coffee shop talk about what everyone “knows” rents are going for, and it’s easy to see how the stress can escalate. Having been in this business more for than 30 years, I have seen this scenario play out time and time again.

All too often I see one or both parties entering this negotiation without good information.

I believe that most landowners want a long-term relationship with a tenant they can trust. I also believe that a long-term relationship requires that both parties be rewarded fairly for the risks they are taking. The first step in this process is to build yield and fertility data collection into farm leases. The goal of our farm lease program is to maximize yields and increase income for both the landowner and the tenant. We address this by identifying shared goals of effective soil conservation, improving internal drainage and maintaining or building soil fertility.

Tenants and landowners shouldn’t shy away from an open discussion about crop yields in their rental discussion. An accurate assessment of the potential crop revenue is generally our starting point for the negotiation, which also includes a projection of crop production expenses. The questions we attempt to answer: What is a fair return to the landowner for their contribution of land? And what is a fair return to the tenant for their contribution of management and machinery?

With the volatility in our weather and grain prices during the past few years, we are writing more flexible cash rent leases. Typically, our lease includes a guaranteed cash rental rate slightly below the market for a straight cash lease, as well as a formula that calculates a bonus payment for the landowner if gross crop revenue exceeds current expectations. We believe this lease provides the best incentive to maximize yields and increase total revenue for both parties. Shared improvements of drainage tile or soil amendments can be evaluated, and a return on investment determined for each party.

Peoples Company has worked with landowners and operators throughout the state to help them narrow their information deficit and write a “fair” farm lease with their operator. Please contact us to discuss your needs and how our program could simplify your farm lease this fall.

Land Manager Randy Luze provides his clients with a unique perspective on their real estate needs through his 20 years experience in the banking industry and as a fourth-generation participant in his family’s farming operation, which has been in business nearly 90 years. Randy’s is passionate about finding “win-win” real estate solutions to assist his clients in growing their businesses. He may be reached at (319) 415-0455 or randy@peoplescompany.com.

At Peoples Company, we strive to keep our mailing list as accurate and up-to-date as possible. As more of our communication with clients takes place through e-newsletters and social media, now is a great time to notify us if you’d prefer to receive this brochure at a different address.

Advances in technology and mobile connectivity have opened up exciting avenues for our team of tech-savvy land marketers to post new listings, alert followers of upcoming auctions and draw attention to current events. Peoples Company constantly seeks out innovative ways to share relevant information and real-time content to help buyers or sellers make informed decisions about their next real estate transaction, land investment or development opportunity.

If your physical address has changed, or you’ve decided you want Peoples Company’s newsletters and announcements to land only in your email account and not on your doorstep, please contact Scott Kelly by phone at (515) 222-1347 or send a message to scott@peoplescompany.com.

The most recent Peoples Company land listings, land auctions, auction results, industry information and company news may be found by following us on Facebook, Twitter and LinkedIn. For easy access to those sites, as well as The Peoples Perspective blog, follow the links from our homepage at www.PeoplesCompany.com.
For nearly 10 years now, I’ve offered insights into the land market through my commentary in our newsletter. As an avid follower of other farmland newsletters and a CNBC addict, I constantly listen to those making predictions as to where the land market is headed, and have also offered my own opinion from time-to-time.

I’ve particularly enjoyed the past 12 months as farmland continues to make headlines in major financial publications and other media outlets with many new farmland experts offering their opinions. The drought has certainly helped the rest of the world appreciate the fact that food is important and you simply can’t ignore the role agricultural plays in the global economy.

The current debate in our industry is whether the drought and $8 plus corn will be bullish or bearish for land values.

The big question really boils down to whether or not the world wants $8 corn, and what will be the attitude of farmers this fall when we have high prices and empty bins? If farmers, who’ve been responsible for nearly 85 percent of our 2012 sales, lose their enthusiasm for buying land, then we could see a pullback in values. Likewise, if the farm community believes $8 corn is sustainable, then watch out as land values will likely continue to surge.

The real question in my mind continues to center on the government, and how politicians will react. If the market was allowed to behave on its own, it would be easy to predict. Agri-business has been the benefactor of many political forces, including a weak dollar, low interest rates, an ethanol mandate, government-sponsored crop insurance, lack of alternative investments and so on. Yet we all know the unexpected is what we need to fear. Though $8 corn may be bullish in the short-term, my concern is the damaging effect this drought will have on the land market in the long run. We’re already seeing rationing by poultry producers and others in the livestock industry. Bio-fuels, which absorb nearly 40 percent of U.S. grains, are under immense political pressure. Livestock producers, and countries that rely on our imports, are also placing political pressure on the ethanol mandate.

We also see export numbers dropping and if the government imposes embargoes, the problems could be exasperated. With millions of idle acres around the world, acres that will likely come online at these price levels, I’m concerned that in the long-term we will see demand deteriorate and supply increase. Combined with some sort of government intervention, it is easy to come up with a doomsday scenario.

Likewise, with the areas where we have had ample rainfall and decent crops combined with high prices, it is likely that the land market will continue to make headlines as the drought has extended the bull market for commodities. There is no question that this volatility will create winners and losers, but the stakes have never been higher. With an election looming and the Bush Tax Cuts set to expire, the playing field we’ve grown accustomed to in the real estate business could change dramatically during the next quarter. Similar to all businesses, the uncertainty we face makes it challenging to make long-term decisions. So, we are carefully watching how this unfolds.

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