

Midwest Farmowner

News & Information from Soy Capital Ag Services

Farm Managers Help Landowners Adapt to Change

Flexibility and the ability to adjust within an environment are hallmarks of a great manager. For example, when we watch champion athletes manage their way through games, we witness them making the necessary adjustments to be successful. Being able to read their surroundings and adjust accordingly makes the difference between good and great players.

The same is true within agriculture. The reality is that the dynamics of our industry are forever changing — including the economic return. A few years ago, increased demand, tight supply and production challenges provided strong commodity prices, appreciating land values and great returns on agriculture investments. But now the industry has filled the supply gap, and agriculture is working with much smaller profit margins. The game has changed.

Ross Albert, Soy Capital Ag Services farm manager in the Bloomington, Ill., office advises landowners and farm tenants to ask two questions: “Have you changed your farm management practices, and how will you adapt going forward to be successful?”

“It is always good to reflect on where we have been, where we are now and what we will do in the future. Successful businesses have a well-defined timeline and a plan associated with it,” says Albert. “One of the most important discussions a landowner can have with a professional farm manager is to understand what they see as success in three, five and 10 years.”

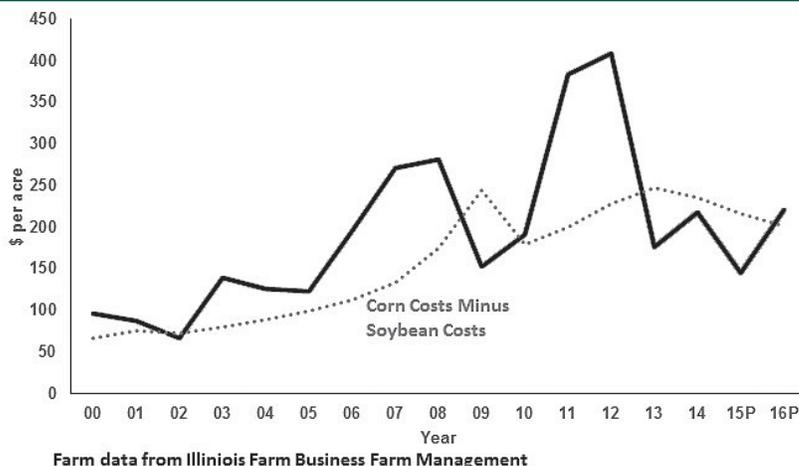
Albert notes that vision will vary from owner to owner, so a customized plan needs to be created for each owner. “Then the vision needs to be shared with all parties including managers, tenants, vendors and consultants to make sure everyone is clear how to work toward those goals. With well-defined goals, we can create action steps to help us achieve them,” he says.

The best plans also are plans that can be adjusted, especially since agriculture is cyclical and management practices must be ever evolving.

“Whether it is agronomic practices, grain marketing or lease structures, we encourage landowners to evaluate how their situation fits the current environment,” says Albert. “Owner goals may change over time. It is our job to understand those changes, and adjust management decisions accordingly. The same practices of the past may not be suitable to achieve tomorrow’s goals. Changes must be well thought out and made with desired goals in mind.”

Soy Capital Ag Services is interested in discussing your unique land ownership goals and the future of your farms. Contact Ross Albert at 309-665-0958 or rAlbert@soybank.com. **MF**

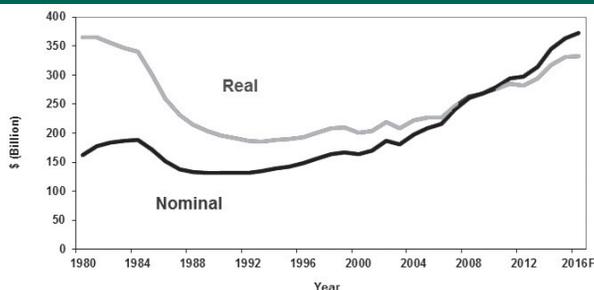
Difference in Revenue and Costs, Corn and Soybeans, High Productivity Farmland in Central Illinois



Farm data from Illinois Farm Business Farm Management

Source: Schnitkey, G. “Corn versus Soybean Returns: 2016 Projections with Historical Comparisons.” *farmdoc daily* (6):30, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 16, 2016.

Total Farm Debt in U.S. End of Year from 1980 to 2016



Source: Debt levels from U. S. Department of Agriculture. Real debt levels calculated using 2009 dollars. 2015 and 2016 are forecasted numbers.

