



# DAIRY NEWSLETTER

Issue 41 - Number 2

**SPECIAL ISSUE DEDICATED TO JOHN**



A tribute to **John Grimmus** the founder of The Ranch Company

How do you pay tribute to a man who was instrumental in bringing the lion's share of dairymen and dairy operators into Tulare County?

John had vision and could see the opportunity and possibilities available to dairymen from Southern California. Opportunities for these families to build and own their facilities instead of renting them as a vast majority did in Southern California.

For over 50 years in real estate, John saw himself as a facilitator versus a salesman. He knew the property had to be a good fit for the client in order for that client to reach their full potential.

John will be remembered for his integrity, kindness, positive outlook, visionary skills, as well as his infamous newsletters. John kept his family and faith as his priorities and he expanded his professional "family" to include the Pearson Companies. He said joining them was "the best thing he ever did". He really loved that they worked so similar to him, making clients' needs a priority. John enjoyed mentoring Fernando Santos and Ed Camara. He took them under his wings and taught them how to treat clients and how to be a visionary. You see, John wanted The Ranch Company to be around long after he was gone. He wanted The Ranch Company to keep representing the Dairy/Ag Real Estate with the same care, concern and vision he had the privilege of doing in his lifetime.

John passed his mantel on to "the boys" (as he called them) and they are doing a great job carrying on the tradition and legacy of The Ranch Company and its founder. The newsletters will still be coming around to keep you up to date on listings as well as keeping you pondering "The Back Page" and "The Bottom Line". These guys are ready to answer any questions you may have or help you with any dairy related needs. They also have access to all of John's past records and paperwork on all his dealings. The Ranch Company is truly continuing on just as John dreamed it would.

We recognize John for the wonderful influence he was on our industry and rejoice that his legacy remains and is still going full force!! For professional service, call Fernando or Ed and they will help you just as John would have, with excitement and vision!

As John would say: "The Best is Yet to Come!!" (a note he wrote and saw everyday on his desk)

*Written by Jeanie Grimmus, John's Daughter*

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**In Memory of John Grimmus**



## MILK POOL QUOTA

Milk pool quota sales for 2015 totaled 38,214 pounds at an average of \$531 per SNF. Total sales in excess of \$20,000,000.

**Quota sales** from January to July 2016 are 32 sales totaling 32,224 pounds for an average of \$542.50 per SNF with a low of \$539 and a high of \$546. Total sales in excess of \$19,109,000 \*Provided by Ed Camara, Sales Associate

## ALTERNATIVE INVESTMENT PLAN

**"What will I do with my net proceeds if I sell?"** One of the most common questions today from property owners who want to take advantage of the current prices of real estate assets.

For owners of farmland, dairies, or any other agriculture related properties who want to sell but do not want to get back into Ag, one alternative is commercial real estate investment properties. Commercial real estate offers several options for investors due to multiple asset classes such as office, retail, industrial, and apartments. With interest rates at all-time lows, buyers are able to take advantage of great leveraged returns. Investors also get the tax advantages of writing off interest - with a loan, depreciation of the asset, and delaying a taxable event with the 1031 Exchange.

Some of the most sought after investments are single-tenant triple-net properties. Single-tenant means the building has only one tenant. Triple-net means the tenant pays rent plus the property taxes, insurance, and all repairs/maintenance for the premises and building. These are popular investments because of the low level of risk and simplicity of ownership for even the greenest investor. These are nationally recognized brand names we see when driving around; Walgreens, Bank of America, Walmart, etc. Most of those buildings are owned by investors. These are known as the safest commercial real estate investments because these leases are guaranteed by large corporations, usually will have 10+ years (sometimes 20+ years) on the leases, all expenses are paid by the tenant, and the investor collects rent without having to worry about the upkeep of the building. Single-tenant triple-net properties typically generate an unleveraged 3% - 6% cash-on-cash return. To many investors, this sounds more attractive than paying taxes and putting after-tax dollars to work in other alternatives. An important thing to note with a single-tenant property having a long term lease, there will always be demand from other investors as they are the most liquid commercial investment to own.

