PEOPLES™
COMPANY
INNOVATIVE. REAL ESTATE. SOLUTIONS.

Spring 2013

In This Issue of the PEOPLES REPORT

Land Expo Leaves Attendees Well Informed of Farmland Markets

by Peoples Company

Over 600 people attended the Sixth Annual Land Investment Expo to hear a diverse field of experts talk about robust ag-driven farmland markets in the Midwest and around the world.

Land Expo attendees walked away with earfuls of timely data and advice on land investing in an era of super low interest rates and record-setting prices paid for highly productive cropland. Keynote speakers, breakout sessions and networking opportunities offered a chance to gain clearer understanding of farmland values in relation to commodities prices, the lending environment, climate change and fiscal policies of the U.S. government.

Renowned investor and world traveler Jim Rogers was a major draw to the two-day event, which included Peoples Company's inaugural Pre-Expo Seminar/Meet and Greet with Rogers, as well as institutional investor Stephen Kenney of Hancock Agricultural Investment Group and EmVest CEO Susan Payne.

Rogers, a three-time Guinness World Record holder who retired at age 37 after founding the Quantum Fund and establishing himself as a Wall Street legend, also signed copies of his new book, "Street Smarts: Adventures on the Road and in the Markets," for Land Expo attendees.

...continued on page 5

PEOPLES COMPANY™

INNOVATIVE. REAL ESTATE. SOLUTIONS.

AGENTS & LAND MANAGERS

Matt Adams	515-423-9235
Ron Beach	712-579-2587
Daran Becker	515-979-3498
Steve Bruere	515-240-7500
Cannon Clark	515-650-3950
Adam Curran	641-203-2931
Jim Curran	641-203-2931
Bob Darr	515-707-9244
Chris Dawson	515-210-7515
Kalen Ludwig	515-402-3169
Brian Feldspauch	641-751-8840
Ed Helland	515-669-6464
Kim Helland	515-669-6303
Kenny Herring	515-783-8718
John Hutchcroft	515-321-5970
Scott Kelly	515-473-8913
John Landon	515-249-0348
Randy Luze	319-415-0455
Darrell Mills	641-425-7171
Mike Nelson	641-223-2300
Brandon Patterson	303-884-8111
Terry Pauling	515-249-9192
Josh Rabe	515-494-1810
Jeff Segin	515-669-1275
Jon Seibert	515-490-1140
Rick Shafer	515-988-1338
Brad Van Weelden	515-745-4079
David Wendt	515-371-4320
Andrew Westlake	515-771-7588
Andrew Zellmer	712-898-5913

1-855-800-LAND

Positive Housing View Presented at Builder & Developer Luncheon

by Peoples Company

Dr. Elliot Eisenberg presented an optimistic view of the U.S. housing market during the Sixth Annual Builder & Developer Luncheon attended by more than 200 homebuilders, developers and investors in West Des Moines.

Dr. Eisenberg, a former senior economist with the National Association of Homebuilders in Washington, D.C., blended humor and animation to lead the crowd through a presentation highlighting an increase in housing starts, housing sales and housing prices.

Peoples Company Land Agent Scott Kelly and New Construction Specialist Kalen Eastwood Ludwig shared data on local lot inventories, as well as sales of existing homes and new construction in the 18 Greater Des Moines communities tracked by Peoples Company and Diligent Development.

Greater demand for new construction and historic low inventories of existing homes on the market were among major talking points of the luncheon. Last year, a recovery took off in earnest with sales of new construction in the Des Moines metro area increasing by 19 percent, and total home sales going up by 18 percent.

Retail sales had more than recovered and the confidence of small businesses was on the rise, according to always-in-motion Dr. Eisenberg. Car sales were way up, and Dr. Eisenberg noted that agriculture in Iowa is "running on all cylinders."

Inventories of bank-owned REO properties had declined, as well as bank charge-offs on single-family homes. Speaking in relative terms, he said the housing market overall was doing "spectacularly well."

