

landlines

Fall 2009



950 North Liberty Drive
Columbia City, IN 46725

www.schraderauction.com

800-451-2709



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Long Term Boom in Ag Related Products

Increasing Populations: Increased Food Output

Following Are Excerpts From the June 10 Fortune Magazine Regarding the Future of Farmland & Farmland's Historical Returns:

The fundamentals remain in place for a long-term boom in the prices of everything ag-related. The simplest metric to consider is the amount of farmland per person worldwide: In 1960 there were 1.1 acres of arable farmland per capita globally, according to data from the United Nations. By 2000 that had fallen to 0.6 acres (see chart above, "Precious Acres"). And over the next 40 years the population of the world is projected to grow from 6 billion to 9 billion.

"Land is scarce and will become scarcer as the world has to double food output to satisfy increased demand by 2050," says Joachim von Braun, director general at the International Food Policy Research Institute. "With limited land and water resources, this will automatically lead to increased valuations of productive land. And it goes hand in hand with water. Water scarcity will probably increase even more than land."

According to research by Terry Kastens and Kevin Dhuyvetter, professors of agricultural economics at Kansas State University, the average

annual return on U.S. farmland since 1950, including crop yield and land appreciation, is 11.5%, vs. a 12% annualized total return for the stock market. And the farm returns actually came with about half the volatility of stocks.



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Real Estate News & Views from the Auction Industry

Fall 2009

COVER STORY

Land Sells for \$50.6 Million in 3 Day Land Auction

"Generating Excitement & Revenues in a Down Market."

Strong crowds headlined a widely publicized three-day auction of Kimball International's undeveloped land holdings and timberlands. A total of 27,196 acres located in Indiana and Kentucky sold for \$50.6 million.

Kimball first began acquiring properties in 1963 as a strategic reserve of its primary raw material: wood. Recognized for its long-term, sustainable forestry management practices, Kimball's reputation for environmental sensitivity is well known among many agencies and organizations.

According to John Kahle, Executive Vice President, General Counsel and Corporate Secretary of Kimball International, the decision to sell the property was carefully considered by Kimball's Board of Directors and based on a number of business reasons. "While these properties are no longer essential to company operations, the timberlands have been managed as a financial investment," explained Kahle. "We believed Kimball share owners would be better served by converting this investment into cash at this time to fund the company's growth strategies in both its Furniture and Electronics businesses."

Kimball had retained Schrader Auction Company to conduct the land sale in three separate auctions, Nov. 6, 7 and 8. Small bidders dominated the first day's auction held in French Lick, Ind., outbidding large

investment fund buyers resulting in the sale of 9,426 acres of southern Indiana land to 72 different buyers for a total sale of \$15.780 million. The second day's auction, held in Brandenburg, Ky., again saw wins by individuals and smaller buyers with 15 buyers purchasing 5,994 acres for a total of \$10.243 million. The final sale day, held in Sturgis Ky, of nearly 12,000 acres in Union

and Crittenden counties in western Kentucky sold for \$24.583 million

There were strong turnouts of more than 200 bidders every day, with a few bidders seeking large combinations of acreage and a lot of smaller bidders interested in smaller amounts of land for investment, hunting or personal use.

This amount of success didn't come easy. The following is a few challenges that had to be overcome to have a successful auction.

UNPRECEDENTED PREPARATION

Prior to even proposing an auction or signing an auction contract with Kimball International, seven (7) Schrader associates spent 800 man hours examining the property using ATVs, airplanes and geo-referenced mapping to prepare and understand the properties and their locations.

ENORMOUS MARKETING CAMPAIGN

44 total properties consisting of 225 tracts were spread over 12 counties in 2 states.

The logistics of marketing the properties and preparing marketing materials was a huge task. Massive amounts of information had to be gathered months before the auction in order to accurately advertise each tract. Detailed materials needed to be created to accurately give potential buyers information about each property/tract.

ECONOMIC DOWNTURN

The economic downturn during the course of the auction campaign, especially in the days prior to the auction, was a major concern to Kimball International. On auction day, the DOW was off 35% year to date, but the DOW lost almost 10% the day before the auction and on auction day. Doubts about whether or not to proceed with the auction needed to be addressed. The loss of demand for recreational properties, and the timber market and saw mill fallout was a constant concern in the days leading up to the auction. Schrader made sure that there was constant communication and consulting with Kimball officials on whether to proceed with the auction or cancel due to the economy.

