

# Midwest Farmowner

News & Information from Soy Capital Ag Services

## Agriculture a Positive in Uncertain Economy

One thing Illinois landowners can be fairly certain about is that the current economic outlook remains uncertain and is affecting the agriculture industry. That's an opinion shared by Soy Capital Ag Services farm managers and many others.

"It truly is an understatement," says Don McCabe, president, Soy Capital Ag Services. "When we read and listen to economists, financial experts, politicians and other forecasters, and try and get a handle on economic conditions, it can be confusing. Add the role of farmland investment into the mix and it can be even more confusing."

While forecasting the outlook may be even more fraught with peril than usual, below is Soy Capital's current perspective on key economic factors:

Monetary policy is very loose. The U.S. Federal Reserve and other central banks around the world are pursuing strategies to pump huge amounts of liquidity into their economies. Such action is a prime accelerator of inflation. Inflation could come sooner if the velocity (lending and spending) of money increases. Inflation could come later if economic activity remains sluggish under the weight of unemployment, government and other impediments.

Consumer and corporate leverage is slowly being reduced. Current leverage ratios were built up over 25 years of excessive consumption in relation to production. Government debt also greatly expanded. A general decline in asset values hurts efforts of just paying down debt to improve balance sheets.

More government spending is a built-in fact of life, and is scheduled for years to come at increasing rates. Politicians promise to address spending plans, but only a small portion of spending is

practical and politically discretionary. Significantly more taxes will need to be levied against the private sector to sustain the long-term spending trends in government.

Unemployment continues at relatively high levels. Even so, it should decrease a few percent over time, which will help the overall economy.

Corn and soybean prices are lower now than this time during the last two years. Although grain producers like higher prices, the price

setback is positive from a long-term perspective. Those that purchase and use crops, such as livestock feeders, ethanol producers and food manufacturers, have renewed hope their feedstock costs will be more reasonable. Such perspective helps keep use up, along with the promise of future price levels.

The 2009 crop is not as large as currently assumed. Lower crop quality will also prevent it from stretching as far as previous

years' crops for use in feed, food and ethanol production. While "outside" commodity markets like oil and gold continue to have a large influence on ag prices, corn and soybean markets are relatively and favorably balanced by supply and demand.

Fertilizer and seed prices are strongly influenced by grain prices. Even though input prices are going higher after a strong break late last year, most farmers already bought 2010 supplies and are positioned for the season.

"In times of uncertainty, investment or economic diversification is paramount," says McCabe. "Inflationary times are expected sooner or later, and we continue to view farmland as a solid protection and an asset that will provide a steady return." MF



Courtesy USDA FSA

Inside: Greater Soil Compaction a Concern for Spring

## FSA Changes Income Verification Process

The Farm Service Agency (FSA) has changed the income verification audit process for the 2009 and 2010 tax years, which will affect all landowners and operators.

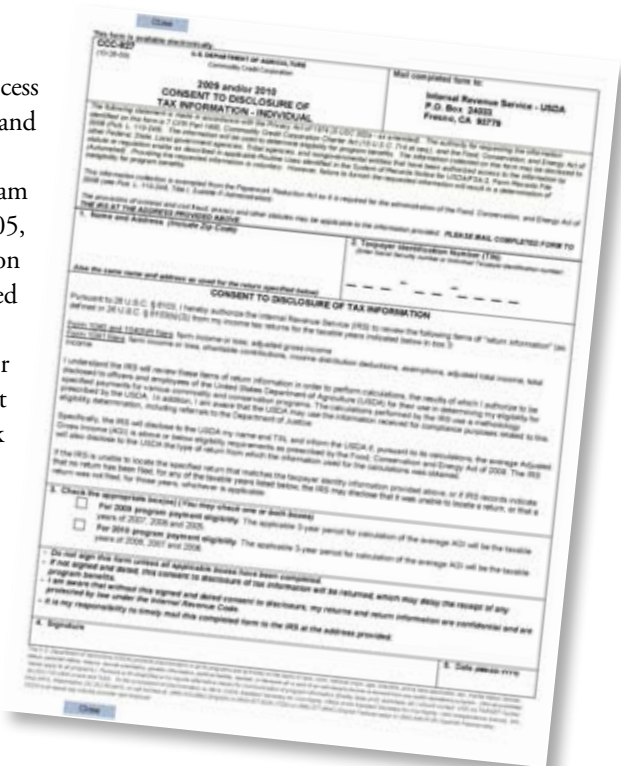
Previously, each person or entity that applied to receive 2009 farm program benefits had to certify that their average Adjusted Gross Income (AGI) for 2005, 2006 and 2007 did not exceed set payment limits. Certification of the information was documented through completion of FSA CCC-926. Each participant certified their average AGI subject to random audit by the local county FSA office.

Now local county FSA offices must provide farm program participants forms for completion that authorize the Internal Revenue Service (IRS) to disclose relevant tax information to FSA for verifying income eligibility. The IRS will check compliance by performing computerized calculations that indicate whether or not a producer exceeds AGI limitations. Producers whose average AGI appears to be in excess of the statutory limitations will be notified in writing. Producers will be provided the opportunity within 30 days to provide evidence demonstrating compliance to the FSA state office.