The 2013 program included comments by emcee Terry Rich of the Iowa Lottery and Peoples Company President Steve Bruere. A full-length video of Dr. Eisenberg's presentation may be found at www.YouTube.com/PeoplesCo. ◆

PRESCRIBED FIRE IN FARMLAND MANAGEMENT

A Land Manager's take on the practice and benefits of prescribed fire with the example a December 2012 CRP burn in Madison County, Iowa.

Just as technological advancements have improved efficiencies in traditional crop production systems, the science surrounding non-crop farm management issues has also entered new frontiers.

Conservation Reserve Program (CRP) fields, Wetlands Reserve Program (WRP) fields, and acreage devoted to filter strips and field buffers sometimes require mid-contract management practices that may include prescribed fire.

Fire was once an essential component of the tall-grass prairie ecosystem that contributed to deep soil development on open plains. The reintroduction of deep-rooted native grasses provides important ecological benefits, including a reduction in soil loss on less productive steep slopes and end rows.

The occasional use of fire also helps prevent undesirable brush and tree invasion into these fields and field border areas. Increased native plant diversity and overall ecosystem health comes with repeated fire sequences over the life of these 10- to 15-year contracts.

Fire management has come a long way from tossing lighted Ohio Blue Tip stick matches out the window of a moving pickup truck. Professional contractors are now available to provide safe and efficient services to landowners who understand the value of such practices. In fact, many crop input operations have become outsourced due to larger farms with increased responsibilities, and so follows this component of a whole farm management approach.

Relative humidity instrumentation, anemometers to register wind velocity, radio communication with NOAA weather forecasts, and burn staff are among basic tool requirements for a prescribed burn. Add to the list drip torches, sickle-section rakes, water backpacks, and an ATV for logistical efficiencies.

These tools may be fairly common, yet the background experience and expertise for effective use are not.

Paying less attention to the calendar and more attention to field and weather conditions, Indianola-based Adaptive Wildlife Management was secured to carry out a mid-December burn conducted on a 12-acre filter strip in southern Madison County.

The match was struck following establishment of a "black line" of cleared cornstalk stubble along the edge of the subject burn area, the removal of some fuel stock around wooden posts, the posting of road signage for potential smoke hazard, and a staff briefing.

A test fire was initiated and progress evaluated.

Darrel Mills
LAND MANAGER

A "back fire" line was allowed to slowly advance on its own against the wind and into the stand of dried grasses. Drip torches, filled with a mixture of diesel fuel and gasoline, were used to light the flank sides of the unit and maintain the lateral perimeters. So far, so good.

An updated check with NOAA indicated an unanticipated drop in the relative humidity, however, and the fire was extinguished to widen the black line, due to 60 acres of extremely dry corn stalk fuel that was too close to the prescribed burn area for the changed conditions. The operation was resumed an hour later, as preparations had been completed and the relative humidity index had risen to an acceptable level.

Fire is composed of the three essentials of fuel, heat and air. A backfire will "walk" itself slowly into the wind. Conversely, a head fire set on the upwind side will "run" with the wind. The roaring sound and inferno of energy – what many folks commonly reference as a wild fire – is attributable to a head fire.

When the two eventually meet, fire may also create its own wind: a circular vortex carrying burning material skyward. Occasionally, a small spot fire several hundred feet away will get started. This was a real concern that, under watchful eye, did not become reality this day.

This prescribed fire operation was successfully concluded by late afternoon, with a crew discussion of what went right and of what might have been improved. Universal agreement was that the process was as good as the product.

The shortened daylight hours, increased cloud cover and smoldered smoke may have all been signals to the close of the 2012 burn season. A video of the prescribed fire event may be found on Peoples Company's YouTube channel at www.YouTube.com/PeoplesCo.