2008 Total Losses in Dow Jones Industrial Avg. Up to Auction Day - Nov. 6

Auction Day - Nov. 5-6	▼ -9.66%
30 Days - Oct. to Nov.	▼ -20%
90 Days - Aug. to Nov.	▼ -25%
6 Months - May to Nov.	▼ -32%
Year to Date - Jan. to Nov.	▼ -35%

SURVEYS AND CLOSINGS

Schrader managed 7 different surveyors and 3 different title companies in the closing of 83 real estate transactions. Prior to auction, Schrader contracted the surveyors to tie down corners and identify access issues so that the buying public could bid with confidence.



November 17, 2008
Gibsonburg, Ohio
710 Acres
Offered in 14 Tracts
\$2,094,000.00



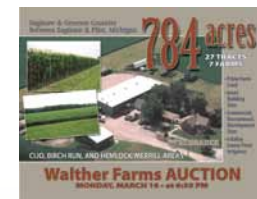
November 25, 2008
Frankfort, Indiana
1,092 Acres
Offered in 23 Tracts
\$5,969,000.00



December 2, 2008
Delphi, Indiana
272,175 Acres
Offered in 4 Tracts
\$1,820,000.00



December 15, 2008
Troy, Ohio
287 Acres
Offered in 5 Tracts
\$1,735,000.00



March 16, 2009
Flint, Michigan
784 Acres
Offered in 27 Tracts
\$1,780,000.00



March 19, 2009
Richmond, Indiana
443 Acres
Offered in 5 Tracts
\$1,670,000.00



April 7, 2009
Crossville, Tennessee
5,835 Acres
Offered in 4 Tracts
\$4,104,000.00

NEWS

Green Energy Update

Ethanol & Wind Power Markets

In the ethanol market, much of the optimism and excitement that characterized this industry has subsided into a more realistic understanding of the market's potential. For some this has been a very harsh reality.

While some ethanol plants have proved to be good investments for their principals, many plants have failed in large part due to high corn prices and declining prices of oil and gas. As one Kansas long time ethanol producer (as well as farmer and feedlot owner) warned us in 2007, "as oil prices climb over \$70 per barrel the push for increased ethanol production can be profitable, but as oil prices drop below \$70 per barrel the push for increased ethanol production does not make near the economic sense." This statement didn't even factor in the \$4 to \$7 per bushel corn cost that we saw in recent months.



Despite the struggles in the ethanol industry, corn use for ethanol continues to increase this year following tremendous increases last year. In addition, the current administration has communicated continued support to help assure greater use of ethanol in the future. Whether or not the Renewable Fuels Standard is upgraded, whether or not the blend amount of ethanol is increased and whether or not more cars are made that run on high blends of ethanol will all factor in with the variables of oil prices and corn prices, impacting the future of ethanol.

While some ethanol plants have fallen on difficult times and while the media publicizes the food versus fuel debate, taking shots at ethanol's impact on the cost of food (in reality the total amount of world wide cropland dedicated to ethanol is less than 1%), many ethanol plants have in fact begun to turn a profit. The increased active participation of oil companies in biofuels is helping to substantiate the industry and evidences their belief in the future of the biofuels industry.

The ethanol market has experienced some turbulent times recently. Turbulence that is often seen in markets that are not mature. These turbulent times have created their share of victims that have been burnt by their investment in the ethanol market. However, there continues to be evidence for a positive future for ethanol and the accompanying demand for corn. As is sometimes the case, it may be the second mouse that gets the cheese as it relates to those investing in the ethanol industry.

In the wind power market, the US Department of Energy is envisioning 20 percent of U.S. energy from wind power by 2030. As wind turbine sites multiply across the country, land owners are profiting in the form of either royalties or flat annual fees, in addition to the cash flow provided by continued farming or recreational activities. It appears certain that the number of wind turbines will continue to increase as the demand for green energy grows. And the leases for the wind rights needed for the wind turbines can be a great source of income for land owners.



AUCTIONS

Kansas Farmland Yields \$4.2 Million

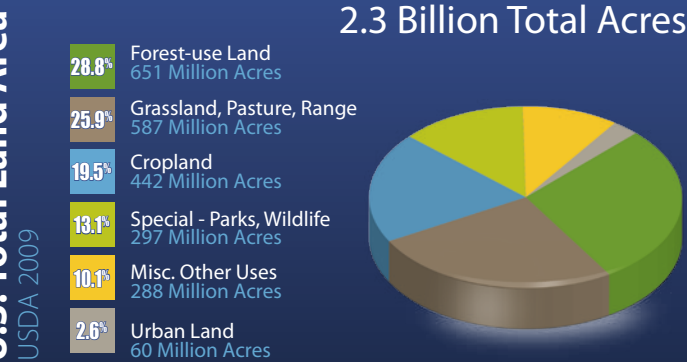
In one of the Cimarron area's largest land sales in recent history, the Doll, Miller and McNiece families sold 2,759 acres at auction, as more than 80 registered bidders spent more than three hours competing for the properties.

