



Land Facts

THE LORANDA GROUP, INC.

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AGRICULTURAL REAL ESTATE BROKERAGE, AUCTIONS, ACQUISITIONS, AND CONSULTING

The Loranda Group, Inc. is a diversified agricultural services firm headquartered in Springfield, Illinois. The company offers personalized, professional services in agricultural real estate brokerage, auctions, acquisitions, and consulting. Land Facts is published periodically. We welcome your comments and questions, or give us a call if you would like to discuss the farmland market in your particular area.



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Market Outlook

Land Market Remains Firm

by John D. Moss, President

Over the past several months I've read many articles that analyze the current farmland market. The authors include university professors, Federal Reserve economists, real estate consultants, and market advisory services. Though each expert has their own unique spin on what is taking place in the countryside, in reality, they're all saying the same things. In short, real estate values in the Midwest remain reasonably firm supported by a limited availability of farms to purchase, the new government farm program will have the greatest impact on land prices over the next 3 years, and demand for hunting/recreational land remains strong. I find it difficult to add any new insight to the current discussion. Certainly, there are potential weather problems around the world that may influence the global supply of commodities and ultimately the price for land. But realistically, I see nothing in the short term that will cause a major ripple with real estate values in the next few months.

Instead of repackaging information that has already been thoroughly covered by others, I've decided to allocate the majority of this issue of Land Facts to an article written by the newest member of The Loranda Group team, Douglas L. Hensley. Doug has a diverse background (please see page 3) and brings a unique insight to the issues facing agriculture. I hope you enjoy his perspective.

How Can We Close the Consumer Gap?

by Douglas L. Hensley

I was recently in south central Illinois preparing to research an agricultural property for a client. Naturally, as I entered the county seat after driving for a couple of hours, I was ready for a break and a coffee fill-up, so I wheeled over at the first gas station on the edge of town. I also needed directions to the FSA/USDA

offices and county courthouse. The following is a paraphrased version of the conversation that I had with two professionally dressed local businessmen who were also in the station.

Me: "Good morning gentlemen. Would you be able to direct me toward the courthouse here in town?"

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Locals: “Sure, just go up to the second light on Illinois Route XX, hang a left and travel three blocks and you can’t miss it.”

Me: “Well that was pretty easy for you... can you do as well with the FSA/USDA county offices?”

Locals: “Is that where the farmers go to collect their checks?”

Me: (Very surprised at their comment) “I suppose... typically the FSA/USDA offices are where agricultural government programs are administered. But, I guess we’re speaking of the same place.”

Locals: “If it’s the same place, at the same second light that we described with the courthouse, just take a right and go X miles.”

Me: “I really appreciate your help fellas... have a great day.”

And with that, I traveled on and collected the information that I needed. The longer the day went on, the more those two gentlemen’s comment intrigued me. I come from a farm background, I work alongside farm producers almost on a daily basis, and my work is tied to agriculture in virtually every way possible. However, in talking to those two local professionals that day, I believe that I was offered a glimpse of what the ordinary American citizen perceives midwestern agriculture to be. While those of us that enjoy the benefits of working and living a life that includes agriculture understand its importance, that morning I was surprised to find that the general populace may not “see things as we do”. But, was I all that surprised? The following thoughts are *set aside* to review what agriculture looks like from the standpoint of the pure consumer, or the outside looking in. It is in no way intended to denigrate those directly involved in agriculture, but simply a reality check from our non-



agricultural constituents, a.k.a., our consumers.

Background: Farming and Agriculture

I would guess that many of your friends, family members, and colleagues would think that these words are synonymous. This idea begs the following question—are farming and agriculture the same thing? Asked in a different way—does the general populace recognize a difference in farming and agriculture? As you will read below, there clearly is a stark contrast between farming and agriculture—one that is as different as CIH red and JD green.