Darrel Mills is a Conservation Land Manager who strives to offer a variety of innovative services to identify and meet the needs of landowners with a whole farm management approach. Prior to joining Peoples Company, a more than 20-year career in nonprofit, conservation work allowed Darrel to partner with local, state and federal agencies to enhance wildlife habitats while helping landowners identify and pursue mechanisms by which they could realize their personal conservation goals. He may be reached at (641) 425-7171 or Darrel@PeoplesCompany.com. ◆

Farmland 2013: Boom or Bubble?

You couldn't have a conversation, attend a seminar or read a newsletter about land prices this winter without the term "bubble" being front and center.

But what exactly is an asset bubble, how is a bubble defined, and do the rising prices of farmland prices fit the term?

In November 2012, a Chicago Fed Letter citing economic theory regarding the causes and consequences of asset bubbles, stated "a bubble exists when the market price of an asset exceeds its price determined by fundamental factors by a significant amount for a prolonged period."

So whether farmland currently fits this definition depends on your outlook on where the fundamentals are, and where they are going.

The buzz is all about the record-setting sales at $20,000 per acre or more. Those sales may be better described as outliers and, though the price "exceeds its price determined by fundamental factors by a significant amount," they have not done so "for a prolonged period."

In other words, those prices levels are not the norm.

We can look at this issue from a perspective that the average Iowa farm has a market price of $8,296 per acre, as reported by Mike Duffy of Iowa State University in December 2012. Does this market price significantly exceed the price determined by fundamental factors?

In lieu of creating an extensive model factoring in numerous fundamentals, let's distill the fundamentals down to two – farm income and interest rates – with corn price x yield being a proxy for farm income and interest rates being the driver of return on investment, or ROI, on land.

The calculation goes like this:

$ 5.52	Corn Price per Bushel
x 180	Bushel per Acre
= $993.60	Gross Income per Acre
x 33.3%	Landowner Share
= $ 331.17	Rent per Acre
/ 3.99%	Required ROI
= $8,300	Indicated Price per Acre

This set of fundamentals supports the current $8,296 average price of Iowa farmland, and these factors seem reasonable enough.

However, if you take the ROI down to 3 percent because you believe low interest rates are here for the long haul, then the indicated price per acre is all of a sudden $11,000. Or, if you believe the commodity bull market is going to be sustained, your fundamentals might be $7 per bushel for corn, 200 bushel per acre and a 3 percent required ROI. Then the indicated price per acre becomes $15,554.

On the other hand, if we replenish world-wide inventories and adjust corn down to $5 per bushel, with 175 Bu/Ac and a 6.24 percent required ROI – the average over the past 42 years – the indicated price per acre drops hard to $4,674.

If that seems awfully low, just remember it was the average Iowa land price just two to years ago (2009 = $4,371; 2010 = $5,064).

(If you would like a copy of my Land Return Sensitivity Matrix, which has over 500 combinations of cash rent, land value and return on investment for any yield you enter, contact me with your email address.)

Many are ready to definitively declare that the land market is in a bubble, yet I don't believe we can be so sure. My opinion is the current $8,296 average price of Iowa farmland is not significantly above the price determined by fundamental factors. And even if it is, it has not been at this level for a prolonged period.

Instead of a land bubble, have you considered we may be in a "bond bubble," a "farm profit bubble" or both? These concepts were presented at the Peoples Company Land Investment Expo, Jan. 18-19, 2013.

The farm profit bubble relates directly to the fundamental factor of farm income presented in the earlier analysis. The bond bubble correlates to the fundamental factor of interest rates.

At the Land Expo, Jim Rogers, the internationally acclaimed investor, author and perma-bull on commodities said "there is no bubble in farmland." But when answering a direct question concerning a bond bubble, Rogers said, "Yes, we are definitely in a bond bubble, deliberately created by Ben Bernanke, it cannot last and will not end well."

So when the bond traders decide they've had enough and they all head for the door, interest rates will head north regardless of the Fed Chairman's efforts. Farmland financing then becomes more expensive, and the required ROI is pushed up. Neither scenario is positive for land values.