"This amount of land doesn't change hands too often in this area, so there was a great deal of interest, resulting in strong bidding," said R.D. Schrader, vice president of Schrader Auction Company, which managed the sale. "We had a packed house, and the bidding on one irrigated quarter reached \$2,799 per acre, which is extraordinary and reflects the families' excellent stewardship and maintenance," said Schrader. Ultimately, that quarter sold as part of a block of tracts totaling 779 acres, which sold for \$1.75 million, or \$2,248 per acre. "We always sell the tracts in the combination that brings the highest total price," said Schrader. The total sale price for the properties came to \$4,260,000. The land sold included irrigated land, dry land, and pastureland.



A separate farm equipment auction followed the day after. Schrader was proud to represent D.K. Miller Investment, Inc. in the complete dispersal of late model and well maintained farm equipment and cattle feeding operation. This equipment was primarily purchased new and was well maintained. Hundreds received the chance to purchase equipment that fit their operations or who were looking to advance their own line of equipment.

U.S. Total Land Area



MARKETING

Schrader Marketing Department wins National & International Awards

Schrader's marketing department was handed its first international award for excellence in Design and Printing from the large European Company Toraspapel. All entries from the United States were judged at a preliminary contest in New York City by the Vice President of the North American Division. Schrader competed against thousands of entries from advertising agencies, universities, non-profits, and corporations, including some of the world's best designers and printers. The awards were announced March 20 in Barcelona, Spain.



The 2009 National Auctioneers Association / USA TODAY marketing competition winners were awarded at the Annual Convention in Overland Park, Kansas. Schrader won 3 of the top 4 awards including the 2009 National Auctioneers Association Marketing Competition Grand Champion award as well as best of show in the Photography and best of show Advertising/Public Relations. In total, Schrader won a record 11 national awards in the 2009 marketing competition.

TECHNOLOGY

New Website Boasts Improved Features

Video, Mapping, Buyer Profile, Online Bidding

This year we will be unveiling our new corporate website. We wanted a visual identity to reflect our growth as a leader in marketing real estate and personal property at auction. New features will be available such as video, buyer profile, expanded mapping, and integrated online bidding.

CLIENTS

Kimball International Speaks after their Successful Auction.



"I think it is a huge statement when we sell that many parcels of land in that kind of economy in these kinds of periods when there is hardly any trust in our lives. You look at practically every profession, every career, every industry and the paper every day speaks of violated trust. And yet we completed this transaction, we completed almost a years journey in extreme white water. A lot of rocks popping up here and there and we did it and got quiet accolades even after the fact from all of the people even the observers in these communities. It speaks volumes for the Schrader organization. I would do it again in a heart beat."

James C. Thyen

President and Chief Executive Officer, Kimball International



"The one critical factor that made this a successful auction was the preparation that was done across the board to sell this property. The preparation in terms of knowing the property, walking the property. The decisions made about how to divide the property, the understanding of the market at the time, not only when we started but as the market dynamics changed during the marketing process, and then finally the delivery at the auction. I think the key to all that was preparation. There was meticulous preparation by Schrader in every aspect whether it was where the field offices were to be set up, to which is the best gymnasium or hotel to hold the auction....So in one word it was preparation. That was the key. They knew the market. They knew the property and they delivered on their promises."

John H. Kahle

Executive Vice President, General Counsel, Secretary, Kimball International



"The stereotype for auctioneers is that they are going to show up, sell this thing and then leave Dodge and we're left to deal with all these buyers of all these properties that we subdivided over two states and dealing with surveyors and trying to do a lot of the accounting work to get surveyors the proper payment. That was my concern, whether this was going to be a potential train wreck. Knowing what I know now, I would have never been concerned. Schraders is not so different from a specialized heart surgeon with incredible bedside manner that can explain to you exactly what your current condition is, what you'll be experiencing on operation day, what your recovery is going to be like, and to let you know that he has been there before and that he will lead you through and give you a good picture of everything from the beginning, middle and end."

Chappell Phillips

Real Estate Legal Counsel, Kimball International