Inside: Read about Changes in Soy Capital Ag Service’s Kankakee Office

Consider Illinois Farmland Value Trends for 2016

By Brian Thompson, AFM, ARA, President

Farmland values in Illinois continue to be influenced by many factors. One of those factors is the historically “safe haven” that high quality farmland has provided its owners as a hard tangible asset. The volatility seen in world stock markets and oil prices in early 2016 has made safe and tangible assets a focal point for many investors in turbulent times. But even with the relative safety of farmland, there are other influences causing a change in farmland values after more than 20 years of virtually uninterrupted appreciation.

Current farmland values reflect both the impact of lower grain prices during the last three years and stubbornly high crop input expenses on net farm income. Cash farm returns are off their traditional 3-4 percent levels and are running in the 2-3 percent range.

While this still can be an attractive cash return based on alternative investment options and the risk tolerance of an individual investor, it is undeniable that farmland returns have decreased. With farmland values typically based on the income-earning potential of the land, lower returns over the last two years have had a softening influence on farmland values. Excellent to average quality farmland is reported to have seen modest declines over the state in 2015, while the lowest quality tillable land reflects more significant declines.

When considering farmland values and trends, finding the right resources and people is critical. One of the most respected publications

analyzing Illinois farmland value trends is the Illinois Society of Professional Farm Managers and Rural Appraisers' (ISPFMRA) Illinois Farmland Values and Lease Trends report. The 2016 report is scheduled for release March 17 at the annual Land Values Conference in Bloomington, Ill. The report represents a survey of ISPFMRA members and their analysis of farm sales and lease terms during 2015. The information collected is divided into 10 regions to better identify local market influences and trends throughout the state. ISPFMRA collaborates with the University of Illinois College of ACES and Illinois Chapter of Realtors Land Institute in collecting and analyzing the results.

Soy Capital Ag Services has three farm managers/real estate brokers with lead roles in development of the Illinois Farmland Values and Lease Trends report. Our Managing Real Estate Broker, David Klein, AFM, ALC, co-chairs the survey collecting the data and the conference presenting the results. Tom Toohill, AFM, chairs Region 7 – West Central Illinois; and Ross Perkins, chairs Region 4 – North Central Illinois. Six other Soy Capital farm managers/real estate brokers contribute to creation of the information presented.

If you seek information or assistance with farmland values, lease trends, farm management or real estate brokerage, visit www.soycapitalag.com or call me at 309-665-0959. 

Jacob Transitions to Retirement from Soy Capital's Kankakee Office

After more than 43 years of farm management and agricultural banking service, Steve Jacob has stepped down as regional manager for Soy Capital Ag Services' Kankakee office. He will remain with the company, managing a reduced number of accounts, and will maintain his Illinois and Indiana real estate broker's licenses to assist with real estate sales and acquisitions.

“My goal is to reduce my workload but not leave the business I love. I have had the opportunity to be part of agriculture, which is the most interesting and gratifying industry in the world. It also has allowed me to work with some of the finest people I could ever associate with, and I appreciate the many clients who put their trust in me and Soy Capital,” says Jacob.

Accredited Farm Manager (AFM) John M. Tammen has been named vice president and regional manager of the Kankakee office, succeeding Steve Jacob. Tammen has been a member of the Soy Capital Ag Services management team and its predecessor organizations since 1986. He manages more than 10,000 acres of eastern Illinois and western Indiana farmland, using share, cash and custom leases to meet his clients' needs and goals.

Tammen received his AFM designation in 1995. He is a licensed real estate managing broker in Illinois and real estate broker in Indiana. Tammen was the lead broker for 2,000 acres of farmland that has sold at auction in the Kankakee area since 2012.

“Agriculture is in a state of transition, but then it always is. Our job as farm managers is to apply the new, as well as the time-tested methods, to improve our clients' farmland for them and for future generations,” say Tammen.

Before becoming a farm manager, Tammen and wife Sandra operated a 12-acre u-pick strawberry farm near Gilman, Ill., called, appropriately Strawberry Fields. They enjoy trailer camping across the United States. Tammen also loves hiking with their three daughters.

Steve Jacob can be reached at 815-936-8980 or sjacob@soybank.com. John Tammen can be reached at 815-936-8976 or jtammen@soybank.com. 



Steve Jacob



John M. Tammen

Soy Capital Advocates Ways to Manage Nitrogen Loss

The Illinois Nutrient Loss Reduction Strategy (INLRS) has set the foundation for a voluntary effort to reduce the amount of nutrients being naturally lost in the environment. One effective way to reduce the amount of nitrogen (N) entering water systems is through implementation of Best Management Practices (BMPs) in the agricultural sector. This article discusses some of the ways N is lost and how agriculture can contribute to a reduction.

