

# The Yield

## CURRENT LOCAL MARKET TRENDS

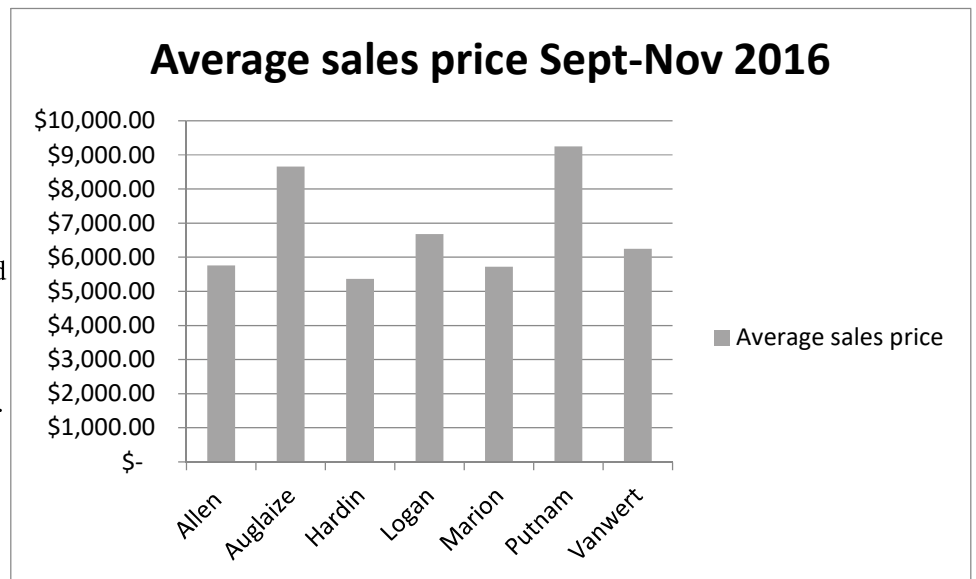
The potential rise in interest rates and the downward pressure in commodity markets have most experts suggesting that the farmland market is due for a correction in the near future. The data provided in this article is designed to inform you about what's happening in your local market, we will leave the interpretation up to you. In a world where every article you read is telling you how you should feel about what's going on around you, we feel it's our job to provide you the information that helps you develop your own market perception. After all, we greatly value the intelligence of our clients and readers.

Ron Spencer Real Estate pays very close attention to the local farm real estate market, as it keeps our clients and us on top of farm real estate trends. The fall of 2016 has been rather interesting with respect to farmland sales. With all of the proposed negativity in the farm real estate world we have witnessed several local farm sales, which have all maintained sustainable values. In figure 1 you will notice that there is a large deviation in the average sales price of land with respect to the county in which it is located. Admittedly, our study of this market is a very vague one; we simply track the number of sales and the average sales price. Our study does not consider the quality of the land as it's very difficult to understand the exact quality without a much more in-depth analysis; however, we have used outside studies to bring the quality of land into this analysis. Having stated that, I would like to highlight a few sales that may interest you.

October gave way to a few really strong sales in Hardin and Auglaize counties. Hardin County produced a 160 acre auction in Goshen Township that brought \$7,875.00 per acre with about 135 acres of tillable land. Auglaize County produced two very strong sales with 396 acres bringing \$8,585.00 and another 40 acre selling for \$10,875.00, both in Clay Township and both mostly tillable. These three examples are attempting to bust the idea of a "depressed land market". However, to be fair we did see the opposite end of that spectrum in a few other examples. We had 104 acres in Hardin County sell for \$5,300.00 per acre and a 71 acre piece in Auglaize County bring \$6,500.00 per acre. Also, 80 acres in Richland Township Allen County sold for \$5,626.00 per acre. The old saying "location, location, location," played a major factor in the difference of these sales; however, all very strong for each of their respective areas and quality.

Considering both the research of Ron Spencer Real Estate and the research of Barry Ward from The Ohio State University you can see that the recent trend in both cash rent and land value are slightly down by just a few percentage points from last year. Results for "average" producing cropland show an average yield to be 169.4 bushels of corn per acre. Results show that the value of "average" cropland in western Ohio was \$7,556 per acre in 2015. According to the data, "average" producing cropland is valued at \$7,034 per acre in 2016. This is a decrease of 6.9%. "Average" cropland rented for an average of \$200 per acre in 2015 according to results. "Average" cropland rented for \$187 per acre in 2016 which amounts to a 6.5% decrease in cash rent year-over-year. This 2016 rental rate of \$187 per acre equates to a cash rent of \$1.10 per bushel of corn produced. Rents in the "average" cropland category equal 2.7% of land value in 2016.

