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Midwest Farmowner

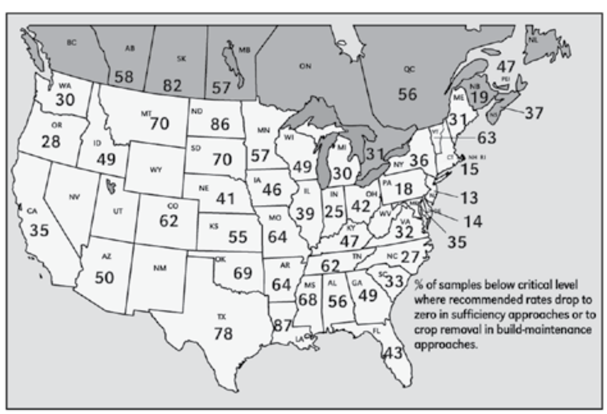
News & Information from Soy Capital Ag Services

Declining Soil Fertility can Affect Productivity, Land Values

Soil fertility has declined in Illinois and other regions, according to a comprehensive soil test summary for North America, which can affect farm productivity and farmland values.

"Soil fertility obviously impacts yield potential if levels fall too far and are not monitored," says David Klein, Soy Capital Ag Services farm manager in Bloomington. "With less productivity on a particular farm, rent levels and land values could be lowered as a result."

With assistance from numerous private and public soil testing laboratories, the International Plant Nutrition Institute (IPNI) periodically summarizes soil test levels in North America (NA). The 2010 IPNI summary of 4.4 million soil samples — one of the most comprehensive ever — gives a fairly complete evaluation of the components of soil fertility with regard to phosphorus (P), potassium (K), sulfur (S), magnesium (Mg), zinc (Zn), chloride (Cl-) and pH. This is the tenth summary completed by the organization.



IPNI

"Soil tests indicate the relative capacity of soil to provide nutrients to plants, and the summary serves as an indicator of the soil's nutrient-supplying capacity or fertility," says Klein.

Notably, the summary finds the median P level for North America of 25 parts per million (ppm) is a six ppm decline from 2005. The region of most consistent declines was the Corn Belt, including Illinois, which also experienced a decline of six ppm to a 2010 median level of 22.

The summary reads, "The decline has major agronomic significance since a high percentage of samples from the region now test below critical levels, and call for annual P fertilization to avoid yield reductions. Soil P declines across the Corn Belt were correlated with P partial balances, which were negative for the five-year period for 10 of the 12 states."

Parts of the Corn Belt also experienced significant K declines. The report suggests some of the apparent changes are likely due to factors other than nutrient management, such as weather patterns that can influence equilibrium between soil test extractable and non-extractable K forms.

"We rely heavily on soil testing to assess fertility and guide future nutrient management decisions. This summary demonstrates the extreme variability of fertility levels and that they do indeed change over time," the summary notes. "Producers who have soils that have not been sampled recently would have much to gain by getting into the regular practice of soil sampling."

Klein agrees, adding that soil fertility testing is a routine part of the Soy Capital Ag Services management strategy. "Our farm managers help farmland owners, whether crop sharing or cash renting, to accomplish this crucial soil monitoring process," he says. MF

Inside: Illinois Land Sales Prices Hit Record Highs

Soy Capital Ag Services

New Farm Manager Brings Seed Industry Experience

Amy Russell

Amy Russell has joined the Soy Capital Ag Services farm management team in Bloomington, and will also assist with the company's agronomic research efforts. Russell has 10 years of experience with the seed industry, having worked with Monsanto's corn breeding and soybean production groups and Syngenta's new traits corn department in Illinois.

"Quality data, obtained through our proven independent seed testing program, will help me support Soy Capital customers, along with my fellow farm managers, in placing the best seed products available on their specific farms," she says.