During the growing season, N in the soil profile is constantly undergoing changes through a process known as the nitrogen cycle. Often the result of the cycle makes N susceptible to loss, primarily through leaching, making it one of the most difficult nutrients to manage.

Nitrogen can become available in the soil and for plant growth through several paths; mineralization of organic matter, fixation by bacteria in the soil, or fertilizer application. Even though there are various forms of nitrogen found in the soil, nitrate (NO_3^-) and ammonium (NH_4^+) are the only two molecular forms available to the plant. Nitrate has a negative charge that repels it from the soil and makes a form of nitrogen more readily available for loss. Ammonium has a chemically positive charge, which can bind to the naturally negative charge of the soil. Nitrogen in the ammonium form is not at risk of leaching into groundwater and tiles until it is transformed into nitrate through a process known as nitrification.

When excess moisture from rain percolates down the soil profile, it collects nitrate and deposits it into tile systems or groundwater. Nitrogen then can move through streams into the Mississippi River Watershed and ultimately contribute to the hypoxic zone in the Gulf of Mexico. A hypoxic zone is an area where there is a reduced level of oxygen in the water. It often is referred to as a dead zone because aquatic life suffocates and dies. Creation of the hypoxic zone in the gulf is partly attributed to fertilizer washing off farm fields in the spring.

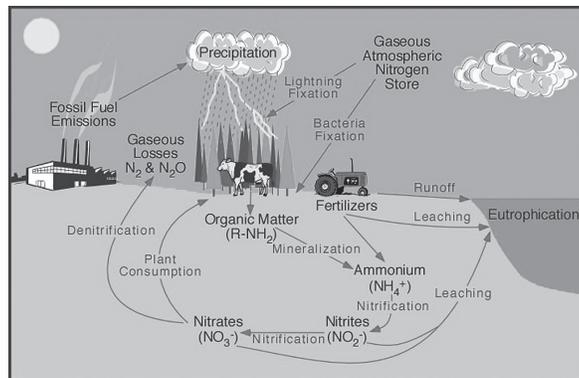
The nitrification process can be affected by soil temperatures. Once below 50°F , soil microbes responsible for nitrification minimize their activity. So crop advisers suggest farmers wait until soil temperatures reach this level to apply fall anhydrous ammonia and minimize loss. This also is one of the BMPs outlined in the INLRS and encouraged as a voluntary control.

Productive soil types found across Central Illinois add another challenge to the nitrogen loss situation. Research has shown many soil types are so fertile, they can mineralize enough nitrogen into groundwater systems that water nitrate measurements can exceed Environmental Protection Agency (EPA) limits even without the addition of fertilizer.

Monitoring groundwater and tile discharge is becoming more common as a way to gauge sources of nitrogen entering various water systems. Continued research will help define these sources entering watersheds and identify techniques to minimize any negative impact.

Finding the balance between having enough nitrogen for a crop to thrive while not putting it in jeopardy of being lost is a year-after-year task. By understanding how nitrogen reacts in the soil, Soy Capital Ag Services farm managers can make the best possible management decisions for both production and the environment on your farmland.

For more information contact Aaron Benoit in Kankakee at abenoit@soybank.com, and Tyler Roth or Justin Wheeler in Decatur at troth@soybank.com or jwheeler@soybank.com. MF



Source: Pidwirny, M. (2006). "The Nitrogen Cycle." *Fundamentals of Physical Geography*, 2nd Edition. www.physicalgeography.net/fundamentals/9s.html.

Drew Wright Joins Soy Capital's Kankakee Office



Drew Wright

Drew Wright joined Soy Capital Ag Services' Kankakee, Ill., office farm management team in December 2015. Wright graduated from University of Illinois in 2011 with a degree in crop sciences, and received his master's degree in 2012 from Southern Illinois University Carbondale in plant, soil science and agricultural systems. Prior to employment with Soy Capital, he was involved in chemical, fertilizer, seed and precision farming sales and service.

Wright was born and raised in Kankakee County, and continues to reside there today. He grew up raising grain and livestock and was involved in 4-H and FFA. He is currently an active member of the Illinois Farm Bureau Young Leaders and is also a Certified Crop Adviser (CCA).

"With my diversified agricultural knowledge and experience in agronomics and precision farming, I hope to help farmers make better management decisions. This can, in turn, generate more revenue for farmers and Soy Capital Ag Services' clients," he says.

Drew Wright can be reached at 815-936-8975 or dwright@soybank.com. MF



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- Soy Capital Farm Managers Help Address Nitrogen Loss
- Are You Prepared to Adapt to Changes in Farmland Economics?
- Learn More About 2016 Illinois Farmland Values

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