According to a study funded by the *Illinois State Board of Education* in conjunction with the *Facilitating Coordination in Agricultural Education Project*, seven people work in agribusiness for every American farm producer. More than 20 percent of the United States workforce is employed in some phase of agriculture. Specific to Illinois, 25 percent of the civilian workforce is tied to agribusiness and almost 69 percent of Illinois’ job growth is agriculturally related. As former University of Illinois President Andrew Sloan Draper once said, “The wealth of Illinois is in her soil and her strength lies in its intelligent development.” Illinois and other midwestern states truly have muscle to flex in their production and commercial capabilities. However, to drive home the difference in farming

and agriculture, one must understand that only 8.54 percent of Illinois’ 1996 workforce were employed directly in agricultural *production* (and this includes both farmers and farm workers...the total U.S. figures are less than 2 percent). And the figure is projected to drop by 10 percent by the year 2006. In one of the United States most agricultural regions, only one in ten persons are considered to be in the realm of production. These figures clearly indicate that the trend is toward agribusiness of larger scale and increasing commercialization, which may or may not include production agriculture of the past. What does this all mean for producers?

Does the Public Care?

A dwindling farm population means a lot to both farmers and our society in general. But the heart of the issue at hand is whether there is a trend away from a *compassionate view* of those involved in farm production. In particular, does the typical American citizen view the products of U.S. production agriculture as being safe, wholesome, and affordable? And maybe more importantly, does the typical American citizen have qualms with the tremendous amount of government aid that has been paid directly to farm producers in the past half decade? After all, if the products produced by American farmers were not perceived to be safe, wholesome, and affordable, then why would any intelligent taxpayer willingly acknowledge the need to send budget appropriations in the direction of producers?

To help me better understand the nature of the “typical” American citizen, I commandeered the insight of two professional associates—Jon Hunt and Michael Chiappetta. Jon is a marketing manager in central-Illinois and Michael is a business consultant in

Chicago, and both work for non-agricultural companies. The two men have advanced college degrees and each is from what I consider to be an urban background. We spoke on a variety of topics including their perception(s) of agriculture as a whole, and specific topics including GMOs, hoof and mouth disease, “mad-cow” disease, artificial insemination, farm life and others. What I learned from these two gentlemen, in addition to my gas station acquaintances, is bulleted and paraphrased below:

- The typical American consumer (TAC) has no real identification with where their food is made, how it is made, or why it is made in that way.
- The TAC is fed perceptions through mass-media channels including TV, radio, and the Internet. More importantly, the vocal minority is clearly winning the PR battle.
- The TAC has no understanding of farm profitability or the required scale for individual farm sustainability.
- The TAC has little understanding of the amount of aid farm producers have been supplied in the past 3-5 years.
- The TAC looks at a farm meadow with cattle grazing as a scenic view... unlike those of us in production who look at that same meadow and animal with a reason and a purpose.
- The TAC would rather have “natural” products when compared to those that are altered, either chemically or genetically.
- The TAC believes that farmers are a special subset of the population, primarily because farmers have historically been a critical component to the well being of our nation. However, if farm products are even

suspected to be unsafe or unwholesome (GMOs, mad-cow meat, chemical application residues), then the TAC is likely to have a changing attitude towards farmers.

- The TAC thinks that all industries should be treated equitably. Consider this... since fuel costs have spiraled upwards, have small trucking businesses been afforded the same government support as production ag?

Based on my conversations with Jon, Michael, and others, it is more clear to me that those of us in agriculture have a fundamental difference in how we think, operate, and in what we expect of others. While we may have differences, Jon and Michael made it clear to me that the public in general would simply like to have more explanation of how we do things, and why. As they communicated to me, their

respective businesses are constantly under the microscope of clients, competitors, and the public in general. To them, this is a vehicle for constant feedback and a process for improvement, albeit sometimes not desired. Can those of us in agriculture say the same, or are we so entrenched in tradition and independence, that we leave the public with a deaf ear to communicate to? Maybe we don't want to communicate with the public?

Justifying our Existence as Agriculturists

According to the February 2001 edition of USDA's *Agricultural Income and Finance: Situation and Outlook Report*, government assistance has been important in helping to stabilize farm income. Total direct government payments to farmers were \$12.2 billion in 1998, \$20.6 billion in 1999, \$22.1

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Introducing Doug Hensley

The Loranda Group, Inc. is pleased to announce a formal addition to its management team, Douglas L. Hensley. Doug has worked for the company since 1998, but recently joined LGI fulltime as a managing broker in Illinois. Prior to joining the Loranda Group, Hensley worked in a variety of agricultural fields including production agriculture, crop consultation, and farm management.