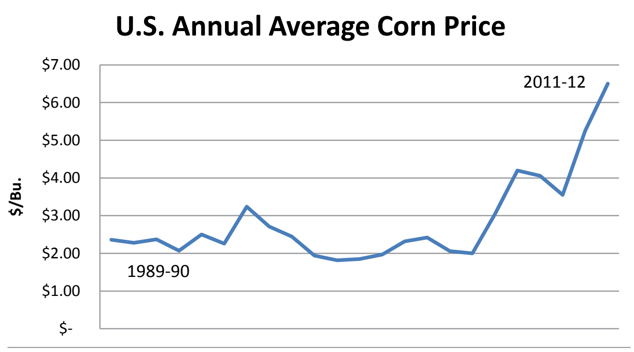
Russell is a 2005 graduate from the University of Illinois, and has a B.S. in crop sciences. Her interest in agriculture began on her family's grain farm near Hudson, Ill. She is a member of the Illinois Agri-Women and University of Illinois Sigma Alpha Alumni Association. MF

Commodity Prices Still Near Record Highs

Soy Capital Ag Services farm managers have been advising farmowners to consider locking in record or near-record commodity prices for nearly a year, as analysts keep an eye on the horizon to see if any factors develop that could force prices lower at any time.

Darrel Good, University of Illinois agricultural economist, says the corn market has been the "poster child" for the sharp increase in agricultural commodity prices that began last summer, driven by a combination of global and U.S. crop shortfalls and strong demand.

1989-90	$	2.36
1990-91	$	2.28
1991-92	$	2.37
1992-93	$	2.07
1993-94	$	2.50
1994-95	$	2.26
1995-96	$	3.24
1996-97	$	2.71
1997-98	$	2.45
1998-99	$	1.94
1999-00	$	1.82
2000-01	$	1.85
2001-02	$	1.97
2002-03	$	2.32
2003-04	$	2.42
2004-05	$	2.06
2005-06	$	2.00
2006-07	$	3.04
2007-08	$	4.20
2008-09	$	4.06
2009-10	$	3.55
2010-11	$	5.25
2011-12	$	6.50



USDA's annual average corn prices are expected to reach new highs for the current marketing year. Soy Capital Ag Services farm managers urge customers to lock in profits and price inputs as the market remains strong.

"Strong demand for U.S. corn has resulted from sharply higher energy and livestock prices, a large decline in foreign wheat production, a small decline in foreign coarse grain production and continuation of the weak U.S. currency," he explains. "But strong demand does not necessarily imply an increase in corn consumption. End users are willing to use more corn than before at the same price or are willing to pay a higher price for the same level of use."

Year-over-year consumption is expected to increase in the ethanol and by-product category. Feed and residual use and exports have been projected near the level of a year earlier. Steady to higher consumption at much higher prices reveals the demand strength, he says.

"The pattern of higher corn prices since June 30, 2010, includes short periods of substantial price declines. Each period of decline has been followed by new highs, though, with July futures reaching a peak of about $7.89 on April 11," says Good. "The most recent price decline reflected a combination of factors including renewed concerns about economic recovery, some recovery in the value of the U.S. dollar and lower crude oil prices."

John Tammen, Soy Capital farm manager in Kankakee, observes that although the market is trying to price ration the current supply of corn, the industry has not blinked yet. He looks for prices to remain strong as demand remains strong. He also urges caution about how long prices can remain at current levels, and advises locking in some profit and pricing some 2012 inputs.

"Soybeans have struggled to get within $1.00 of 2008 contract highs," Tammen says. "Floods along the Mississippi, Ohio and Missouri Rivers have taken millions of fertile farmland acres out of the 2011 equation. We know the size of the Brazilian soybean harvest. Now we wait to see how China's economy fares during the second half of 2011."