“This change is in addition to the new payment limitations rules that were established for the 2009 farm program,” says Brian Thompson, Soy Capital Ag Services Bloomington regional office manager. “Often the most restrictive limit set affecting absentee landowners is a three-year average AGI for nonfarm income of \$500,000.”

The FSA form required to authorize IRS disclosure for an individual is CCC-927. The form for a legal entity (trust, partnership, LLC, etc.) is CCC-928. Both forms cover IRS disclosure for participants in the 2009 and 2010 farm programs. The forms must be complete and mailed to the IRS. Local FSA offices cannot accept forms. Deadline for completion and submission to the IRS is June 15, 2010.

If you have questions, please feel free to contact any local Soy Capital Ag Services office. More details are at [www.fsa.usda.gov/Internet/FSA\\_File/irsmou09.pdf](http://www.fsa.usda.gov/Internet/FSA_File/irsmou09.pdf). MF



## Springfield Office's Keith Waterman Earns ALC Designation



Keith Waterman

Keith Waterman, Soy Capital Ag Services Springfield regional office manager, recently received the Accredited Land Consultant (ALC) designation from the REALTORS Land Institute (RLI). The designation is given to those individuals who achieve the highest level of education, experience and professionalism in the field.

I am proud of my new affiliation with the RLI. The ALC designation will greatly enhance my level of recognition and networking opportunities with peers on behalf of Soy Capital, as well as my involvement with sales clients,” says Waterman.

The RLI is an affiliate organization of the National Association of REALTORS. It is the only branch focused on serving land professionals who specialize in farms, ranches, recreational and other specialty land properties; undeveloped tracts of land; transitional and development land; subdivision and lot wholesaling; and site selection and assemblage of land parcels. The RLI was organized in 1944 to improve the professional competence of members in land brokerage, management and development.

Waterman joins David Klein, Soy Capital Ag Services managing broker in the Bloomington office, as another staff member with the ALC designation. Waterman can be contacted at 217-547-2880 or [kwateman@soybank.com](mailto:kwateman@soybank.com). MF

# Soy Capital Ag Services Expands Indiana Presence

Soy Capital Ag Services has added a new, but experienced, presence in Indiana. Ed McCabe, West Lafayette, Ind., has joined the agricultural services staff.

Ed has worked in farm management, farmland brokerage and production grain and livestock farming for more than 30 years in Indiana. He also has experience with corn and soybean research, and retail fertilizer and crop protection service,” says Don McCabe, president, Soy Capital Ag Services. “Ed will work from Indiana to help expand our agronomic research activities. He will also manage farmland and, as a real estate broker, assist both buyers and sellers of farmland.”

McCabe holds a degree in agriculture from Illinois State University, was an Accredited Farm Manager (AFM), and holds an Indiana real estate brokerage license. He served as president of the Indiana Chapter of the American Society of Farm Managers and Rural Appraisers and was on the Indiana Certified Crop Advisors Board of Directors.

Interested Indiana landowners can reach Ed McCabe at 765-430-6246. MF



Ed McCabe

## Wet 2009 Means More Soil Compaction

Soil compaction was virtually unavoidable on most Illinois farms in 2009. Average precipitation exceeded 50 inches over most of the state, which is 11 inches above the annual average, and the primary cause of soil compaction.

“The 2009 crop year saw many significant weather events, and most of those events centered on moisture,” says Brian Thompson, Soy Capital Ag Services Bloomington regional office manager.

“Ultimately, 2009 was the fourth wettest year in Illinois since 1985, which followed 2008 being the second wettest year over the same period. Two back-to-back, historic years of precipitation are bound to create issues.”

Soil compaction is defined in the simplest terms as the elimination of air between individual soil particles. Thompson says the elimination of that air or pore space reduces the rate of water infiltration and drainage, root penetration, and availability of nutrients

through the compacted layer of soil. Excessive rain either sitting on the soil, or in the soil, can limit the amount of air between particles.

Wet soils also create conditions where any type of fieldwork can compact soils. The weight of equipment, depth of field tillage operations, or the need to work under very wet soil conditions all combine to create compaction. And once compaction occurs,

Thompson warns, its impact can be present in the soil for years.

“Farm operators this year will find areas that experienced the heaviest compaction will have the most potential for lower yields. Impeded root growth, nutrient availability and stored water availability to plants are concerns,” he says. “These areas may be scattered through a field under tire tracks or in poor draining soils, and may

reflect compaction throughout the season. The best news for 2010 would be for timely rainfall to limit drought condition potential that can exacerbate previous compaction problems.”

Thompson adds that while freeze-thaw cycles through a winter are thought to “cure” compaction, most available research indicates it is of limited help over one year. Deep tillage may help alleviate compaction, but again, most research indicates limited benefits. Often deep tillage can create a re-compaction of soil, especially if the tillage

operation is performed under wet soil conditions. Instead, research suggests the best way to deal with compaction is to proactively avoid creating it whenever possible.

If you have concerns about soil compaction, please contact your Soy Capital Ag Services farm manager, or visit [www.soycapitalag.com](http://www.soycapitalag.com) for more information. MF



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**Soy Capital Ag Services**

**Midwest  
Farmowner**

Courtesy USDA FSA



- Inside This Issue...**
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