

Southern Plantations Group

2410 Westgate Blvd.
Suite 101
P.O. Box 70967
Albany, Georgia 31708
229-439-0012

GEORGIA Landowners NEWS

A Newsletter from Southern Plantations Group, Inc.

Fall 2007

Inside this
Issue:

Record
Commodity
Prices

Recent Sales

Current
Listings

Commodity
Prices

Biofuels: Next Solution to Our Energy Problems?



Camilla's First United Ethanol, LLC (FUEL) plant will use 36 million bushels of corn annually to produce 100 million gallons of ethanol.

High gasoline prices and questions of stable and adequate supply sources have prompted a desire to solve our energy problems with biofuels. The federal government has provided major tax incentives to produce ethanol and biodiesel.

Georgia is responding - a 170 million dollar ethanol production plant is being constructed near Camilla, Georgia. Its feedstock is said to be corn shipped in by the trainload from the Midwest, in as much as Georgia is already a corn deficit state because of its broiler industry.

A new 300 million dollar "cellulosic ethanol" plant will begin construction in Soperton, Georgia any day now. This plant will be fed by wood chips to produce methanol, which will be boosted up to ethanol or butanol by a proprietary enzymatic process. It is said this same process can use other plant biomass sources, including switchgrass.

Georgia already has several biodiesel facilities in operation where biodiesel can be purchased. Biodiesel is an alternative to petroleum diesel and can be blended at any level. It is derived from vegetable oils and animal fats. The typical biodiesel blend is B20, i.e. 20% biodiesel and 80% petroleum diesel. Other blends can range from B2 (2%) to B100 (100%).

Advantages of Biodiesel: It is said that biodiesel at a B20 level has produced significant environmental benefits in the reduction of unburned hydrocarbons, carbon monoxide, and particulate matter compared to emissions from all petroleum diesel fuel. Biodiesel and biodiesel blends can be burned in any diesel engine. It is interesting to note that the first fuel used in Rudolph Diesel's engine was a biofuel...peanut oil.

Biodiesel is slightly less efficient than petroleum diesel. However, with government subsidies allowing for more competitive pricing, blends can be very competitive and environmentally much more desirable in school buses, city buses, etc. (cont'd on Page 3)

visit our website at www.splantations.com

Record Commodity Prices - The Next Factor in Higher Land Prices?

The five major row crop commodities grown in Georgia are cotton, corn, peanuts, soybeans, and wheat. Three of the five commodities are experiencing record high prices - wheat, corn, and soybeans. What force is driving prices higher? **Ethanol!!** With a limited number of productive acres, all commodities are forced to compete for the use of the acres by increasing prices.

How high are prices now? As of this writing the current Chicago Board of Trade (CBT) market prices for wheat, corn, and soybeans are significantly above the average prices received by the American farmer over the last ten years. The current CBT prices versus ten year average prices are: wheat - \$8.46 versus \$3.35 per bushel, corn - \$3.50 versus \$2.23 per bushel and soybeans - \$9.54 versus \$5.01 per bushel. Next year's prices are quite high, though not at 2007 levels. Just think about it, farmers can forward contract or hedge on the CBT their 2008 corn production at \$4.00 per bushel, wheat at \$5.87 per bushel, and soybeans at \$9.25 per bushel - on average these prices are 79% above the 10 year averages. Cotton and peanuts are very profitable, but not at record levels, and can be contracted for 2008 at over \$.70 per pound and over \$475 per ton, respectively.

How much has corn production increased? In 2006 the U.S. produced row crop commodities on 253.3 million acres with 78.3 million acres being used for corn production. Corn production increased 18.5% in 2007, with 92.8 million out of the 257.6 million row crop acres being used for corn. Production of ethanol accounted for 17% or 1.8 billion bushels of the 2006 corn crop. Projections for 2007 are that 21% or 2.8 billion bushels will be used for ethanol. Ethanol corn usage in 2008 is

expected to increase another 30% to 3.6 billion bushels as ethanol plants continue to be built.

What is the impact on farm income? Higher commodity prices should mean higher profitability for farm operators, higher land rents for landowners, and higher income for landowners who crop share. In prior years, with a crop rotation of corn, cotton, and peanuts, a 50-50 crop share return to the landowner was approximately \$150 per irrigated acre. Based on 2008 commodity prices and estimated costs, the 50-50 crop share return may jump to \$220 per acre. This trumps irrigated cropland rents which have ranged from \$140 to \$175 per acre in the last five years.

