

# Midwest Farmowner

News & Information from Soy Capital Ag Services

## Illinois Farmland Values and Lease Trends on the Rise

Illinois farmland values and lease trends are on the rise. That is one of the primary findings of the 2011 Illinois Land Values and Lease Trends Report released in mid-March by the Illinois Society of Professional Farm Managers and Rural Appraisers. Don McCabe, Soy Capital Ag Services president based in Kankakee, Ill., led the project for the organization and developed the summary report this year.

“The report is the most comprehensive available. The data, ‘real world’ observations and insightful opinions are compiled by experts specializing in Illinois farmland,” says McCabe. “More than 60 professional farm managers, rural appraisers and land brokers gleaned the data.”

In addition to the general observation that Illinois farmland values and lease trends are on the rise in the wake of crop agriculture that is financially strong, McCabe says the report finds more variation between and within regions from higher to lower productivity soils this year.

Economic forces pushing the current rise in crop returns, rents and land values are not uniformly affecting categories of farms or areas, he explains. Even from farm to farm in similar neighborhoods, McCabe reports value differences exist based on lease type, farm operation and management. He points to several factors that account for the differences:

- increasing expectations of greater farm income as the 2010 year progressed and commodity prices increased, and prospects that would continue into 2011
- support from investment capital seeking alternatives to other financial assets

- less impact than in the 2003-2008 time period by demand for alternative real estate uses

- smaller increases, even some declines, in markets that had previously traded at higher than crop value due to non-agricultural, 1031 trade and speculative demand

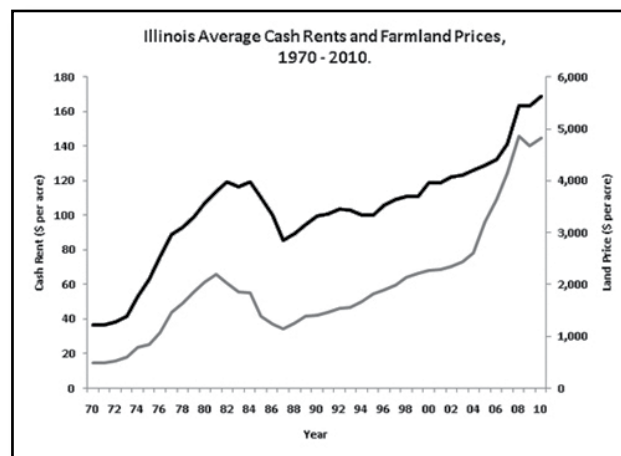
- higher prices from non-farm revenue available in wind energy project areas

- larger increases for lower productivity land based on better crop return expectations

- softer demand for recreational land

On the lease side, a summary of current trends on Illinois farmland indicates rental returns rose for 2010 as net returns to farm operations increased with crop prices.

“Fixed cash rent rates have a tendency to lag the commodity market, with rents varying depending on when lease negotiation occurs,” says McCabe. “With commodity prices rising, crop share and custom farming arrangements are favorable for landowners. And with the 2010 year ending with higher crop prices, rental returns of all types are expected



to be higher in 2011.”

McCabe adds that more rental arrangements are moving from fixed cash rents to a variety of flexible or variable cash leases, as farmowners seek to share in increasing operating returns. Fewer landowners also are interested in crop share and custom farming leases where they share in increasing income returns by assuming crop price and yield risk.

The 2011 Illinois Farmland Values & Lease Trends 70-page booklet can be ordered through [www.ispfmra.org](http://www.ispfmra.org), or obtained from a Soy Capital Ag Services representative. MF

Inside: A Look at Estate Tax Changes

# Soy Capital Welcomes New Farm Manager to Bloomington

Soy Capital Ag Services has added a new farm manager to its Bloomington office. Mark R. Smith joined the staff last November, and will work with landowners in Illinois and Iowa.

“I look forward to providing my clients with specific advice to maximize the profitability and productive sustainability of their farms,” says Smith. “I am pleased to be part of the Soy Capital Ag Services team. It is a very knowledgeable and experienced team who utilizes a combination of the best farming methods with the most economical products on the market.”

Smith grew up on his family’s grain farm near Ottawa, Ill. He was active in his local FFA chapter, where he earned his American FFA Degree. He also is an Eagle Scout.

He graduated in 2010 with a Bachelor of Science degree in crop sciences from the University of Illinois, with a concentration in crop agribusiness. He worked at the National Soybean Research Laboratory (NSRL) at the University of Illinois in the soil-borne pathogens lab and interned as a crop scout. He also interned with GROWMARK’s Seed Division in 2009.

Smith remains an active University of Illinois alumnus of FarmHouse and Alpha Zeta fraternities and of the Marching Illini and basketball bands. Smith is a member of both the American Society of Agronomy and the Crop Sciences Society of America. **MF**



Mark R. Smith

## Midwest Farmland Value Evident in Central America

Mark Smith, new farm manager in Soy Capital’s Bloomington office, had no doubt Midwest farmland is important to global agriculture. But a mission trip to Central America in February made that point more clear. Smith is part of the Illinois Soybean Association (ISA) Soy Ambassadors program, and traveled to Guatemala and Nicaragua to learn more about efforts by the World Initiative for Soy in Human Health (WISHH) and NSRL to enhance nutrition.

“Participating in ISA events like this allows me to bring knowledge of soybean production and soy demand back and incorporate it into my work with Soy Capital,” he says. “Bottom line, high demand for commodities collectively makes Midwest land values increase.”

