

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.

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During the first one-hundred days of his administration, in an attempt to bring prosperity to a nation in the throws of a deep depression, President Franklin Roosevelt introduced sweeping programs to reform virtually every aspect of American government. Feeling that the prosperity of American farmers was a key to leading the nation to prosperity, in 1933 Roosevelt introduced the first price support legislation for certain basic agricultural commodities. The next year, the Secretary of Agriculture wrote that the program was "admittedly a temporary method of dealing with an emergency." For seventy-four years, this "temporary program" has continued (and expanded), usually in the form of five to seven year programs, with relatively minor substantive changes. *(Cont'd on Pg 3)*

These changes will make farmland less desirable for renting, thus yielding a lower return for farmland investors.

2007 Proposed Changes

Limit total payments to \$360,000 per farmer

Eliminate separate peanut payment limit

Eliminate payments to farmers with federal income tax return adjusted gross incomes of over \$200,000

Eliminate "three entity" method of allowing increased program payments

Eliminate payments to farmland purchased via Sec. 1031 exchanges

Change counter cyclical payment program to be revenue based rather than price based

Set loan rates for the marketing assistance program at 85% of the five year "Olympic" average (dropping the highest and lowest years)

Allow planting of fruits, vegetables and wild rice on base acres

visit our website at www.splantations.com

Seller Beware ?

There is an old saying in land and horse trading, "Buyer Beware". I think the saying should be changed to "Seller Beware" or maybe "Buyer and Seller Beware".

Setting the correct asking price for your property can be a difficult task. If you set it too low, you leave hard earned money on the table. For example, I was completing an appraisal in a southwest Georgia county last month and noticed an interesting series of sales transactions on a 1,300+ acre mature pine timber tract. A local family sold their tract to a land speculator for \$3.9 million. Seven months later, the speculator sold the property to an out of town investor for \$5.9 million - a \$2 million profit in seven months.

This situation happens in all types of real estate. A long-time owner of a cabin with a great view in the north Georgia mountains placed a "for sale by owner" sign on the property, offering the property for \$380,000. Within three days the local developer in the subdivision purchased the property for the asking price and sold it 30 days later for \$550,000 - a \$170,000 profit in 30 days. Although these are extreme cases, they are not isolated situations.

Know the Value of Your Property: How can a seller avoid selling their property for less than it is worth? If a seller has the time and inclination to analyze recent sales in the area and make proper adjustments between his property and sale properties, a reasonable asking price can be estimated. The seller needs to have detailed knowledge of the different value components of all the properties (acres of the different land classes, building value, timber value, etc.) in order to complete the analysis. A seller could hire a qualified appraiser to help determine the current market value of his property and set a sales price that reflects current market prices.



A good real estate firm can make you a lot of money, save you a lot of time, and give you the piece of mind that ... you obtained the best price possible.

The appraisal process is not an exact science because there can be significant variation between the sale property and the recent sales in the area, and adjustments are educated judgments. Even in the case of a professional appraiser, an appraisal is an estimate of value. Thus, you may want to set your asking price 10% above the appraised value. You can always come down in price, but you can never go up. But if you set the price too high, potential buyers will not look at the property and you will not have a successful sale.

The real estate market is continually moving up or down, particularly from 2004 to 2006 when 20-40% annual gains were commonplace. The seller of the timber tract could have known an approximate value of the property by obtaining a timber evaluation for \$6/acre (\$7,800) and an appraisal for \$3,000 - for a total cost \$10,800. The owner of the north Georgia cabin could have known an approximate value of the cabin for the cost of a \$400 appraisal.

Professional Marketing Help: Another way to maximize the selling price of your property is to hire a real estate firm to market your property. A good real estate firm can make you a lot of money, save you a lot of time, and give you the piece of mind that your property was exposed to the market and that you obtained the best price possible. The seller of the timber tract saved a 4% - 5% real estate commission, but lost \$1.7 million in the sales process.

Give the real estate firm sufficient time to expose your property to the marketplace through advertising and marketing. Also, when employing a real estate firm, be sure they have no interest in purchasing the property themselves and they are representing your interest only. Based on historic sales data, land speculators and real estate agents who purchase property for their own account typically purchase property more than 10% below fair market value.

Unfortunately, it seems all is fair in negotiating a selling price between buyer and seller. Even if you want to handle the sale of the property yourself, you can become much more knowledgeable of market value with the relatively small cost of an appraisal and/or a timber evaluation. **SELLER BEWARE - GET SOME HELP!**

By Jeff Peterson



Lake on 1,573 acre property which recently sold in Terrell County

Continued from Page 1 2007 Bill

The current farm program, called the 2002 Farm Program, expires at the end of this crop year. Congress has the responsibility to write a new 2007 farm program before the current one expires. The Administration has proposed a new bill to Congress, and it includes some features not beneficial to southern farmers. It's up to Congress to rewrite, amend, or adopt the proposed bill.