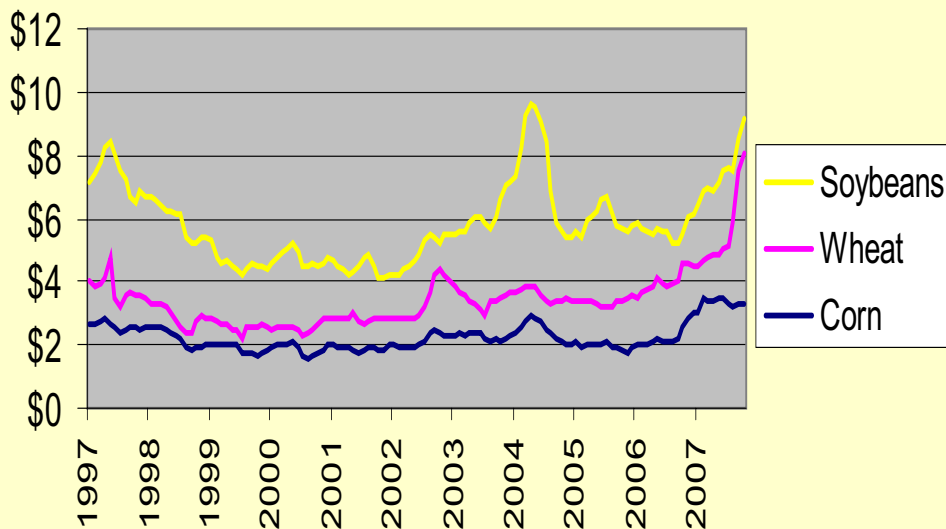
What is the impact on land prices? Before the large increase in land prices in 2004-2006 (due mostly to Florida 1031 tax free exchanges) rental of irrigated cropland produced a gross return of 5% (\$150 per acre rent on a \$3,000 irrigated land value). A 5% gross return on \$220 per acre irrigated land rent would indicate a \$4,400 per acre irrigated cropland value.

What does the future hold for land prices? Will the average irrigated cropland value increase to \$4,400 per acre? That depends on whether 2008 commodity prices remain at current levels. Factors supporting that possibility are: the U.S. government's long term commitment to the production of ethanol and bio-diesel with the current \$1 per gallon support, continued increased consumption in India and China as their population shifts to the economic middle class, and U.S. commodities remaining cheap in the world economy due to the weak U.S. dollar.

Factors which could lower commodity prices are: increased production in South America or the U.S. government releasing part of the 36 million acres in the CRP program for crop production, or the great productivity of the American farmer. The American farmer is the most productive producer on earth and, given one growing season, can produce a surplus in any commodity. Other factors lowering overall farm profitability are less price support from the U.S. government and increasing production costs. When farmers make more money, suppliers raise their profit margins to capture a part of the farmer's gain.

My guess is that commodity prices will neither stay at the current high levels, nor go back down to the levels of the past 10 years. I do believe farm profitability, land rents, and irrigated and dry crop land values will all increase - to what extent is anybody's guess.

10 Year Average Price Received by the American Farmer





Soybean oil may be used in the production of Biodiesel.

Continued from Page 1 Biofuels

The concept of ethanol for gasoline engines has been around for a long time. In fact, Henry Ford's first engine burned ethanol. The later discovery of petroleum gasoline and its lower cost moved the industry to petroleum, or fossil fuel. It is said that most existing gasoline engines can burn up to E10 ethanol, meaning 10% ethanol and 90% fossil fuel. A greater ethanol content will burn up a conventional engine. However, beginning this year, some automobile manufacturers are making engines that will burn up to E85 ethanol, meaning 85% ethanol and 15% fossil fuel. E fuels, like biodiesel, are slightly less efficient than their fossil fuel counterparts. Thus, to be equally competitive with fossil fuels and without regard to their environmental benefits, E fuel should be slightly lower priced than 100% fossil fuel (gasoline).

Production Byproducts: The production of ethanol from corn leaves an important byproduct - dried distillers grains. This is an animal feedstuff of lower energy and price than corn. It can be blended in at a low level in chicken feed when cost effective or could be used in livestock feedstuffs. Byproducts of the production of diesel blends are soybean meal, a desirable protein feedstuff for livestock and poultry.

Production Efficiency: Biodiesel has the advantage of giving back more energy than the fossil energy required to produce it. Studies show that biodiesel gives back 3.2 units of energy for every 1 unit of fossil energy required to produce it. The production of ethanol from corn poses a question of production efficiency. Some sources say the fossil energy required to produce a unit of ethanol from corn can be more than the unit of ethanol produced. Proponents of cellulose ethanol say that their product is far more efficient, providing more than one unit of fuel for less than one unit of fossil input.

Incentives: The great market equalizer in any otherwise uneconomic proposition is society's way of changing the market equilibrium, i.e. taxes or tax credits. Our federal government is offering tax incentives for both ethanol from corn and biodiesel from soybeans, as well as a host of other incentives, including grants for construction of facilities. Increased demand for corn and soybeans has led to improved prices for both commodities.

