

Midwest Farmowner

News & Information from Soy Capital Ag Services

Farm Managers Help Build Effective Crop Plans

By Ross Albert

As we push through the harvest season, it is time to start planning for next season. Seed, fertilizer and other sales representatives are busy visiting farmers looking to place orders for inputs. As you consider how your crop plan for 2017 is being developed, do you know what is in the best interest of the farm and your short- and long-term farm ownership goals?

As with anything in agriculture, the one size fits all approach does not work for building crop plans. Every farm is unique. Individual landowners have different goals. When I work with landowners, tenants and retailers, I encourage everyone to think about having the farm's best interest in mind when making decisions. My fundamental approach is that if we take care of the farm, the farm will take care of us. Economics are always considered when building a crop plan, but maintaining the long-term wellness of the farm should be the top priority.

Adjust Plans for Changing Needs

In Soy Capital's representation of landowners, we get involved in many different scenarios where crop plans need to change to stay focused on client goals.

For example, if you simply look at increased crop yields during the past three years, it is one reason applications of phosphorus and potassium need to increase to replace the greater amount of nutrients that have been removed. Fertilizer application rates of five to 10 years ago were meant to maintain a farm for yields below 200 bushels per acre for corn and 55 bushels per acre for soybeans. Those application levels will not keep pace with maintaining current fertility levels and production capability, so plans must change.

We understand the need for higher fertilizer applications means spending money in an era of moderating gross farm income. We look



Seed, fertilizer and other sales representatives are busy visiting farmers this time of year who are looking to place orders for inputs. Soy Capital farm managers, including Ross Perkins (right), operate with the assumption that a one size fits all approach does not work in building effective crop plans, and approach every situation as unique. Perkins is consulting with farmer Larry Troyer (left).

to balance the economic challenges this presents by developing a one-year crop plan and looking long-term to reach client goals.

The downside to a history of poorly developed crop plans is far reaching. The impact of an inadequate selection process for fertilizer application rates, seed and weed control programs is a loss in crop production capability. This negatively affects income earning potential of both the landowner and farm operator and can reduce land value.

Soy Capital farm managers assist with making educated decisions. We are open to each unique situation. No one can be an expert in everything, but we are experts in creating a network of decisions for a solid crop plan and then executing them with confidence.

Professional farm management is our business. We are passionate about what we do and are immersed in land management every day. If you would like to discuss your crop plan, contact me at 309-665-0958 or any farm manager through our website at www.soycapitalag.com. MF

Inside: A Website's Worth a Thousand Recommendations

First Impressions of Website Lead to Successful Sale

Soy Capital Ag Services' online presence was the impetus North Carolina State University professor Ken Hanck used to decide how best to settle his mother's estate in Illinois. He says the website, soycapitalag.com, provided the right information to start the process.

"I grew up on the farm, but have been employed in North Carolina for 47 years. My health would not permit me to travel to Illinois to monitor sale of the farm, so I asked my attorney to suggest several firms he had employed to sell Illinois farmland," says Hanck, who specializes in analytical chemistry and holds degrees from Illinois State University and the University of Illinois. "He provided contact information for three firms without indicating his preference. I examined the website of each of the firms and decided on Soy Capital."

Hanck says the website was easy to follow, contained current data on the sale of farmland similar to his family's farm, and presented a well-written description of how a land auction would be conducted, which he related to because of attending livestock auctions in his youth.

"I called Dave Klein. He answered my questions with professional enthusiasm, authority and self-confidence. He quickly convinced me he was the one to handle the sale," he says.

"Ken and his siblings had a need that required some decisions and flexibility on their part, and they trusted our group to help them meet their needs," says Klein. "We were able to do that in a somewhat challenging economic environment for farming."

The property, 159 acres northwest of Bloomington-Normal, was auctioned Sept. 7 in two tracts. One contained a wind turbine and the other was an odd-shaped tract with a few farm buildings. The tract with the wind turbine was purchased by a local farmer for \$13,800 per acre. The tract with the buildings was purchased by an investor for \$9,050 per acre.

"Dave and his team took charge of the sale, helped us make key decisions and conducted an amazing auction which exceeded our expectations and generated one of the top selling prices of the year," says Hanck. "I would recommend Soy Capital Ag Services to anyone who wants a professional, well-planned and successful sale."

Contact David Klein at 309-665-0961 or dklein@soybank.com for more information. **MF**



Soy Capital Ag Services uses a number of methods for advertising upcoming land auctions, including placing signs in fields on the properties.

Consider Tax Implications for Land Improvements

Election years generally bring about an increased focus on tax rates and deductions. However, this time we are approaching the end of the calendar year without discussion or uncertainty about Section 179, an important tax deduction for the agriculture industry. That's because the Protecting Americans from Tax Hikes (PATH) Act of 2015 retroactively increased the expense limit to \$500,000 for 2015 and, more importantly, made it permanent.

While the Section 179 deduction gets much attention, bonus depreciation for absentee landowners can have a greater effect. Bonus depreciation, which was extended as part of the same act, allows for an immediate 50 percent depreciation in the year new property acquisitions are placed in service. The 50 percent limit was not made permanent, though, and is scheduled to drop to 40 percent for 2018 and to 30 percent for 2019 before being eliminated entirely for 2020.

Bonus depreciation can be more important to absentee landowners depending on the ownership entity, the lease structure and the particular asset being purchased. The Section 179 deduction may not

be available. For instance, while most entities qualify for the Section 179 deduction, trusts and estates do not. Most properties under crop share agreements qualify for the Section 179 deduction, but properties under cash rental agreements do not.

