

# Midwest Farmowner

News & Information from Soy Capital Ag Services

## Farm Management Helps Mitigate Lower Crop Returns

Recent crop returns for Midwest farmers have been on a downward trend, despite increased yields and lower production expenses. To understand the trend, it's valuable to take a step back and understand how agriculture got to where it is today.

The short answer is farmers are raising more with less. After five years of near-record returns, agriculture is in a cycle where moderate net income resembles 2008 and before.

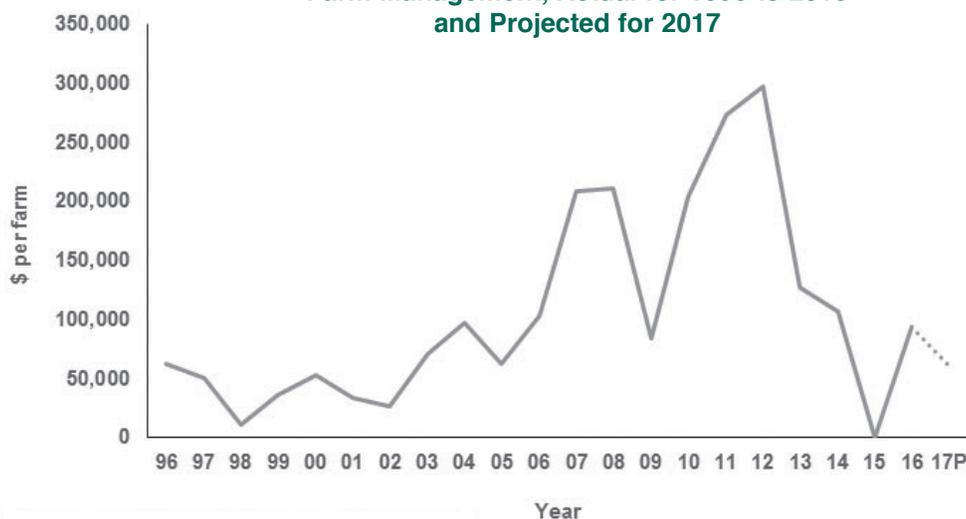
Farmers are raising more bushels with fewer input dollars as compared to the recent past. Improvements in corn and soybean genetics, more efficient farming techniques, and moderate weather patterns have contributed to higher production levels and record yields. And this has all come at a time when seed and fertilizer prices have either stabilized or trended lower.

So why is net income per acre going down? The increase in production has occurred not only over Midwest acres, but all over the globe. A growing abundance of global grain stocks has pushed commodity prices lower during this cycle. The result is declining gross income.

The decrease in fertilizer and seed costs hasn't adjusted enough to offset the lower gross income. Other input costs, such as weed control, are increasing with the need to rotate multiple modes of herbicide actions and use more expensive products for hard-to-control weeds.

Another line item on the expense side that has quietly continued to rise is real estate taxes. According to Gary Schnitkey, University of Illinois ag economist, property taxes on prime Illinois farmland have increased an average 9.6 percent per year since 2008. That year, the average property tax on prime Illinois farmland was \$24 per acre compared to \$53 per acre in 2016. Regardless of the lease structure, this fixed expense has been on the rise.

Net Incomes on Grain Farms Enrolled in Illinois Farm Business Farm Management, Actual for 1996 to 2016 and Projected for 2017



Source: Illinois Farm Business Farm Management

While the multiyear calculation for farmland assessment means it will eventually stall or possibly trend lower, it doesn't necessarily mean real estate taxes follow suit. Demand for revenue by the State of Illinois may continue to put pressure on tax rates for school districts and local taxing bodies of all kinds. More detailed information about Schnitkey's analysis is found at <http://farmdocdaily.illinois.edu/2017/08/increasing-property-taxes-impact-land-owner.html>.

Good farm management will show its strength in this cycle of agriculture. Soy Capital farm managers help mitigate downward impacts by maximizing crop production and controlling input expenses, and this can be seen when comparing managed acres average yield to the published average yields for Illinois counties. Well-managed farms raise more with less capital.

