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GEORGIA Landowners NEWS

A Newsletter from Southern Plantations Group, Inc.

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Plantation values have shown a dramatic increase in recent times. This article will briefly review plantation history in the Southwest Georgia area and recent trends in plantation values.

Southwest Georgia (SOWEGA)

Plantation History: Legend has it that the original quail hunting plantations were established in the Thomasville, GA/ Tallahassee, FL area in the late 1890's. Northern industrialists had their own Pullman rail cars, and during the winter months the cars were moved south for a winter respite. While the ladies and children enjoyed hot springs and indoor activities, the gentlemen enjoyed quail hunting as refined by Herbert Stoddard, a USDA Soil Conservation Service specialist stationed in the Thomasville area.

When the Thomasville area filled up around 1915, an enterprising promoter expanded to the Albany area. Many of the

old Albany area plantations were first established in the 1920's, 30's, and 40's. Several new plantations were developed in the 80's and 90's.

What is a Plantation? There is no precise definition of what constitutes a plantation. In our context, a hunting plantation means a large acreage devoted mainly to the production and harvesting of wildlife. The classic hunting plantation in southwest Georgia area is developed to encourage the production of quail primarily, but also deer, turkey, fishing, dove and duck. Incidental to the wildlife is the production of timber and agricultural crops, typically peanuts, cotton, corn, etc. A well-appointed quail plantation will have adequate facilities, a developed habitat, a good internal road system and will be located in an area near other like plantations.

A typical hunting plantation is from two thousand to ten thousand acres, with variances on either limit. Size and wildlife habitat determine how frequently a property can be hunted. Quail hunting properties are divided into courses, an area determined by space and habitat designed to take a hunting party 2 ½ - 3 ½ hours to traverse. A course stocked with natural (wild) birds should not be hunted more than one time per week during quail season.

Plantation Prices: As managers, appraisers, and brokers, Southern Plantations Group, (SPG) follows plantation sales in the southwest Georgia area. We have reviewed our recent sales records and have analyzed recent trends.

When analyzing a plantation sale, an appraiser values all types of improvements (timber, buildings, quotas, equipment, etc.) and subtracts that from the total sales price per acre to obtain the underlying or bare land value. An analysis of plantation sales



The plantation home on a well developed quail plantation in the Albany area. Quality improvements add to overall plantation value.

www.splantations.com

Put Your Dry Cropland in the CRP?

With lower commodity prices, additional crop production from low cost third world countries, and the prospects of major cuts in the federal farm commodity price support programs, will dryland row crop production be profitable? I feel the long-term prospects are not good and would like to offer an alternative, **The Conservation Reserve Program (CRP)**. Under the CRP, the federal government pays landowners an annual payment equal to normal cash rents in the area to put the land in a long-term conservation program.



Young five year old longleaf pines, planted in an old field. The stand should be ready for the first thinning at about 16 years of age.

If the cropland is highly erodible, the land can be planted with slash or loblolly pines or permanent grasses for a term of 10 years. If the cropland is not highly erodible, and in the longleaf belt, it can be put in the long leaf pine tree program for up to 15 years. In addition to the annual payments, the federal government provides cost-share assistance up to 50% of the cost of establishing the conserving crop. In the case of planted pines, the establishment cost is typically \$175 to \$200 per acre (of which the owner pays \$87-\$100).

Annual Revenue: In most counties, typical annual payments are \$40-\$45 per acre.

Timber Revenue: In addition to the annual payments, timber volume is accumulating at the rate of 4 to 5 tons per acre per year. No harvest can take place until age 12 to 16 when the trees reach pulpwood size. For example, let's assume the trees grow at a rate of 4.5 tons/acre/year and current timber prices for pulpwood are \$7/ton, chip-n-saw \$24/ton, and sawtimber \$47/ton. At the first thinning, age 15, approximately 60% of the trees are removed and the harvest should generate approximately \$235 per acre. A second harvest is conducted at age 21 and generates \$200 per acre. A third thinning is conducted at age 26 producing chip-n-saw and sawtimber generating \$600 per acre. A final harvest is conducted at age 33 producing sawtimber and generating \$3,400 per acre.