While you may question the necessity of a capital expenditure given moderating farm incomes, 2017 might be the year to make an investment in land improvement. Drainage tile has proven its value over the past two growing seasons with record rainfall amounts over much of the Midwest. Landowners fortunate enough to have installed drainage tile prior to 2015 likely saw immediate benefits. The agronomic and financial benefits, coupled with the tax benefit, have made drainage tile a popular capital improvement.

If you are interested in researching the benefits of a capital improvement on your farm, consider 2017 while the tax benefits are at maximum levels. For more information, contact Craig Thompson, CPA, at 309-665-0048 or cthompson@soybank.com. **MF**

Evaluate Need for More Subsurface Tile Drainage

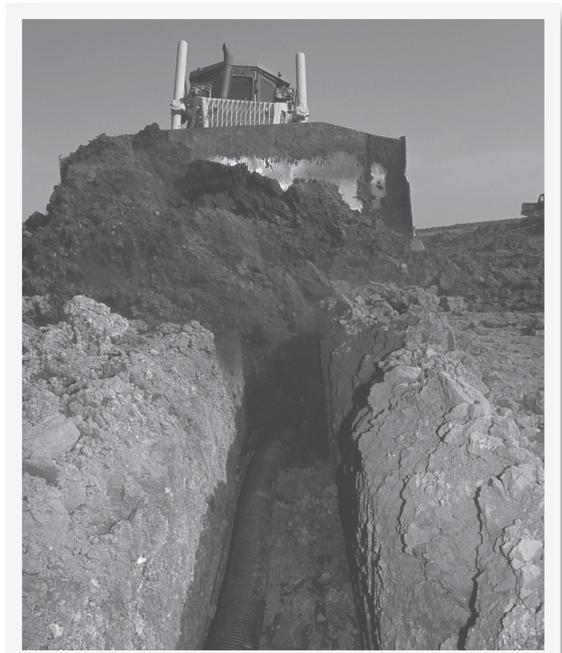
By Kevin Meiss

How quickly excess water leaves a farm's subsoil has an impact on corn and soybean production. Do areas of your farm stay wet for long periods of time following big rains? Check with a Soy Capital farm manager about whether drainage tile is worth the expense.

Excess moisture experienced on many farms across the Corn Belt during the last several years has once again shown the importance of subsurface drainage tile. Saturated soils for an extended amount of time reduce timely field operations and are not good for growing plants. When the soil profile is saturated with water, plants can't breathe, stop growing and nutrient uptake is reduced. Depending on the type of crop and its growth stage during the time of soil saturation will determine the amount of yield loss experienced from poor tile drainage.

Many farms do not have enough drainage tile because the cost to install a 50-plus year drainage system is expensive. And once installed, you can't go see this buried investment.

So how do you determine if adding additional tile drainage is necessary? Yield maps generated at harvest during the last several years are a great way to determine areas that have reduced yield due to drainage issues. Some may be low-lying acres where older tile exist that are not large enough to handle the number of acres being drained or no longer work correctly. Other areas with drainage problems may be hillsides without any drainage tile or old plugged tile. The yield difference shown on yield maps between well-drained areas of the field and wet areas will help you calculate a potential return to your tile investment.



USDA/NRCS

Drainage tile has proven its value over the past two growing seasons with record rainfall amounts over much of the Midwest. The agronomic and financial benefits, coupled with the tax benefit, have made drainage tile a popular capital improvement.



USDA/NRCS

Many farms do not have enough drainage tile because the cost to install a 50-plus year drainage system is expensive. But the sooner you address drainage issues, the sooner you can reap the benefits.

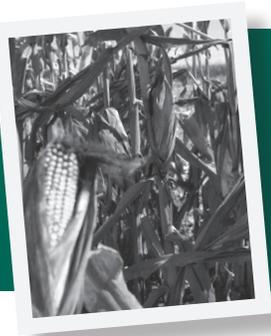
Determine Placement

To correct a drainage problem, you need a place for your subsurface drainage system to outlet the water and the topography to gravity flow water in that direction. The outlet for your farm may be a creek or drainage ditch or a large tile on or near your farm. Having a creek or drainage ditch nearby is the best outlet as it will allow you to size the tile system as needed.

If you decide to outlet into an existing tile, determining if the outlet tile is large enough to handle additional tile and the condition of tile are critical to having a functioning tile system. Establishing a good tile outlet for water flowing out of your drainage system is critical and may cost a lot of money without draining a single acre on your farm. The cost of a good outlet stops many landowners from addressing the drainage issues on their farm.

Once the tile outlet is established, have a drainage tile contractor or advisor establish a drainage plan for your entire farm. The cost for the plan is typically minimal. Most whole farm tile drainage plans will include draining every acre of the farm using a pattern tile system. Use the plan and address the worse areas of the field first to provide the greatest return on your investment. System pattern tiling your entire farm at one time is an option and will likely result in the cheapest cost per foot of tile installed. Regardless if you choose to tile only a portion of your farm or the entire farm at once, starting with a plan for the entire farm is important.

Drainage is a critical management tool for corn and soybean production. Saturated soils limit yield potential. The return from an investment in additional tile will depend on the current condition of your farm and the cost of establishing the outlet. The sooner you address your drainage issues the sooner you will reap the benefits of your investment. Feel free to contact me at 309-665-0056 or kmeiss@soybank.com with any questions. **MF**



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Inside This Issue...

- Tax Discussion may be Opportunity for Improvement
- Addition of Tile Drainage may Boost Productivity
- Soy Capital Farm Managers Prep Crop Plans for 2017

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