As investors are willing to take more risk and get away from single-tenant triple-net properties, they can increase their return. An example of this would be multi-tenant office buildings or shopping centers. If a property has vacancy, and an investor has to put time and money into a property, then they would expect a higher return than a multi-tenant property with 100% occupancy. Typically, once an investor starts looking into stable, 90% + occupied, multi-tenant properties, the unleveraged cash-on-cash return can range from 6% - 10%. If an investor wants a higher return they will take more risks. Investors would be more involved with decision making, tenant roll over, capital injections for improvement and commissions, and cash flow disruption due to vacancies. Multi-tenant properties can offer great returns, but take significantly more work than single-tenant triple-net properties. Be sure to consult with an experienced investment broker. If done correctly, a commercial real estate investment can generate income for decades. \*written by Brett Visintainer, Sales Associate

## AVAILABLE LAND

**40± Acs** Open farm land in Kings County. \$8,500/acre.

**33.58± Acs** Lemoore open farm land in Kings County currently planted to cotton. \$12,500/ac.  
Contact Ed Camara 559.410.5557

**1,509± Acs** investment grade pistachio orchard, 8 wells, 2016 crop included with reimbursement of costs.

**40.02± Acs** Lemoore turn-key horse facility, 21,472±sf horse barn and 5,675±ft elegant home.  
Contact Dan Kevorkian 559.805.8073

**40± Acs** Open land in Saucelito ID, Ave 88 & Rd 184 Tulare Co. Ideal for nuts or vines.  
Contact Matt McEwen 559.280.0015

**39.20± Acs** Orland, CA. Investment Opportunity.  
Contact Bill Enns 559.335.6314

**76.07± Acs** Kings Co. near Hanford. Price Reduced!

**539.54± Acs** Row & field crop land with wells near Corcoran. Priced to sell now! Ask Jim 559.287.9939

**40.35 & 40.37± Acs** Prime soils, new well located Rd 68 & Ave 304, Goshen/Visalia. Ask Jim Olivas 559.287.9939

**698.02± Acs** Open land, Fresno Co. Large block, potential permanent plantings or homesites.

Ask Martin Hovsepian 559.799.3756

**316± Acs** table grapes coming into full production, Terra Bella, good varieties, wells, \$32,500/ac.

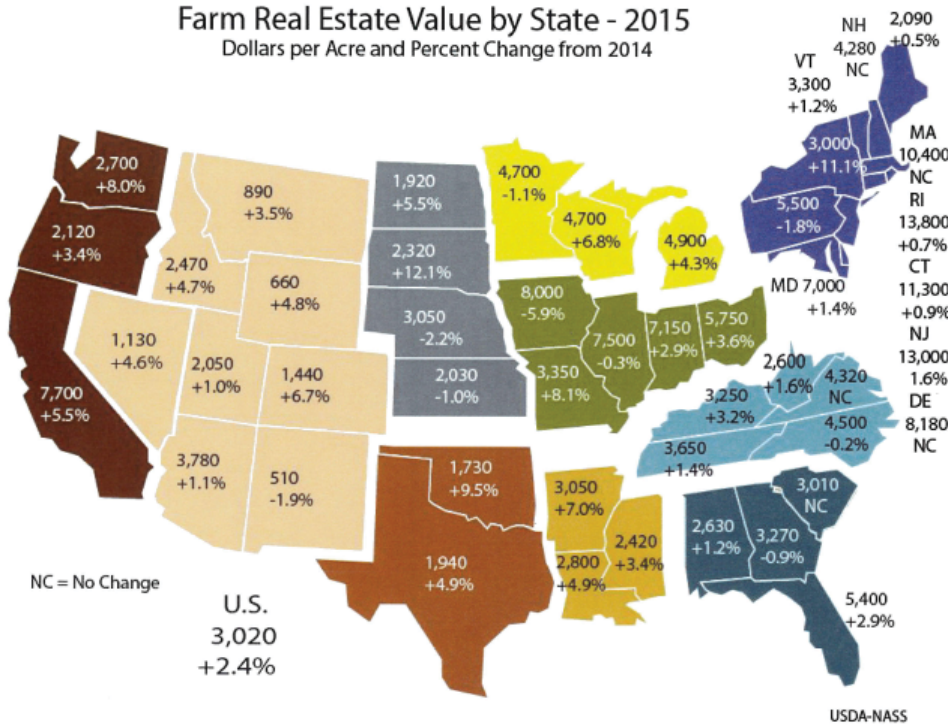
Contact Doug Collins 559.731.0400

# LAND VALUES

## LAND VALUES:

In California, some areas have seen farm land more than double in the past decade. However, in the recent months farm land prices have weakened noticeably in the San Joaquin Valley. Since fall of 2015 we are seeing some sharp decreases in commodity revenues and continuing irrigation water concerns. This has created land values to settle. Farm land values may cool in California during this hot summer. After prices have heated up over the past five years most buyers and sellers are taking a careful look at the importance of land ownership decisions. The Ranch Company is currently working with hundreds of buyers and sellers that believe land value moderation may create additional opportunities when buying, selling and investing.

