

Officers:

President
Brian Gatzke, ARA

President-Elect
Jeff Barker ARA

Secretary
Paul Reisch, ARA

Treasurer
Adam Nelson

Past President
Paul Sickler, AFM

Directors:

Jack Davis (2021)
Rick Gullickson, AFM (2023)
Dave Koenigshof (2023)
Kim Larson (2022)
Don Threadgold, AFM (2021)
Don Zacher (2021)

Committee Chairs:

Communication:
Paul Reisch, ARA
Newsletter – Curtis Brooks
Andrea Fox – Publicity
Website – Adam Nelson

Education: Travis Shaykett

Government Relations:
Paul Sickler AFM &
Jim Dunlap, AFM-ARA

Kjerstad Member Scholarship:
Brian Gatzke, ARA

Liaison: Don Zacher

Membership: Kim Larson

Mentor: Allan Husby, ARA

NE-SD Summer Meeting:
Dave Koenigshof

Nominating: Paul Sickler, AFM

SDSU Relationships:
Barb Hegerfeld
Education Liaison
- Ryan McKnight
Scholarship – Keith Newman
Student Involvement
-Rick Gullickson, AFM

Social: Jeff Barker, ARA

East River Breakfast:
Jordan Bauer

West River Breakfast:
Norm Edwards, ARA &
Justin Uhrig

Fishing / Hunting Social
Jeff Barker ARA

Auction Social
Terry Leibel
Jim Dunlap, AFM / ARA

Vocational Technical School
Relationship – Wade Buck
YPN: Ryan McKnight



American Society of Farm Managers & Rural Appraisers

THE MOST TRUSTED RURAL
PROPERTY PROFESSIONALS

SOUTH DAKOTA CHAPTER www.asfmra-sd.com

4/2021

Enhancing Our Members' Ability to Succeed in Their Rural & Agriculturally Related Professions!

DATES TO REMEMBER

May 13: SD ASFMR Board Meeting 10:00-5:00 – Pierre
5:30-6:30-Social with members & guests
6:30-Dinner with members & guests

May 14: Board Breakfast Meeting With Members-8:00 am - Pierre

May 21: East River Breakfast Meeting - Sioux Falls

June 10: West River Breakfast Meeting – Rapid City

June 23: Fishing Social - Chamberlain Area

July 19-22: Education Week - Omaha, NE

September 8-10: Leadership Institute - Des Moines IA

Sept 9: SDSU Real Estate Networking Event Evening Social-Sioux Falls

Sept 10: SDSU Real Estate Networking Event all day- Sioux Falls

Sept 15-16: SD ASFMR Board Meeting/Education: Chamberlain/Tentative

October 28-November 6: ASFMR Annual Conference - Las Vegas, NV

MEMBER ANNIVERSARIES

<u>Member</u>	<u>Join Date</u>	<u>Years</u>
Russell Wyatt	5-29-1987	34
Paul Reisch, ARA	5-06-1988	33
Tom Jass	5-26-1995	26
Kayla Suther	5-31-2013	8
Justin Uhrig	5-01-2017	4
Chip Horton	5-01-2020	1

Thank you for your support!

PRESIDENT'S MESSAGE

By: Brian Gatzke, ARA

Dear SD Chapter, ASFMRA members, friends, and guests.

Well, a quarter of 2021 is already past and 2nd quarter has begun. Time flies. Kind of like looking back with COVID or Corona Virus or whatever we call it, the past year and half including how the politics continue, reminds me of a mechanical bull ride in college. No matter what happens, once you jump on, someone will get hurt and it is not the machine.

We had to move our Board meeting to Pierre on May 13 to be held at Red Rosa and lodging is available at The Clubhouse Hotel & Suites. We look forward to updates from State of SD, our committees, and members. Due to the intensity and depth of the topics for our board meeting, we will strongly encourage 100% board member attendance. Given the proactive focus of our state, all of SD has been given the opportunity to receive the COVID/Corona Virus shot. We will be good to go they say if 80% get vaccinated.

Through these times, with record land prices occurring largely due to investors, high commodity prices for corn/soybeans, strong agriculture demand for our products, I do not see land prices falling for the coming months, but like all markets, they cycle. Farmers National just published a news release indicating land values over the past 6 months have risen in many markets over 50%. We are looking forward to the SDSU Land value survey soon. Please reply to Jack Davis email and enter your information about land trends, prices, rents, and conditions.

I understand the labor department advertisement for Sherry's replacement is to be posted soon. Looking forward to learning more.

Summer Education Week is just around the corner for July, then combined with our spring fishing and fall hunting social events, concluding with our fall CE seminar, we have some great activity for 2021. 2021 even looks better with our annual meeting in January, National Dairy Seminar in March, and the cycle for fishing, hunting, SEW, and Annual meeting starts all over. Enjoy the fishing, I will be teaching A101 and A102 with 2 other instructors in June, so I will let you all catch the big one.

By the way, you will find the Rural Valuation Topic attached for this newsletter. Send John Widdoss a thank you. Catch you all later.