If using debt financing to purchase land at current prices, this bond bubble is a bubble both land buyers and farmers can and need to manage. It is especially important to manage this risk in light of the potential that we are also in a farm profit bubble. The bottom line is – given that the present low interest rates are one of the factors contributing to the current increased price of land – locking in these rates will minimize this sector of risk.

Ron Beach
DIRECTOR

Jim Knuth, Senior Vice President at Farm Credit Services of America, said during the Land Expo that he believes the likelihood of a decline in land prices is remote, as long as lenders remain conservative. He and the team at Farm Credit spend a lot of time looking at these factors because they are at the heart and soul of their lending risk. But Knuth does believe ag is in profit bubble.

All the information, opinions, advice and talk of "bubbles" boil down to the fact that the fundamentals for farmland values are very strong at this time.

Both net farm income and interest rates are at historically positive levels for farmland values. Changes to these factors very likely will not be positive for land values, but this does not mean values will burst, nor should it prevent you from expanding your land holdings at this time.

Know your cost of production and manage your margins through the implementation of solid marketing plans. Prepare balance sheets with appropriate liquidity, diligently manage production costs, and minimize bond bubble risk by locking in historically low fixed interest rates for any financing utilized.

Finally, have a plan, or at least plan to have a plan, on how you will deal with Black Swan events – some of which are becoming shades of gray – such as non-subsidized crop revenue insurance, very high inflation or not enough water in the Mississippi, Missouri, Illinois and Ohio rivers to move fertilizer in and grain out.

Set your land investment parameters and relentlessly stick to them. Don't load up your balance sheet with highly leveraged high-priced land. Acquire land that's a good fit for your needs. And proceed intelligently to reap the rewards.

Ron Beach is Director of the Separate Account Land Management program at Peoples Company where he sources and manages deals between investors who want to buy farmland and farmers wanting to add leased land to their base of acres. Beach built his 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, startup ventures and consulting roles. Ron may be reached at (712) 579-2587 or Ron@PeoplesCompany.com. ◆

Land Expo *...continued from page 1*

On Jan. 17, Fox Business News conducted a television interview with Rogers, asking him about his trip to Greater Des Moines and investment opportunities associated with Iowa farmland. Newspaper editors and agriculture reporters around the region also covered the Land Expo, publishing articles and videos to reflect the research and opinions of speakers and guests.

Farm policy, the federal deficit, corn and soybean prices, the threat of a farmland bubble, and the potential impact of drought or drought-like conditions on 2013 land prices were each discussed.

The Land Expo was moderated by ag reporter and broadcaster Ken Root. Dr. Mark Dotzour of the Real Estate Center at Texas A&M University, educator and agribusiness expert Dr. David Kohl, ag economist and Kansas State University Professor Dr. Barry Flinchbaugh, climate economist and commodity yield expert Dr. Simon Atkins, and Iowa Secretary of Agriculture Bill Northey were among presenters who took the stage.

The Sixth Annual Land Investment Expo attracted more than 600 people, representing the largest and most comprehensive land-investing conference Peoples Company has presented to date.

The Land Expo takes place each January and is open to anyone with an interest in agriculture, real estate or farmland. Since its inception, the event has grown into a must-attend for ag managers, academics, policy experts, REITs, hedge funds, pension funds, endowments, family offices, land developers, investors and farmers.

The 2014 Land Investment Expo has been scheduled for Jan. 23-24, so mark your calendars. For more information on the 2014 Land Expo and other farm and real estate news, subscribe to our blog at **www.PeoplesCompany.com/blog**. An exciting announcement about Peoples Company's 2014 Land Expo keynote speaker is coming soon. ◆

Bull Markets Can Hide Poor Land Stewardship

Randy Luze
LAND MANAGER

Bull markets can have a way of hiding mistakes.

We saw the bull market in technology stocks hide companies with unproven management and no record of earnings. We saw the bull market in housing values hide homebuyers who weren't qualified. In a similar way, the bull market in farmland values could be hiding poor land stewardship.

