

# How to Deal Dirt: Land Auction or Private Treaty?

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For the past five to six years, the decision on how to liquidate the farm was relatively easy. Look in the papers and on the websites. The Des Moines Register was flooded with land auctions and had few listings. Majority of the farms were going to auction. For many real estate companies, 70 to 80 percent of the properties were being sold at auction with the other small percentage listed private treaty.

Most sellers came to the conversation about selling the farm, with one thing on their mind. Auction. They all heard of the unbelievable prices that auctions were attaining and wanted a piece of the action. They hoped their farm would be the one that sold at sensational prices and make history.

The thrill was there and, many times, the drama was also. During 2013, at the former real estate company where I was an independent contractor, I performed 169 auctions in a 12-month period of time. It was a sensational time with hopes of the next auction being better than the last. Many times, it was better, as premiums were being paid.

The story was that the farm may only come up once in your lifetime. Many buyers had the cash to put down a nice down payment, with the help of \$7 per bushel corn, along with a line of credit from a lender.

Well folks, as a famous quote says, "The times they are a changing." This is not easy for a well-seasoned veteran of the past five years of more than 500 auctions. As a professional representing the seller's best

interests, we need to take a hard look at what we are recommending to the sellers as the best way of marketing their property.

We, [at Peoples Company](#), are taking a hard look at what is best for our customers, and the most practical way to market their properties. In a strong market, an auction is the best way to market a farm. When the market takes a turn, private treaty is the best alternative to get the job done. For some of us, it means getting the rust out and trying to remember how we used to sell farms.

We have heard of a raft of No Sale auctions in the past several weeks. Yes, our market has retreated, but are we as professionals making the right call for our sellers? Some of the A+ premium farms can still be taken to auction with a satisfactory result. A somewhat higher percentage should be listed and not auctioned. It has been too easy the past 5 to 6 years to sell these farms at auction with the unbelievable market that we have had.

No Sales, most of time, are caused by the inability of the agent to counsel the owners as to what the farm is actually worth. I have heard agents indicate that the customer wants a certain figure for the farm because it is a [Century Farm](#); we have a lot of memories on that farm; we are building a new home; or we need this money to do this or that.

None of the previous items relate to real value of the property.

As real estate professionals, we are to counsel our clients regarding values and the best way to market their property and not relating and promising a figure that is unattainable. Let's look at the auction vs. private treaty in a different light.

At an auction, the actual price that we may attain is a moving target. Lots of speculation as to value, with many guesses to see where the ping pong ball will land on the valuation wheel. Several people drop the ball on the wheel of fortune and hope that they can win. A listing gives you a little more stability, as the asking price is a nailed down target and easier to see. If we have done our job counseling our clients and arrived at a price that is in the market for this type of farm, this target is easier to hit, as it does not move. Maybe kind of a simple example, but tell me where the least stress is for you and your customer.

Yes, you can teach an old dog new tricks. Or you can just remind him of how we used to sell farms. Change is not always easy, but in our world today, the people that recognize when to make that change are the people that will be in business next year. We are not burying our head in the sand or waiting for someone else to make the move. As you read this blog, our salespeople are looking at the changes that need to be made to be successful in this highly competitive industry. Change is sometimes hard, but necessary. If you try five new things and fail on four out of five, you are still farther ahead of the agent that tries nothing.

As [T. Boone Pickens indicated at the 2014 Land Expo](#), "A fool with a plan is better than an genius with no plan." We have a plan and we moving into 2015 exercising that plan to the fullest. You may have noticed that in the local papers or on the street, Peoples Company does not have as many auctions as we have had in the past.

At the same time, we are out executing on our plan to serve our customers in their best interests and to be the leader in the agricultural real estate field.

- [Jeffrey T. Obrecht](#), The Dirt Dealer