Brian Gatzke

YPN AXE THROWING SOCIAL

By: Barbara Hegerfeld



On April 21st, the SD ASFMRA Chapter hosted an event at Woody's Axe Throwing in Brookings for SDSU Students. The event was organized by YPN Chair, Ryan McKnight. Student Involvement Chair, Rick Gullickson, started the evening by promoting ASFMRA student membership, YPN involvement, along with the SDSU ASFMRA Scholarship. 13 students attended, with the majority also being part of the SDSU FIRE Club. The group enjoyed a night of axe throwing and networking. Committee members Jackson and Barbara Hegerfeld were also in attendance.



FISHING SOCIAL IS SET

By: Jeff Barker, ARA

The 2021 ASFMRA SD Chapter Summer Networking Event will be held on Wednesday, June 23, 2021 starting at 9 am in Chamberlain. We will fish on the Missouri River with a guide on the 23rd followed by a dinner and socializing at the Wagon Wheel Ranch near Kimball [SD https://www.dakota-pheasant-hunting.com/fishing/](https://www.dakota-pheasant-hunting.com/fishing/). Lodging on the 23rd will also be at the Wagon Wheel Ranch. There will be a continental breakfast served on 24th before leaving the lodge.

*Note that this is a slightly different format from previous years as we will fish and stay over on the same night.

Costs: \$180 per head for the guided fishing which includes fishing and tip.

Lodging/meals: \$70 +/- depending on head count.

Boat space is limited. Please send me a check for the \$180 to reserve your spot ASAP. My address is 816 Heatherwood Dr., Brandon, SD 57005. I will collect for the lodging on June 23rd. More information to follow. Contact Jeff Barker at jeff.barker@rabo.com or 605 261-0395 with any questions.

Please join us for a fun filled day/night of fishing, networking and socializing with your fellow ASFMRA members!



RURAL VALUATION TOPIC (formerly *Rural Valuation Advisories*)

By: John Widdoss, ARA

ASFMRA's 2019 textbook, *Valuing Rural America*, was developed as a "basic primer" emphasizing rural valuation. After completion, the writers felt several topics should be expanded in more detail at some future point.

The 30+ Rural Valuation Topics are that first attempt and extending those topics in "white-paper" format. They were published in mid-2020 and shown under the "Resources" tab on ASFMRA's website. Content varies:

- traditional and urban definitions v. rural issues,
- differences between a "comparable sale" and a sale
- constraints on the appraisal process centering on limited sales in certain geographic areas
- price allocation for land and building intensive properties
- proportionality of land and building types
- highest and best use v. concurrent uses
- quantitative v. qualitative analysis and adjustments
- fractional or partial interests
- easements (partial interests)
- mineral rights
- water rights
- cost approach obsolescence
- rural residential analysis with ER (Equivalency Rating or Factor)
- commercial analysis with ER (Equivalency Rating or Factor)

There are several other topics in various stages of vetting. If someone has an issue or topic, feel free to contact the Education Committee of ASFMRA, www.asfmra.org. or JoAnn Wall, ARA chair of the Education Committee. joann@wallagappraisal.com or our chapter member with questions, Mr. John Widdoss, ARA.

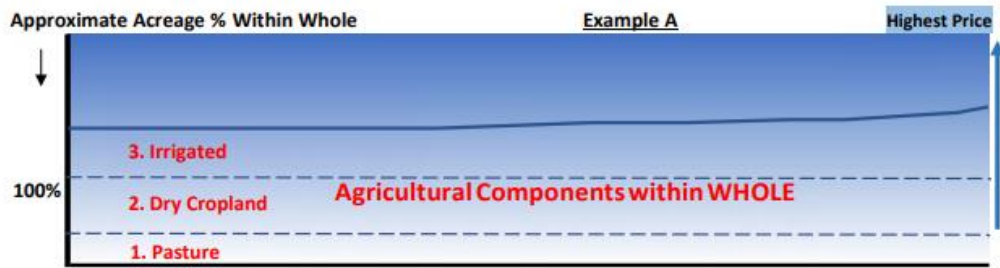
The long-term objective should be directed toward utilization of these and additional topics for the next version of the textbook or additions to course material. RVT #2 is shown below and these topics will continue to be featured in upcoming newsletters.