The current land market rewards an individual who tears up a CRP or pasture farm, plants it to row crops, and flips it to a new buyer. In a rational marketplace, the common stock of companies with weak management and earnings records sell for a discount, people do not receive financing for homes they cannot afford and farms sell based on their long-term production capacity.

Over the past several years, Land Manager Brian Feldpausch and I have published a number of articles highlighting our belief in land stewardship as a very important part of our whole farm management approach.

We've discussed our strategy of establishing shared goals with a farm operator for soil conservation, drainage and fertility to build a documented yield, and fertility history for our client's farms. We believe rationality will return to the land market, just as it has returned to the technology and housing markets mentioned above.

I consider most farm owners to be good stewards. As I drive across the state, I see farmers repairing and installing waterways and conservation structures and drainage tile, as well as spreading livestock manure and fertilizer to build fertility on the farms they own. As a farmer myself, I know the neighbors are watching these "reputation" farms and hoping for the opportunity to own the farm themselves one day.

However, the farms that are managed only to maximize current cash income – typically referred to as "fixer-upper" farms – are also easy to spot at a land auction by farmers operating in their coffee-shop circles. Broken tile lines, eroded waterways, the rare appearance of fertilizer trucks and perhaps high tenant turnover are major topics of conversation.

In every community, some farms sell for 10 percent to 20 percent more than the average market price. On the other hand, some farms sell for 10 percent to 20 percent less than the average market price. Higher-dollar sales could represent the reward the market provides for taking a balanced and long-term approach by reinvesting a portion of annual income into improvements that increase productivity.

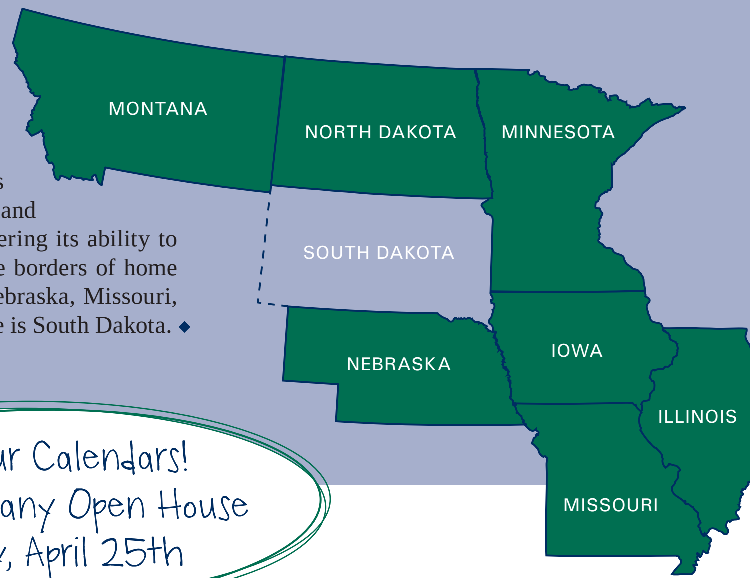
As someone who owns land, as well as rents and manages land owned by investors, I have a unique perspective on this issue. I have seen the value that investments in waterways and conservation features, and how drainage tile and fertility through applications of manure and fertilizer can add to a farm in both increased cash return and market value.

The current generation of land investor is disciplined. Though they won't compete with farmers for the "reputation" farms, they are in the market shopping for "fixer-upper" farms, which can be purchased at a discount and then upgraded with a comprehensive management approach.

I believe farmers will continue to pay a premium for the "reputation" farms. As an owner-operator, they have a built-in advantage to pay a higher price than an investor, and will use that advantage to buy a good farm. As margins tighten, however, owner-operators may be less inclined to leverage themselves for a "fixer-upper" farm, where yield history and soil fertility is unknown.