Farm Real Estate Value by State - 2015  
Dollars per Acre and Percent Change from 2014



Fall 2016 forecast for California and the San Joaquin Valley farm land is all over the board but it appears to us, "on the ground", land values will trend slightly lower during 2016 as compared to the last five years and then stabilize as the fall arrives .

This US map shows state 2015 land value appreciation and average price per acre.

For a more specific dairy and land property marketing opinion of value in your area, contact one of our experienced and qualified agents.

*\*written by Jim Olivas, Senior Vice President*

## THE BOTTOM LINE

### SUPPLY & DEMAND!

Will land prices ever get back to a level making it feasible for a dairyman to buy? Nut prices have fallen by more or less 50%. How will that affect land prices? When a walnut producer grows 5,000 pounds per acre and sells it for \$1.00 per pound, does that turn a profit? Sure it does! However, there just isn't enough profit to allow for being an aggressive Buyer for more land.

Milk Production or Nut Grower, when the commodity prices keep a lid on expansion it is bound to affect land values. But don't forget, when prime land comes to the market, there are always buyers who have some buying power who are always fishing for a deal.

I can't answer the question above but I do believe that Prime Farmland will always be in short supply!

### REMEMBER:

"The best thing to do with a Red Hot idea is to build a fire under it".

**" and That's the Bottom Line!"**

*\*written by John Grimmus, Founder of The Ranch Company*

*John*

## THE BACK PAGE

**We appear to** be in a bit of a worldwide warming trend with some calling for potential disasters because of it. In the late 60's and early 70's, red flags were flying due to fears of continuing cooling trends. Farmers over predicted and moves were to try to control the growth of population. World productions of grains were down due to the prolonged cold weather in the north, which dictated the planting of grains farther south each year. Suppose we switched back to a cooler trend, would there be enough food grown to feed the entire world? Commodity prices would soar and land prices in moderate temperature climates would explode!

**Don't forget** the possibility you may have to expand your herd by having an investor buy or build a larger facility for you. Tell us what you want, when you will need it and what you need, plus where you wish to be located and we'll do our best for you. In the current low interest environment this could be a GREAT OPPORTUNITY.

**Real Estate Brokerage** fees are not set by law. A seller is always free to negotiate these fees. You will find it easier to negotiate if you have very high quality facility or land if the market is "Red Hot". When buyers are hard to find for any type of property do not expect the broker to negotiate fees. In any case, list your property with a large ag office with offices stretched south to north for greater exposure and a large force of professionals to do the job for you. The Ranch Co. is owned by Pearson Realty and covers the entire San Joaquin Valley, the largest ag property real estate firm in the state.

"A bird in the hand is better than 2 in the bush." Even better is 2 birds in the hand - that is, 2 businesses instead of just one. How about adding a commercial income business to your existing dairy or farmland? You don't like the stock market but how about investing in an office building with a long term triple net lease? Don't like town property?

How would an alfalfa ranch, a walnut, almond or pistachio ranch fit in?

Spreading your exposure over more than one enterprise could be very profitable and also very financially stabilizing. \* written by John Grimmus, Founder of The Ranch Co.

**Looking forward** to the future of dairy farming in CA. with the volatility of today's dairy markets and feed prices, today's dairy farmer is also under pressure from potentially damaging legislation that will ultimately increase labor costs even further if passed. Dairy men are having a difficult time locating good quality employees to help at their farms and this will cause even more strain to the dairy men's bottom line and could hurt the ability to stay in business.

**So what do we do?** We become more efficient, of course, by modernizing. Dairy men have proven to be one of the most efficient and creative groups in agriculture today and this time will be no different. With today's technology and modern robotics on dairies steadily increasing Dairy men will adjust by decreasing the number of employees and becoming more reliant of machinery. This I believe is the opposite effect that the legislator was hoping for. Or is it?

The State of California contains over 76,000 farms and ranches that account for over 54 Billion Dollars in income annually and producing over 400 different commodities and over 1/3 of the nations vegetables, 2/3 of the nations fruits and nuts and 20% of the US milk supply. We hope to see a future where our public and legislature stand with our producers for the good of the people. As always The Ranch Co. will be here to address any questions or concerns that you may have regarding you dairy or farm land with the same thoughtfulness and understanding as our founder, John Grimmus.

\* written by Fernando Santos, Sales Associate

## THE RANCH COMPANY



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In Memory of John Grimmus



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Visalia, CA 93277  
559.733.3232

**BAKERSFIELD**  
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**The Ranch Co.**  
A Dairy Division of Pearson Realty

We believe the information contained herein to be correct. It is obtained from sources which we regard as reliable, but we assume no liability for errors or omissions. Policy on cooperation: All real estate licensees are invited to offer this property to prospective buyers. Do not offer to other agents without prior approval.