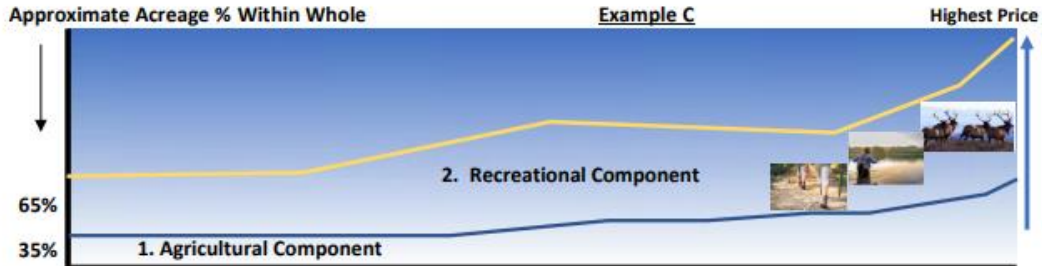
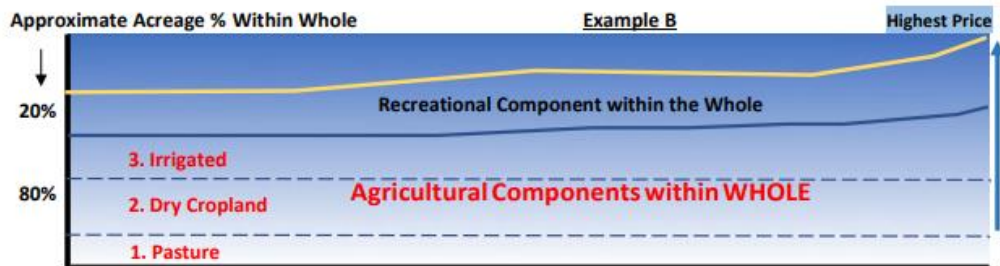
Rural Valuation Topic #RVT 2: Agricultural Value

Agricultural Use Value is defined as, "an opinion of value based solely on the property's agricultural productivity"¹.

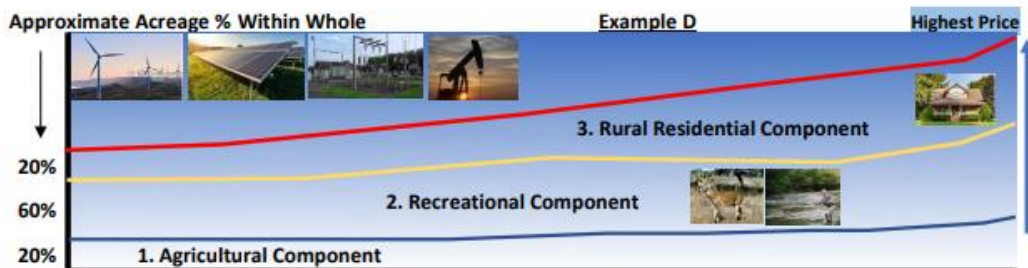
At times, clients inquire about "ag value" appraisals under the premise it is the same as market value required in legal situations. They may be similar in some isolated circumstances, but generally "ag value" is use-value. Prior to 1950, the value of rural lands was predicated purely on economic productivity due to the lack of demand for any other use. For the visual images below, the percent composition is along the left border and its increase in price through time on right.



As the nation's population grew, a commensurate level of demand developed outside urban centers for recreation, quiet enjoyment, second or third homesites, etc. (Examples B and C). Sometime around 1960, markets began to evolve at prices markedly above agricultural productivity.



Contemporary markets show highly variable influences within the same market within relatively short distances. Multiple income streams from the same property are also common.



This transformation of Rural America finds mixtures of:

- “Agricultural” use (lower layer and the historical use) held across several decades and identified as a “generational ag” base.
- “Recreational” component of value in which one or more income streams may have developed. Recreational uses may represent a substantial percentage of the property’s overall value.
- The “Recreational” component may include buildings unrelated to agricultural uses or, improvements converted from their historical uses to uses which support additional recreational income.
- A “Rural Residential” layer or component of value may be present with its relative impact on value being contingent on the property’s distance from population centers.
- Site leases or in-holdings for renewable energy infrastructure, substations, pipeline and powerline easements, and minerals (including industrial materials), etc.
- All components of value may be impacted by the legalities of conservation easements encumbering all or parts of the property. There is a growing number of properties impacted by multiple easements with each property containing different “remainder rights”. These remainder rights can vary from unobstructed to highly restricted.

Considering the gamut of mixed influences evident in most markets, rural “concurrent” uses are common. This is contrary to the traditional urban understanding of Highest and Best Use. Simply, it may not be possible to define a single highest and best use --- but rather a mixture of concurrent uses within the “larger parcel” that cannot be easily separated and independently sold.

ASFMRA Recommendation: Describe current levels of activity and demand akin to traditional markets. Dependent upon the geographic area, a property could have multiple income streams with some being dominant while others are secondary.

- A highest and best conclusion of just “agriculture” may require more detailed analysis and discussion, e.g., permanent plantings, like orchards and vineyards, etc.
- Multiple crops are possible from year-to-year. Most “defined” highest and best uses such as corn, beans, hay, etc., transitions into management decisions for maximizing income --- a condition that may call for a different crop the next year.
- A broader definition of “agriculture” may be appropriate in some areas of the U.S.

“Use Concurrency” has never been addressed in traditional textbooks; yet several markets have evolved to include such complexities. Simply, multiple uses and multiple income streams frequently occur --- neither detracting from the primary use of the property. To value properties in these situations, finding sales with similar layers or complexity is necessary to define what the combined, multi-layered properties are selling for as a unitary whole (Example D). Agricultural Value is likely only a component of the overall Market Value.