Professional farm management from Soy Capital can help farmowners increase gross income while minimizing input costs and moderating the softening of farm income. Landowners who seek to understand how their farm can improve despite cyclically lower commodity prices and lower net returns may contact Ross Albert at 309-665-0958 or [ralbert@soybank.com](mailto:ralbert@soybank.com). MF

Inside: Soy Capital Releases Research Trial Results

# Soy Capital Farm Management Provides Solid Investment

Carolyn Buckman has never lived or worked on a farm. But as owner of a farm in Iroquois County that has been in her family for generations, she has trust and confidence in the management that has been provided by Soy Capital Ag Services for 17 years.

“When discussing with farm manager Steve Jacobs the possibility of Soy Capital managing the farm, he made me very comfortable. He was happy to explain everything to me,” says Buckman. “This has been true of all Soy Capital personnel for each year. With so little farm exposure, I must be able to give my trust to a manager. I have not been disappointed.”

Buckman uses the 100 percent custom corn and soybean farm as an investment, so annual income from the land is a high priority. She is retired and does not live in the area.

“We have had great years and some not as great. I do watch what other farms do, and Soy Capital has kept each year as profitable as possible,” she says. “They keep me well informed with reports, pictures and a willingness to help in any way. Soy Capital has advised me when deciding to place tiling and keep other maintenance issues under control. They are, and always have been, very respectful of our wonderful farmers and the land.”

While Buckman’s farm manager Steve Jacobs and tenant Duane Behrends have both recently retired, she has transferred the work to Soy Capital farm manager Drew Wright based in the Kankakee office and area farmer David Behrends.

“They are both masterful and handle the job with great thought and confidence,” she says. “I would hope the farm will continue for many more generations.”

Buckman advises other landowners to talk with farmers, farm managers and neighbors when selecting a company. “Share your ambitions and what you expect from the land,” she says. “There are always options, and Soy Capital can guide you as to how you should farm the land.”

For more information, contact Drew Wright at 815-936-8975 or [dwright@soybank.com](mailto:dwright@soybank.com). MF



*Soy Capital Ag Services farm managers provide seasonal and long-term advice to make the most of every acre.*

## Illinois Income Tax Rate Change Affects Farmowners

The State of Illinois approved an income tax rate increase that took effect July 1, 2017, raising the individual rate from 3.75 to 4.95 percent. While 2017 tax forms are not yet available, the increase should have major impact for taxpayers with farm income. Presumably, taxpayers will have the option of separating taxable income for the first and second halves of the 2017 calendar year under each of the different tax rates. If a taxpayer should wish to not separate them, the option would be to pay tax for the full year’s income at a blended rate of 4.35 percent.

Soy Capital Ag Services farm managers are working diligently to have the information available for clients to make informed decisions with their tax professionals. Each farm manager is prepared to separate income and expenses for the first and second halves of the calendar year, if it is advantageous to the taxpayer. If you have any questions or would like more information, contact Soy Capital’s Craig Thompson, CPA, at 309-665-0048. MF

## Soy Capital Research Trial Results Available

Agriculture is ever-evolving, which requires Soy Capital Ag Services to continually search for best management practices for clients. Soy Capital annually partners with seed and agriculture retail companies to provide third-party agronomics testing. The research trials include hybrid and variety testing, as well as population, fertility, weed and disease management.

Working directly with seed companies and agricultural retailers allows the Soy Capital agronomic partners team to test the newest products available, including experimental products not yet

released for retail use. These tests provide valuable objective data that help empower Soy Capital farm managers to make confident, well-informed management decisions.

If you are interested in the 2017 data gained through this testing, or if you have an idea of a product you would like to see tested, visit [www.soycapitalag.com/services/seedtesting](http://www.soycapitalag.com/services/seedtesting). This season’s data will be published in a November edition of the *Illinois Agrinews* publication. MF

# VRT Use Enhances Farmowner Profitability and Stewardship

Imagine the possibilities if farmers could apply the optimum rate of fertilizer and seed to each soil type, slope, and fertility level of a field. While farmers are not able to break down areas to the square inch today, variable rate technology (VRT) allows inputs to be managed effectively. That improves the bottom line and makes for better land stewardship.