Hunting: In addition to the revenue, the CRP allows wildlife food plots to be inter-planted in the pines, improving the recreational hunting for the landowner or increasing revenue from hunting leases. The above example gives an internal rate of return of 5.3% assuming constant land and timber prices and the annual hunting revenue pays all annual expenses (property taxes, etc.) during the 33 year period. The return is two times the dry cropland rent and the timber income will have capital gains tax treatment.

Contribution to Land Value: Based on current real estate markets and projected future trends, timbered recreational hunting properties have a higher value than dry cropland properties. If the property is in an area of future residential development, a timbered property will be much more desirable and have a higher value than an open dry cropland tract.

Terms: You must be sure of your commitment to the CRP as the term is 10 to 15 years and the penalty for early withdrawal is severe. If the property is sold, a new owner can assume the CRP contract. If you have no experience with planted pine production, you may want to hire a professional consulting forester to assist you in establishing the trees. Like all crops, pine tree production has risks such as insects, fire, windstorms, and changing timber prices.

The CRP is not expected to experience severe budget cuts because the program enjoys wide support from major environmental groups. Approximately every 12-18 months, an enrollment and eligibility period is established. If you are interested in the CRP, you should visit your local USDA-FSA office or visit the FSA website at www.fsa.usda.gov.

The CRP can generate annual income, long-term timber income, improve wildlife and recreational hunting, and increase land values. This is a program you may want to investigate.

By: Jeff Peterson



A stand of planted pines currently in the Conservation Reserve Program. Shown after the first harvest.

Recent Sales

North Lee Co. GA

Jan. 05, 645 acres sold for \$2,513/acre. Property consisted of 455 acres of center pivot irrigated cropland, 77 acres of 6-15 year old planted pines, 81 acres of upland natural woodland and 32 acres of natural bottomland hardwoods with no significant timber value. The cropland was good quality and irrigation pivots 20+ years old but in good condition.

Calhoun Co. GA

Dec. 04, 406 acres sold for \$2,794/acre. Property consisted of 257 acres of center pivot irrigated cropland, 22 acres of dry cropland, 30 acres of 10-17 year old planted pines, 86 acres of natural woodland with no significant timber value and an 11 acre pond. The soils were sandy and excellent for peanut and vegetable production and the irrigation equipment was approximately 10 years old in good condition.

Calhoun Co. GA

July 04, 1,218 acres sold for \$1,230/acre. Property consisted of 249 acres of dry cropland, 554 acres of upland woodland/planted pines and 415 acres of natural hardwood bottomland. The timber value was estimated at \$440,000.

South Dougherty Co. GA

Feb. 05, 1,971 acres sold for \$4,812/acre. Property consisted of 713 acres of center pivot irrigated cropland, 46 acres of dry cropland, 537 acres of 60+ year old irrigated pecans, 71 acres of planted pines, 596 acres of upland woodland and 8 acres in building area. Timber value was estimated at \$800,000 and building value at \$250,000. The highest and best use of the property is considered agriculture. A neighboring property owner and a local investor were the main bidders at the auction. Sales price considered above typical market.

Plantations and Plantation Values

Continued from page one

in the Albany area over the past ten years is presented here. We have omitted one or more major recent sales because of future residential and commercial development values being involved in the sales price. We have rounded all figures.

Bare land with habitat has tripled in value in the past ten years, from about \$800 per acre plus improvements in the mid 1990's to \$2300 per acre in the mid 2000's. That's an average annual rate of 12%!

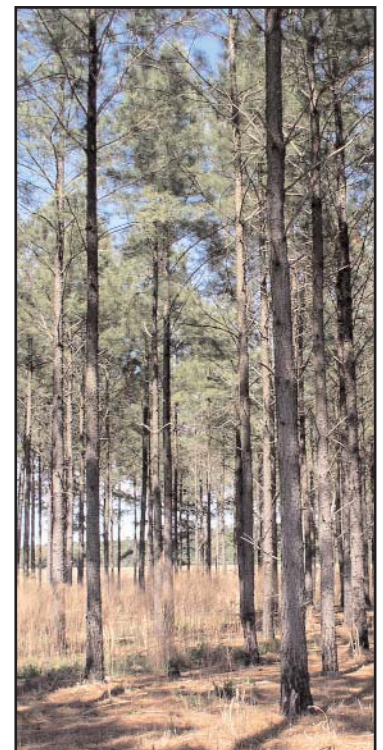
What is Causing It? Who knows? Perhaps one can believe a combination of "new" capital generated in the 1990's and lack of alternative investments in the early 2000's is the best explanation.