Good expects corn and soybean prices to continue to move erratically, reflecting both new information and a lack of information. He notes that the markets see a steady flow of data on consumption in the export and ethanol markets, but less frequent information is available about consumption in the domestic feed market. For soybeans, weekly export inspections have dropped below the level needed to reach USDA's projection of 1.55 billion bushels for the year ending August 31, 2011. In addition, the domestic soybean crush pace continues to slow. The reported April 2011 crush was at the lowest level for that month since 2004. MF

Strength Continues in Class A Farmland Sales Prices

Class A Illinois farmland sales prices remain strong into the second half of 2011. Recent sales handled by Soy Capital Ag Services have been averaging in the $9,000-10,500 per acre range, which is 20-25 percent higher than similar average farmland prices at the end of 2010.

"Record-high commodity prices and fear about the value of the dollar are helping drive land values up," says David Klein, Soy Capital Ag Services managing real estate broker based in the Bloomington office. "Investors wanting hard assets or more hard assets in their portfolios are interested in farmland. They can see a three or four percent cash return on the investment, which is much better than the near zero interest rates they see in other cash investment options."

Klein says Soy Capital's farmland sales commitments are picking up, with several on the late summer calendar. He urges potential sellers to contact him now to start the listing process.

"Anyone who is thinking about selling farmland should begin the preparations right away so we have plenty of time to prepare for post-harvest sales," he says. "The market continues to experience more demand than supply, and that should help land values remain strong."

For more information contact Klein at 309-665-0961 or dklein@soybank.com.

Late Summer Auctions

Check www.soycapitalag.com for these and more upcoming auctions:

August 23	LaSalle County	80 Acres
August 25	Menard County	151 Acres
September 7	Edgar County	600 Acres
September 13	Kankakee County	237 Acres

Consider These Steps Involving Farmland Leases

Owning farmland as an investment or family heritage is an excellent way to diversify a portfolio. However, with that opportunity comes responsibility, says Kevin Meiss, Soy Capital Ag Services farm manager based in Bloomington.

"One of the most critical responsibilities of owning farmland is the lease," he says. "When leasing a farm, the first, most important step is to put your arrangement in writing."

Meiss says a good written lease agreement will document the parties involved (owner and tenant), the location of the farm, the term or length of the lease with a termination clause, the rent, division of any crop and crop expenses, and the responsibilities of the owner and tenant. He says standard lease documents are available through the University of Illinois.

"The most common question I receive from landowners regarding leasing is, 'What is the going rent?' The answer to this question is it depends," he says. "When determining the rent for a farm, several factors need to be considered. These include the landowner's farmland investment goals, the relationship of the owner and tenant, the quality of the farm and the location of the farm. The quality and the location of the farm are easy to define. However, one's goals and relationships may require some serious consideration and tough leasing decisions."

Average Cash Rents and Index Values in Illinois[1]

Year	Cash Rent	Percent Change	Index[1]
	($ per acre)		
1994	99.50		100
1995	99.70	0.2%	100
1996	106.00	6.3%	107
1997	109.00	2.8%	110
1998	111.00	1.8%	112
1999	111.00	0.0%	112
2000	119.00	7.2%	120
2001	119.00	0.0%	120
2002	122.00	2.5%	123
2003	123.00	0.8%	124
2004	126.00	2.4%	127
2005	129.00	2.4%	130
2006	132.00	2.3%	133
2007	141.00	6.8%	142
2008	163.00	15.6%	164
2009	163.00	0.0%	164
2010	169.00	3.7%	170

[1] Taken form U.S.D.A. publication entitled "Agricultural Land Values and Cash Rent Summary."

[2] Index numbers are calculated with a base year of 1994.

University of Illinois

Meiss says another common inquiry is about lease type. The most common farm leases include custom, crop share, variable cash rent and flat cash rent with many variations of each. The best lease type for each landowner, he advises, will depends mostly on goals and risk tolerance. A fair lease arrangement may be established using any of these lease arrangements.

"The final thing to remember when leasing a farm is simple, but very important. Take time each year to review your lease terms to determine if they are fair, reasonable and meeting your ownership goals," he says. "If you have any questions about completing a written lease agreement, I recommend you contact your attorney or consult with a Soy Capital farm manager."

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