By: Joe Marshall

Recent Sales

Sumter Co., Ga - August 07

483 acres sold for \$2,900 per acre. Good quality property consisting of 360 acres of center pivot irrigated cropland, 71 acres of 6 year old CRP pines, and 52 acres of wet woodland/drains. Irrigation equipment was 13 years old in good condition. Property had excellent yearly cash rental income, but limited road frontage and very limited hunting.

Lee Co., Ga - May 07

385 acres sold for \$2,965 per acre. Located in the north end of the county, a fair quality property consisting of 199 acres of center pivoted irrigated cropland, 54 acres of dry cropland, and 132 acres of mostly wet would land with fair timber value. Irrigation equipment consisted of 5 small Valley center pivots, three wells with electric motors all in good working order.

Crisp Co., Ga - July 07

1,031 acres sold for \$2,956 per acre. The property consisted of 419 acres of center pivoted irrigated cropland, 33 acres of dry cropland, 182 acres of 8 year old CRP planted pines, and 397 acres of bottomland hardwoods with no significant timber value. The property had excellent paved road frontage, but the frontage did divide the property into six tracts. The irrigation equipment consisted of 7 center pivots in excellent condition.

Decatur Co., Ga - March 07

444 acres sold for \$3,258 per acre. Fair quality property consisting of 300 acres of center pivot irrigated cropland, 55 acres of dry cropland, 54 acres of upland woodland, and 35 acres of wet woodland/other. The center pivot was old in poor condition, and the 12" well had no power unit.

Miller Co., Ga - February 07

74 acres sold for \$2,739 per acre. Good quality property consisting of 45 acres of upland woodland and 29 acres of wet woodland with fair timber value.

Market Trends

Prices are stable, but sales activity is slow, which is normal for this time of year.

Southern Plantations Group, Inc.

2410 Westgate Blvd.
Suite 101
P.O. Box 70967
Albany, Georgia 31708

Phone: 229-439-0012

Fax: 229-883-8881

E-mail: jmarshall@splantations.com

jpeterson@splantations.com

cbishop@splantations.com

www.splantations.com

PRSRT STD
US POSTAGE
PAID
PERMIT 41
ALBANY, GA

Southern Plantations Group, Inc. (SPG) is a professional agricultural consulting firm specializing in real estate sales, farm management, farm and timberland appraisals, long term fixed interest rate lending, and farm accounting. For more than 25 years SPG has provided services to farm and timberland owners, lenders, and operators.

Current Listings

Recreational Hunting/Irrigated Crop Farm:

Great deer hunting and fishing in 3 ponds. More Boone and Crockett bucks are produced in Worth County than any other county in Georgia 909 ± acres with 196 acres of center pivot irrigated cropland, 49 acres of cropland, 351 acres of pines, 226 acres of hardwoods, 19 acres in wildlife food plots, and 68 acres in ponds.

\$2,968,000 (\$3,265 per acre)



Land Needed:

300 to 10,000 acres of irrigated cropland

Are you considering selling your property? We have a pension fund very interested in purchasing quality irrigated cropland. Buyer can lease back the property, but it is not necessary. We have investors who want to purchase recreational and timber tracts. Someone might be hunting for a property just like yours. Please call for a confidential consultation.

We hope you enjoy reading the Georgia Landowners News. The Landowners News is free; we only ask if you find yourself needing help marketing your property, an appraisal, land management services, consulting or long-term financing that you will consider our services. Thank You.

COMMODITY PRICES

| Futures | Oct 07 | Oct 06 |
|----------|--------|--------|
| Corn | 3.75 | 3.40 |
| Wheat | 7.85 | 4.59 |
| Soybeans | 10.21 | 5.82 |
| Cotton | .64 | .55 |

Wheat and soybeans are near record highs, while corn and cotton are in the upper end of the range for the past 5 years.

Long Term Interest Rates

SPG offers low-interest fixed rate loans up to 30 years amortization to landowners. Lower rates with excellent credit. Rates change daily. Call for more information on our long term loans.

5 Year 6.20%
7 Year 6.35%
10 Year 6.55%
15 Year 6.75%

LOCAL TIMBER PRICES

| | |
|--------------------|-------------|
| Pine Pulpwood | \$7-8/ton |
| Pine Chip-N-Saw | \$20-21/ton |
| Pine Sawtimber | \$42-47/ton |
| Hardwood Pulpwood | \$6/ton |
| Hardwood Sawtimber | \$22-30/ton |

Timber prices are stable and are in the upper end of the range for the past 5 years.