Smith explains that soybeans are the highest valued export from the U.S., with every other row of soybeans shipped overseas. Guatemala imported 11 million bushels of soybean equivalent valued at \$94 million in 2009, making the nation the eighth largest importer of U.S. soybean meal. Nicaragua imported \$22 million worth of soybean meal in 2009.

“Our tour gave us insight into how our exported grains are utilized not only in Nicaragua and Guatemala, but in other countries as well,” says Smith. “Advances have been made by WISHH and NSRL to provide U.S. soybean solutions for malnutrition in these countries and around the world. Soy milk, texturized soy protein (TSP) and FortiSoy are examples of products currently utilized that are proving

effective. As national economies progress and cash flows increase, more use of soy in Guatemalan and Nicaraguan diets is expected.”

Smith says Guatemala and Nicaragua are underdeveloped nations by today’s standards. Most people live nearly at or below poverty levels, so neither nation has utilized their full industrial potential or natural resources. That is changing, Smith explains, as companies assist with economic growth. Farmers also have started to realize crop production potential, but that potential is limited for soybean production. Soybeans will need to be mostly imported.

Guatemala is slightly smaller than Tennessee, and produces approximately 1.3 million bushels of soybeans annually. The Guatemalan terrain poses big challenges, as highly erodible volcanic soils make soybean growth impractical, says Smith. Nicaragua is comparable to the size of the state of New York, and

produces only 110,000 bushels per year. Limited access to fertilizers, infrastructure, government regulations and demand for specialty crops all challenge Nicaraguan production. Farmers in both countries also face heavy insect and disease pressure.

“The introduction of soy technologies and soy products will increase demand for U.S. soybeans in the coming years,” says Smith. “Because of our location and production abundance, U.S. soybeans can provide an affordable protein supplement. The U.S. produces three billion bushels of soybeans annually, so it is no surprise that exports help drive our economy forward.” **MF**



Smith and other Soy Ambassadors learn about the benefits of soy nutrition and U.S. soy imports for consumers in Guatemala and Nicaragua.

Illinois Soybean Association

# Farm Manager Retires After Nearly Four Decades of Service

Steve Lott, farm manager in Soy Capital Ag Service's Bloomington office, is retiring after nearly four decades of service to the agricultural industry. While much has changed during that time, he says that the role of farm managers is as important as ever.

"Personally, I have gone from working at a small bank in Normal, Ill., where I managed about 5,000 acres and also did farm loans and trust administration, to more specialized services entirely in farm management and real estate," he says. "Soy Capital Ag Services has grown along with the size and complexity of farms we manage. Where I used to work with farmers with up to 1,000 acres, many now have up to 3,000 to 5,000 acres and hire some outside labor."

Lott, who has managed all of Soy Capital's farmland in Iowa, joined the company following farm management positions with Commerce Bank and its predecessors. He has held the title of accredited farm manager (AFM) since 1981, as awarded by The American Society of Farm Managers and Rural Appraisers, and is a licensed real estate salesperson.

"The biggest change I've seen in 36 years of working in agriculture is in technology. We've gone from doing bookkeeping by hand, to

working with computers and highly sophisticated pieces of equipment, to biotechnology and tremendous yield increases," he says. "One of the greatest improvements for me has come in communications capabilities, which makes it much easier to work with farmers and farmowners. I have enjoyed my career and keeping up with all of the changes. Agriculture will continue to offer interesting opportunities."

Lott is a 1973 graduate of Southern Illinois University at Carbondale with a B.S. in agricultural economics. Before completing college, Lott served four years in The U.S. Navy. **MF**



Steve Lott

## Estate Tax Changes Offer Short-Term Stability

While many in agriculture continue to seek elimination of the estate tax at both the state and federal levels, they acknowledge the compromise reached by Congress late last year isn't as devastating to landowners as it might have been. Landowners involved with the estate planning process should see stability in the top tax rates and exemption levels for the next couple of years.

While the federal estate tax was not in effect in 2010, it was set by law on January 1, 2011, to revert to a top rate of 55 percent with a \$1 million personal exemption.

Instead, the compromise set the estate tax for two years at a 35 percent top rate with a \$5 million personal exemption. The tax before it had expired at the end of 2009 had featured a 45 percent top tax rate with a \$3.5 million personal exemption.

"It was critical to farmers in particular that a compromise was reached on the estate tax

before 2011," says Adam Nielsen, Illinois Farm Bureau director of national legislation and policy development. "Farmers often have a great deal of assets tied up in land and equipment, without a lot of cash on hand to



Kevin Semlow talks with State Representative David Reis of the 108th District during Ag Legislative Day held in Springfield in March.

pay taxes in the event of a death. The compromise allows farmers to be able to plan accordingly, knowing what the tax rate and exemption level are going to be for the next couple years. We'd like to see a permanent solution, but this compromise at least avoids

severe tax consequences that would have gone into effect without it."

For as pleased as Illinois Farm Bureau leaders were about the federal compromise, they were just as surprised that the State of Illinois General Assembly voted to decouple the state estate tax from the federal. The Illinois maximum rate is now again 16 percent after a \$2 million exemption, which is the same as it was in 2009. No state estate tax was in force in 2010.

"We were disappointed that after all the work done on the federal level, Illinois reverts to two separate exemption levels. With Illinois' level being lower, that means more taxes are taken from an estate," says Kevin Semlow, Illinois Farm Bureau director of state legislation. "Several legislative proposals to recouple the state and federal estate taxes are in the works, and Illinois Farm Bureau will continue to support those efforts." **MF**

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