Figure 1:



All of this data is very useful and somewhat intriguing for the landowner but it doesn't paint the full picture of reality. The visible truth is that, farms, just like usual, are bringing very good prices today by selling either at public auction or by private treaty. Sure we will most likely see downward pressure on land in the near future but for just how long is the question. As I write this today I notice that corn is up 11 points and soybeans up 16; therefore, not everything is as bleak as the "experts" want us to believe. Lets end with this thought; just a few short years ago, 8 to be exact, the same land we are talking about in this article was valued at an average of \$4,257 per acre. That's a 39.5% increase over the last 8 years, or better stated a 5% increase year over year (without considering rental income). Not too bad if we keep perspective in mind!

## TECHNOLOGY IN AGRICULTURE

2016 Also gave birth to some new rules that placed very powerful tools in the hands of operators and landowners alike. In August of 2016 the Federal Aviation Administration (FAA) passed new laws allowing unmanned aircraft systems (better known as drones) to be flown by anyone willing to take a minor test and obtain a license to fly one. Although this technology is not necessarily new, for us law abiding citizens; it does now open the door for our legal use of them. Below is a brief overview from the FAA website on the legal use of one of these devices.

With this new technology at our fingertips it makes land management a much easier venture than before. Gone are the days when the landowner has to wait for the crops to be taken off to look at the condition of his or her field. There

are several different types of drones on the market for you to choose from. They range from the highly sophisticated to the very unsophisticated, which can be purchased at Wal-Mart; however, those are merely toys. I will highlight the drone that our company uses to take aerial photos and do crop scouting of the fields we currently manage.

We have a DJI Phantom 3 Professional with a 4k High Definition camera. As you can see in the pictures located in this article the quality of a camera that can fit in the palm of your hand is rather amazing. This drone can be purchased from many different web locations such as amazon and also purchased at Best Buy or other tech outlets. The cost of this particular UAS (including the camera) will run you between 400 and 600 dollars depending on what accessories you include. My suggestion would be to buy at least three extra batteries. With about 20 minutes flight time per battery it gets rather annoying to have to drive back to the farm and wait for an hour to charge before you can continue scouting your fields.

- Unmanned aircraft must weigh less than 55 lbs. (25 kg).
- Visual line-of-sight (VLOS) only; the unmanned aircraft must remain within VLOS of the remote pilot in command and the person manipulating the flight controls of the small UAS. Alternatively, the unmanned aircraft must remain within VLOS of the visual observer.
- Small unmanned aircraft may not operate over any persons not directly participating in the operation, not under a covered structure, and not inside a covered stationary vehicle.
- Daylight-only operations, or civil twilight (30 minutes before official sunrise to 30 minutes after official sunset, local time) with appropriate anti-collision lighting.
- Must yield right of way to other aircraft.
- May use visual observer (VO) but not required.
- First-person view camera cannot satisfy "see-and-avoid" requirement but can be used as long as requirement is satisfied in other ways.
- Maximum groundspeed of 100 mph (87 knots).
- Maximum altitude of 400 feet above ground level (AGL) or, if higher than 400 feet AGL, remain within 400 feet of a structure.
- Minimum weather visibility of 3 miles from control station.
- Operations in Class B, C, D and E airspace are allowed with the required ATC permission.
- Operations in Class G airspace are allowed without ATC permission.
- No person may act as a remote pilot in command or VO for more than one unmanned aircraft operation at one time.
- No operations from a moving aircraft.
- No operations from a moving vehicle unless the operation is over a sparsely populated area.
- No careless or reckless operations.
- No carriage of hazardous materials

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*Technology in Agriculture continued...*

However, just purchasing the drone won't really get you everything you need to take your management practices to the next level. You can fly the drone without the use of a smart phone or tablet but you won't be able to really see what you are taking pictures of while you are in flight. I would highly recommend to any landowner, which is actively engaged in maintaining the quality of their land, to purchase one of these devices. Considering most of us have probably owned or know someone who has owned a rental property, not looking at your fields from a bird's eye view while the crops are on, is much like never looking at the inside of your rental property while the tenant is occupying it. Simply hoping that when they move out you're not stuck with a major mess.



## FOOD FOR THOUGHT

One of the most neglected virtues of our daily existence is appreciation. Somehow, we neglect to praise our son or daughter when he or she brings home a good report card, or we fail to praise our spouse when they do something unexpectedly good for us. Nothing pleases humankind more than an unexpected gesture of appreciation. Take for example the story that Paul Harvey told about how sincere appreciation might possibly change a person's entire life.

Paul Harvey reported that years ago a teacher in Detroit asked Stevie Morris to help her find a mouse that was lost in the classroom. You see, she appreciated the fact that God had given Stevie something that no one else in the classroom had. God had given Stevie a remarkable pair of ears to compensate for his blind eyes. But this was the very first time that Stevie had been shown appreciation for those talented ears. Now, years later, Stevie says that this act of appreciation was the beginning of a new life. You see, from that time on he developed his gift of hearing and went on to become, under the stage name Stevie Wonder, one of the greatest pop singers and songwriters to ever live.

Take time to say thank you, or show sincere gratitude for an act that someone has done for you today. We take for granted our employees, spouses, and children when we should take a close look at all the blessings these very people pour into our lives. Who knows, simply having sincere gratitude for these people may eventually change the world.