These farms will slide to investor buyers who, as mentioned, are disciplined and will only buy at a discount. ◆

PEOPLES COMPANY LANDS IN NORTH DAKOTA



The expansion of land sales and land management services offered by Peoples Company has grown into North Dakota, a state with an agriculture industry built on 32,000 farms, about 40 million acres of farmland, and recent reports indicating a nearly 50 percent jump in land values from 2012. Our team of land professionals worked with great enthusiasm during the past few years furthering its ability to understand and meet the needs of landowners in Iowa and areas beyond the borders of home state. Peoples Company is now licensed to sell and manage real estate in Nebraska, Missouri, Illinois, Minnesota, Montana, North Dakota and Iowa. Our next targeted state is South Dakota. ◆

Mark Your Calendars!
Peoples Company Open House
Thursday, April 25th

Visit Our New Clive Office!

Peoples Company has relocated our West Des Moines office to Clive and you're invited to join us April 25 for an open house celebration at our new second floor office at 12119 Stratford Drive, Suite B. A ribbon cutting ceremony with networking opportunities among Peoples Company staff, local dignitaries and special guests from the Clive Chamber of Commerce will take place from 4 to 6 p.m. Our transition to a newly remodeled 5,000 square foot space allows greater room for growth and collaboration among Peoples Company team members as we expand in the Midwest. Business will continue as usual at our Indianola location. Email Becky@PeoplesCompany.com for additional details regarding the event, or follow us on Facebook at www.Facebook.com/PeoplesCompany for upcoming announcements or notifications. Beverages and refreshments will be served.

Point of View

...continued from page 8

Speaking of changes, we use this newsletter to share our thoughts on the world as we know it and communicate what we are working on at Peoples Company. As you read through this issue, you will see that we've increased the number of states in which we are licensed to do business, with the addition of our North Dakota brokerage license.

We are also excited to roll out our online auction format this spring. With 10 properties successfully sold in our first series of Peoples Company Online Auctions, we are anxious to expand as buyers and sellers are demanding this type of platform.

Perhaps the biggest announcement is the move to our new office in Clive. I hope you can make it to our open house on April 25, to tour our facility and meet some of the great staff that makes up the Peoples Company team. Finally, mark your calendars for the 2014 Land Investment Expo slated for Jan. 24. We are assembling another excellent program, and will have an exciting announcement to make regarding our 2014 keynote speaker very soon.

I hope you enjoy reading the various articles published by our real estate agents and land managers. We continue to offer information without obligation to our clients, and trust you can use it to make informed decisions in your operations. ◆

Introducing:
PEOPLES COMPANY ONLINE AUCTIONS

Peoples Company began offering internet-based auctions in April, kicking off with a platform designed to intensify the reach of our professional land agents on behalf of sellers. The launch of Peoples Company Online Auctions will also broaden the scope of possibilities for potential buyers in the Midwest.

Peoples Company prides itself in the use of innovative websites, social media and other communications tools to solve problems or streamline opportunities for those investing in or interested in investing in land and farm real estate.

Find additional details regarding our first round of Online Auctions at www.PeoplesCompany.com/blog, or by contacting Steve Bruere by email at Steve@PeoplesCompany.com.

Understanding and Benefiting from Beginning Farmer Programs

by Andrew Zellmer, Land Associate

It's no secret that the amount of capital needed to enter into production agricultural is a large barrier to entry for beginning farmers. With that being said, there are things you can do to set yourself apart and grow your operation.

Understanding the programs and assistance available for your benefit is crucial for success. Over the past month, I sat down with the Iowa Agricultural Development Authority (IADA) and FSA Farm Loan Programs to get better educated on what they have to offer.

The IADA offers three programs: The Iowa Beginning Farmer Loan Program, Iowa Beginning Farmer Tax Credit Program, and Loan Participation Program. One or all of these programs could be beneficial to you and your operation. The Iowa Beginning Farmer Loan Program is also eligible for use in collaboration with the FSA Beginning Farmer program to maximize opportunities for young farmers or new producers entering the field.