Hensley was raised on a cash grain and livestock farm in western Illinois. His farm production experience and secondary education make him particularly quick in understanding land and commodity markets. He is a graduate of the University of Illinois with a Bachelor of Science in Agricultural Economics and a Masters of Business Administration (MBA).

In providing value to The Loranda Group, Inc. and its clients, Doug brings fresh skills and new ideas to the forefront. His education and previous work experience has helped him to develop his network of corporate contacts and academic colleagues, both of which supplement his small town roots. He has experience talking to groups of agribusiness professionals and college students on topics including agricultural finance and land economics. Through his professional, educational, and personal activities, Doug is both respected and sought after for information in his field.

Feel free to give Doug a call or e-mail him at doug@loranda.com someday soon. He is ready to help you achieve your real estate goals.



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billion in 2000, and are projected at \$14.2 billion for 2001. From 1990-1997, the annual average of direct assistance payments tallied \$8.8 billion. These numbers are significant to both those receiving them and those who are funding them, the taxpayer like Jon, Michael, you and me. As we found in my discussion with Jon and Michael, however, the typical American consumer does not know the extent of these appropriations for agriculture. What would the public think if they did know and understand the above figures? From *farm producers* to my associates at *The Loranda Group*, this issue affects all of agriculture. The trickle down effect is crystal clear and we are all faced with many of the same challenges. But how can we make things better? In my view, we must change the processes by which the public is presented information—instead of sound bytes fed by activist groups, we must create channels for accurate, often, and open flows of information.

Farm Policy & Its Impact

Those of us in agriculture can all appreciate the impact that agriculture has on our society. But much of that same impact is derived directly from farm bill legislation. Richard A. Levins of the University of Minnesota recently wrote in a staff paper series on farm income,

“Government or free markets, free markets or government? The dismal history of this debate does little to dampen enthusiasm for it. In spite of their polar differences, these two approaches have something important in common: the assumption that farmers working together to increase their own well-being cannot, or will not, happen. Government programs are based on the view that farmers are unable to act together in their own best

Loranda Earns Another National Award



The Loranda Group has just received notification that it has won the highly coveted “Auction of the Year” award from the National Auctioneers Association for the 4,800 acre Allerton Auction it conducted last November. The award will be formally presented at the NAA national convention in Boise, Idaho in late July.

Contestants for this award were required to submit a detailed report summarizing all of the marketing activities and events that took place during the promotional period. The criteria used to judge the contest included: preparation and execution of a detailed marketing plan, unique and innovative ideas used, and the overall success of the auction.

With over 6000 members nationwide, the National Auctioneers Association received hundreds of entries for its annual contest. This prestigious “Auction of the Year” award, combined with the two first place awards that The Loranda Group received in 1999, reinforces its reputation as a leader among real estate auction companies.

interest. Thus, the government must act on their behalf. Free marketers see collective action as unnecessary and a general affront to their individual freedom they hold dear. As a result, the possibility of farmers acting collectively to take charge of their own economic interests has received virtually no attention in almost 70 years of farm policy debate.” [© 2001 by Richard A. Levins]

Based on Mr. Levins’ comments, farm policy determines the fate of farmers. What will happen when the public becomes cognizant of the extreme support afforded to farmers, which is then trickled-down to agriculturists, while not provided in the same capacity for other small businesses, many of which are vital to our economy? What happens when farm policy becomes less supportive? These are the hard questions that we have to answer. In thinking about how we can

impact the outcomes of these questions, remember the glimpse of opinions that Jon and Michael provided to us in describing the views of the typical American consumer. Remember Richard Levins, an *agricultural economist*, and the opinion of what one agriculturist believes. Those two men in southern-Illinois proved to me that the public is called to or accepting of the inequitable aid that farmers receive, relative to other industries. But we all may be surprised at what the next farm policy debate allows for us in agriculture. As we all have pondered...how much longer can farmers and agriculturists in general expect their occupation to be a *right*, rather than a *privilege*, only afforded by tax dollars? More importantly, how much longer will the public pledge policy support to agriculture? I sit here and ask myself...how will U.S. agriculture adjust to what lies ahead?