Soil tests are not new technology. But soil tests are still a useful tool when determining soil fertility and pH levels and can be used with VRT. To obtain the best results, multiple soil cores are pulled for each sample. Each sample represents a two- to five-acre section of a field.

Results provide a snapshot of soil health, but they don't come without limitation. Even when a sampler is diligent, getting an accurate representation of a 3.3-acre grid (143,743 sq. ft.) can be difficult from just a handful of cores. Additionally, different environmental factors, such as drought, can affect nutrient levels found in samples. For those reasons, soil must be continuously monitored and tests used as an outline rather than a final draft.

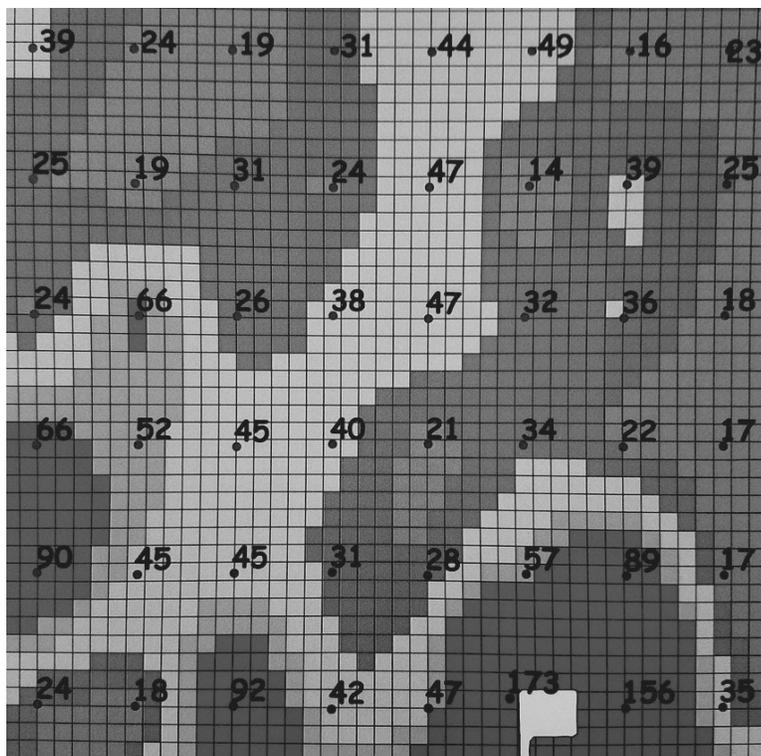
Soil samples can be used to build recommendations for phosphorus and potassium. Some areas of a field may have ample fertility. Adding phosphorus or potassium would provide less immediate benefit to yield or soil health. Other areas that are deficient would benefit from a much higher rate of fertilizer to build up fertility levels.

For these reasons, fertilizer now is commonly spread using VRT. Rather than applying a blanket rate of 150 lbs. of DAP, VRT allows farmers to apply a higher rate; say 220 pounds in the deficient areas, and a much lower rate; say 75 pounds in the more adequate areas. Farmers are able to reallocate fertilizer expenditures to the highest possible return for investment. Even with VRT, maintenance fertilizer rates still are considered for crop removal on all areas.

Limestone was one of the first inputs to be applied using VRT. Limestone is used to raise the soil pH, which can vary quite a bit across a field. Maintaining correct pH levels is a very important factor for soil and plant health. Nutrients in the soil are tied up if the pH is too low for them to be released. Much like fertility, pH levels are managed best with limestone VRT applications to those areas that will respond most dramatically for the dollars spent.