Iowa Beginning Farmer Loan Program: This program gives beginning farmers an opportunity to purchase ag property at lower and more competitive interest rates. This is achieved by offering lenders a tax-exempt bond. The lender can be a bank, individual, partnership or a corporation. To qualify, you must be at least 18 years old, have a net worth of less than $691,172, and have not previously owned any substantial amount of farmland. The loans can be for as much as $501,100, and can be used for ag land, livestock, machinery or ag improvements.

Another tool that the IADA offers to landowners is tax benefits through contract sales. If a landowner sells a farm on contract to a beginning farmer, all of the interest income the seller receives will be both federal and state tax-exempt. This provides a great benefit for someone looking to sell land. The only stipulations are contract sales cannot be done between closely related parties, and the interest rate would need to be set at a lower interest rate than it would if you were selling to a non-beginning farmer.

Loan Participation Program: This program can be used to help supplement a borrower's down payments, making it easier for them to secure a loan. The IADA can cover 30 percent of the purchase price or $150,000, whichever is less, and offers the lender a "last in last out" loan participation that lowers the lender's risk for taking on the loan. This program can be used in conjunction with the Iowa Beginning Farmer Loan Program for those who qualify. You must be 18 years or older and a resident of Iowa. Loans cannot exceed three times the net worth of the borrower. To be eligible, the individual's net worth cannot exceed $400,000. These loans can be used toward the purchase of agricultural land, agricultural improvements, livestock and machinery. Partnerships, corporations and LLCs are also eligible to participate in the program.

Beginning Farmer Tax Credit Program: This program is beneficial to anyone who owns land. It is beneficial to the beginning farmer because he or she has the opportunity to rent land and expand an operation. This program can also be used as a tool for any landowner by giving them the opportunity to receive a tax credit toward their Iowa income tax. The land being leased can be owned as an individual, partnership, LLC, corporation, estate or trust, as long as they are in compliance with corporate farming laws. The beginning farmer must be a resident of Iowa with a net worth under $366,324. The beginning farmer must also have the proper education, training or experience, which will be proven through a background letter from a third party.

The lease has stipulations, too. It has to be between two and five years in length. Cash rent, crop share, and flex leases are all eligible for this program. Listed below are examples provided by the IADA for each eligible lease.

Cash Rent Example
150 acres of crop ground
$150 per acre
$22,500 gross lease income
$22,500 x 5% = $1,125 tax credit issued
$7.50 per acre

Crop Share Lease Agreement Example
160 acres of crop ground in Clay County, IA
50/50 crop share lease
Clay County T-yield for 2012 was 182.67 bushels per acre
Total crop is 29,227.2 bushels
The owner's share is 14,613.6 bushels
The previous year (2012) posted USDA Iowa fall price for corn was $6.82 per bushel
This results in a tax credit of $14,950
(14,613.6 x $6.82 x 15%)

Flex Lease Example
160 acres of crop ground in Clay County, IA
Rent is $200 per acre base with a bonus payment on yield production in excess of 150 bushels per acre
Clay County T-Yield for 2012 was 182.67 bushels per acre
Tax Credit would be $1,600
(160 acres x $200 base rent x 5%)
$1,782 (160 x 32.67 x $6.82 x 5%)
32.67 (182.67-150.00)
$3,382 = total tax credit


Andrew Zellmer
LAND ASSOCIATE

Another tool that the IADA offers to landowners is tax benefits through contract sales. If a landowner sells a farm on contract to a beginning farmer, all of the interest income the seller receives will be both federal and state tax-exempt. This provides a great benefit for someone looking to sell land. The only stipulation is that the interest rate would need to be set at a lower interest rate than it would if you were selling to a non-beginning farmer.

The FSA also offers programs to help benefit beginning farmers, including loan programs that can be used in conjunction with the IADA programs in many situations. To be eligible, you must have at least three years of farming experience. The applicant cannot have operated a farm for more than 10 years, or own property which exceeds 30 percent of the median-sized farm in that county. These programs are offered to minority and female farmers, too.

The FSA has 39 loan teams that cover all 99 counties in Iowa. In 2012, there were 2,459 beginning farmer accounts in their portfolio. They did $102 million in direct loans and $35 million in guaranteed loans. Iowa boasts the largest Beginning Farmer loan portfolio in the United States.