Several features of the proposed bill may have serious consequences for southern farmland owners, particularly:

Change farm program payment limits to eliminate the "three entity" method of allowing increased program payments, eliminate the separate peanut limit, and limit total payments to \$360,000 per farmer.

Change the means test from the present \$2.5 million limit to a \$200,000 limit. Thus, no one with a federal income tax adjusted gross income of over \$200,000 will be eligible to receive program payments.

Eliminate all program commodity payments from farmland purchased with Sec. 1031 tax deferred exchanges.

Congressman Peterson, Chairman of the House Agricultural Committee, expects to report his committee's recommendations out of committee to the House just after July 4. The Senate hopes to work out differences with the House by September 15.

For seventy-four years, American farmers have relied on farm programs to provide stability to farming, and the American public has enjoyed stability in the price of food. Now it is time again for Congress to debate and negotiate a new farm bill. The proposed changes will force our larger, more successful farm operators to reduce the size of their operation in order to receive maximum government support payments per acre. This will make farmland less desirable for renting, thus yielding a lower return for farmland investors. Let's hope our negotiators can succeed in restoring these proposed cuts.

By: Joe Marshall

Recent Sales

Terrell Co., Ga - April 07

1,573 acres sold for **\$3,369 per acre.** Good quality property consisting of 780 acres of center pivot irrigated cropland, 16 acres of dry cropland, 300 acres of planted pines, 389 acres of bottomland hardwoods, 78 acre lake and 10 acres in building area. Timber value was estimated at \$200,000. Building improvements consisted of a 2,000 sq. ft. brick home, metal equipment shed-shop, pole equipment shop/shed, and 35,000 bushels of grain storage. Irrigation equipment was less than 8 years old in very good condition. Property had excellent yearly cash rental income and deer hunting.

Baker Co., Ga - February 07

225 acres sold for **\$3,969 per acre.** Fair quality property consisting of 163 acres of center pivot irrigated cropland, 14 acres of 20+ year old planted pines, and 48 acres of natural woodland with no significant timber value. The property was purchased by adjoining land owner and considered above market value.

Crisp Co., Ga - February 07

1,031 acres sold for **\$2,355 per acre.** The property consisted of 419 acres of center pivot 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 in six tracts. The irrigation equipment consisted of 7 center pivots in excellent condition.

Terrell Co., Ga - February 07

1,317 acres sold for **\$2,565 per acre.** Good quality property consisting of 390 acres of center pivot irrigated cropland, 260 acres of dry cropland, 320 acres of planted pines, 334 acres of natural woodland, 3 acre pond, and 10 acres in building area. Timber value was estimated at \$270,000. Building improvements consisted of a nice 1,850 sq. ft. frame home and five equipment shops/sheds. Irrigation equipment consisted of five center pivots in fair condition.

Market Trends

The market is increasing slightly for quality properties with recreational hunting, and properties with hunting and good irrigated crop rental income. Values for primarily irrigated and dry cropland farms are lower, and sales activity is slow.

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.

Land Needed:

1,000 to 2,000 acres of timber and irrigated cropland

Are you considering selling your property? We have two very interested parties who are looking for property to make a tax-deferred exchange. They prefer 1,000 to 2,000 acres of timber and irrigated cropland but will consider dryland. Potential buyers frequently call our office to locate a particular type of property. Someone might be hunting for a property just like yours. Contact us today.

Current Listings

Irrigated Crop Farm: 483 ± acres in Sumter County with 370 acres of class I center pivot irrigated cropland, 68 acres of CRP pines, 45 acres of woodland, good deer hunting. \$73,500 yearly cash rent possible.
\$1,545,600 (\$3,200 per acre)



We have investors who want to purchase recreational timber tracts and center pivot irrigated cropland with or without a lease back from the owner. If you are thinking about selling your property within the next few years, this may be the best time with such an active market.

Please call for a confidential consultation.

COMMODITY PRICES

Futures	Apr 07	Apr 06
Corn	3.56	2.30
Wheat	4.82	3.60
Soybeans	7.19	6.80
Cotton	.49	.55

Wheat, corn and soybeans are in the upper end, while cotton is in the lower end of the value 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 6.69%
7 Year 6.62%
10 Year 6.70%
15 Year 7.08%

LOCAL TIMBER PRICES

Pine Pulpwood	\$8/ton
Pine Chip-N-Saw	\$20/ton
Pine Sawtimber	\$43/ton
Hardwood Pulpwood	\$6/ton
Hardwood Sawtimber	\$25/ton

Timber prices are decreasing but are in the upper end of the range for the past 5 years.