What about the Future? It is a common belief that a well developed and appointed hunting plantation will keep its value through times that other properties lose value. SPG, in its 28 years in the Albany area, has seen farmland and timberland prices move up and down – farmland down as much as 50% during the crash of the 1980's. However, we can't recall a well-maintained, well-appointed quail plantation ever losing value. *By: Joe Marshall*

ANALYSIS OF UNDERLYING LAND VALUES

Sale Date	Acres	Per Acre Values				
		Sales Price	Equip/Quota	Bldg.	Timber	Land / Habitat
4/95	7500	\$1250	\$70	\$105	\$190	* \$884
9/96	7700	1600	25	60	700	* 810
3/97	2900	1360	0	0	600	750
3/99	500	2500	0	200	800	1500
3/00	6800	2250	90	175	300	* 1700
4/00	1100	2225	0	375	375	1475
7/02	6200	2300	0	30	175	* 2100
8/02	2300	3100	0	240	825	* 2125
10/02	4400	2700	75	125	325	* 2170
10/04	2050	2350	0	0	100	2250
10/04	1750	3667	0	30	850	2300

* Indicates properties with agricultural land. Cropland valued at or near bare land with habitat values



Dear Dr. Joe: I want to purchase about 100 acres or so to use for my family's recreation and retirement. How should I go about it? **Signed, Young MD**

Dear Young: I think it is a wonderful idea as well as a good investment to have a country place for you and your family to enjoy. There are a number of items that should be on your checklist:

- Distance from home - Cabin - Garden - Stream or pond - Pasture
- Electricity - Barn - Deer, turkey or other hunting - Income - Fence
- Type of access you prefer.

Determine your budget, including debt service capacity. Then start reading the want ads and/or call a knowledgeable broker dealing in farmland and other rural land. Take your time to find what you want. When you find a candidate property, estimate the costs to get it from its present condition to your ideal, and then try to reconcile the property's asking price to your budget. Take your time, but don't be so slow to let the ideal spot get away. **Signed, Dr. Joe**

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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

Wilcox Co. Ga: 336 acre first quality irrigated crop farm consisting of 180 acres of center pivot irrigated cropland, 27 acres of dry cropland, and 46 acres in pasture, 9 acre pond, and 74 acres of hardwoods with Reynolds Creek as west boundary. Excellent deer hunting, yearly rental income on cropland \$23,750. Call Jeff Peterson at 229-439-0012 for more information
Listing price (\$1,815/ac) \$610,000



Turner Co. Ga: 197 acre irrigated farm consisting of 78 acres of center pivot irrigated cropland, 21 acres of dry cropland, 84 acres of pines-hardwoods, 13 acre pond and 1 acre with a hunting cabin. Excellent deer and turkey hunting, yearly rental income on cropland \$13,425. Call Joe Marshall at 229-439-0012 for more information
Listing price (\$2,450/ac) \$482,650

We have investors who want to purchase center pivot irrigated cropland with or without a lease back from the owner. Also, we have investors looking for recreational timber-hunting tracts. 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 us for a confidential consultation.

COMMODITY PRICES

Futures	March 05	March 04
Corn	2.20	3.10
Wheat	3.48	4.00
Soybeans	6.40	9.50
Cotton	.52	.68

Commodity prices are decreasing and in the low 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 6.25%
7 Year 6.40%
10 Year 6.65%
15 Year 6.85%

LOCAL TIMBER PRICES

Pine Pulpwood	\$6.50 - 7.00/ton
Pine Chip-N-Saw	\$24 - \$26/ton
Pine Sawtimber	\$46 - \$49/ton
Hardwood Pulpwood	\$5 - \$7/ton
Hardwood Sawtimber	\$20 - \$37/ton

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