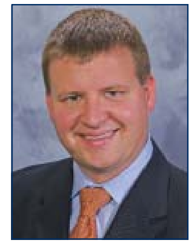
Both direct and guaranteed loan programs through the FSA are available to help you purchase land. The direct loans are funded through the FSA, and have a low fixed-interest rate. With guaranteed loans, the FSA will guarantee a loan up to 90 percent to a lender. The lender will set the interest rate, but the maximum loan amount is much higher than the direct loan. Below are some details on both operating and farm ownership loans that the FSA offers.

I just brushed the surface on each of these agencies' programs. For more in depth information on any of the programs, contact the Iowa Agricultural Development Authority at (515) 281-6444 or find them on the web at www.iada.state.ia.us. You can reach the FSA at (515) 331-8450, or visit their website at www.fsa.usda.gov.

As you can see, there are people and programs out there to help beginning farmers grow and achieve their goals. The key is getting educated and utilizing the programs and people that are out there to help you. I can relate to the challenges and opportunities associated with overcoming obstacles when you're new to the business.

If you would like a better understanding of these programs in relation to your operations, please feel free to contact me at AndrewZ@PeoplesCompany.com. I would appreciate the opportunity to sit down and see if we can use these programs to benefit you.

A Contrarian Point of View



Steve Bruere
PRESIDENT

On any given day, I'll have a dozen conversations with clients, friends, bankers and colleagues regarding the direction of the land market. I generally take a contrarian approach to the conversation, and offer bullish arguments to the bears and bearish arguments to the bulls.

These conversations are similar to my political debates in that I rarely convert a bull to a bear or likewise a bear to a bull. Through our annual Land Investment Expo, I've been fortunate to put myself in the middle of this ongoing debate, and also had the opportunity to share in many private conversations with policy experts, commodity gurus, nationally recognized economists, historians and so on.

I particularly enjoyed our 2013 Land Expo featuring many speakers from previous years, along with outspoken commodity legend Jim Rogers. Through a series of conversations leading up to and during the Land Expo, I was able to discuss the risk and opportunities our speakers see in agriculture and the land market.

Dr. Simon Atkins of Advanced Forecasting Corp. shared his thoughts on the Black Swan events that could impact weather in 2013. I had an engaging discussion regarding the future of the farm bill with farm bill expert, Dr. Barry Flinchbaugh of Kansas State University. Susan Payne of EmVest discussed the opportunities she sees in Sub-Saharan Africa. We are now working to organize a tour in 2014 to see her farming operation.

Dr. Mark Dotzour from Texas A&M University and Dr. David Kohl from Virginia Tech offered their insights into the factors driving agriculture as we know it, as well as what dynamics could change the course moving forward. Perhaps the most thought-provoking conversation occurred over the three days I spent with Jim Rogers, who is known as the biggest commodity bull in the world.

Jim has traveled the globe by car and by motorcycle to experience a big part of the world through his own eyes, something few of us can relate to.

While it's fun to compare notes with these amazing people, I think they enjoyed learning from us just as much as we enjoy hearing what they have to say. After taking a few weeks to soak in all the information – reflect on the conversations, debates and insight I gathered from everyone – I came up with my own conclusion.

No one knows with any certainty where the land market is going.

Anyone who offers a prediction is merely offering their best guess based on the issues that relate to their areas of expertise. The weather, politics, war and the world economy are just a few of the factors that are completely out of our control. And these variables have dictated why land values are what they are today, and where they will be in the future.

For me, these predictions help me understand the risk related to the land market and what factors could change for better or for worse. It also helps to understand how this information may be used to position Peoples Company and our clients to react to changes.

...continued on page 6

PEOPLES COMPANY™
INNOVATIVE. REAL ESTATE. SOLUTIONS.
12119 Stratford Drive, Suite B
Clive, IA 50325
www.PeoplesCompany.com