### Optical Sensors Step Up VRT

A new piece of technology has the potential to step up VRT. It involves adjusting application rates based on real-time inputs. The first significant application of this technology has been with nitrogen applied to growing corn. As an applicator drives through a field, optical sensors detect plant health and determine how much nitrogen a plant will need to obtain its highest economical yield. The sensing controller then quickly adjusts rate to match plant health.



Phosphorus soil test gradient results on a 3.3 acre grid sample.

One of the challenges farm managers face when trying to make variable rate nitrogen recommendations is getting usable data on a whole field level. With accurate optical sensors, that challenge would virtually be eliminated. This technology is still very new and as of yet unproven, but Soy Capital believes it has the potential to change the industry in the near future.

Another potential use for optical sensors is the ability to distinguish a weed from a corn or soybean plant. During a typical postemergence herbicide application, a large percentage of the ground has no weeds. Contact herbicides provide little benefit on bare dirt. If a machine could determine where the weeds are and only spray the weeds, it would not only save money but reduce the amount of herbicide applied for proper weed control.

This may seem very forward thinking, but John Deere recently purchased a company called Blue River Technologies that has been a pioneer in this technology. It is hard to know where the research will lead, but it is clear resources are being devoted to its potential success.

Without a doubt, VRT has helped producers make wiser investments on inputs. As we learn more about fertilizer runoff and leaching, VRT will become an even more important resource to help combat water quality issues. For more information on variable rate technology, contact Sean Riordan at 815-936 8978 or sriordan@soybank.com. 



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### Soy Capital Ag Services

P.O. Box 1607  
6 Heartland Drive, Suite A  
Bloomington, IL 61702-1607

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### BLOOMINGTON, IL (309) 665-0955

Brian R. Thompson, AFM, ARA\*  
bthompson@soybank.com  
Chad A. Hoke, AFM\*  
choke@soybank.com  
David Klein, AFM\*, ALC  
dklein@soybank.com  
Dan Patten, AFM, CCA\*  
dpatten@soybank.com  
Kevin R. Meiss, AFM\*  
Kevin.Meiss@soybank.com  
Mark R. Smith, AFM\*  
msmith@soybank.com  
Ross Albert, AFM  
ralbert@soybank.com  
Craig R. Thompson, CPA  
cthompson@soybank.com  
Ross Perkins, AFM  
rperkins@soybank.com

### DECATUR, IL (217) 421-9616

Kevin Hilligoss  
khilligoss@soybank.com  
Daniel W. Moehring  
dmoehring@soybank.com  
Tyler Roth, CCA  
troth@soybank.com  
Justin Wheeler  
jwheeler@soybank.com

### SPRINGFIELD, IL (217) 547-2880

Keith L. Waterman, AFM\*, ALC  
kwaterman@soybank.com  
Thomas L. Toohill, AFM\*  
ttoohill@soybank.com

### PEORIA, IL (309) 687-6008

Steven L. Burrow, AFM\*  
sburrow@soybank.com  
Douglas W. Fehr, AFM\*  
dfehr@soybank.com

### KANKAKEE CO., IL (815) 936-8971

John M. Tammen, AFM\*  
jtammen@soybank.com  
Don McCabe, AFM\*  
dmccabe@soybank.com  
Steven P. Jacob  
sjacob@soybank.com  
Drew Wright  
dwright@soybank.com  
Sean Riordan  
sriordan@soybank.com

### REAL ESTATE ASSOCIATES

#### R.E. Office in Peoria, IL (309) 687-6008

Norman W. Bjorling  
normbj1019@comcast.net

#### R.E. Office in Bloomington, IL (309) 665-0961

Wallace L. Yoder, AFM, ARA\*  
wally@yoderweb.net  
Garrett Schoenholz  
Garrettshow@gmail.com  
John Feit  
john.feit@frontier.com  
John Croft  
Chris Kolodziej  
Aaron Benoit

#### R.E. Office in Decatur, IL (217) 421-9620

James R. Flanigan  
jflanigan@soybank.com  
Bill W. Brown  
Mike Hall  
topbidmjh@gmail.com  
Justin Wood  
jwood25@gmail.com

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