

Midwest Farmowner

News & Information from Soy Capital Ag Services

Soy Capital Sees Slow Economic Recovery

No one needs to be reminded that we just experienced the worst economic plunge since the Great Depression of the 1930s. U.S. Gross National Product (GNP) and industrial production are down four and 15 percent respectively from their peaks in early 2007. Unemployment topped 10 percent. The employment ratio (full-time jobs as a percentage of working age population) is 59 percent, lower than it has been since 1984.

“Many are uncertain if what appears to be a recent upturn is the start of a lasting recovery, or only a pause in a longer, deeper contraction. ‘Experts’ with either forecast can be found,” says Don McCabe, president, Soy Capital Ag Services. “In our opinion, we saw the bottom of the contraction in the late second or early third quarter of 2009. Irrespective of the exact timing of a recovery, we likely have many more months to reach a sustainable improved economy. It takes time to work through severe economic cycles.”

McCabe says adding to the drag on recovery is heavy and inevitably increasing costs of government at all levels with more types and higher rates of all kinds of taxes. Government needs are built in and will consume greater percentages of economic productivity for the foreseeable future, including Social Security, medical insurance subsidies and other transfer/support programs and ballooning public debt service.

“In my opinion it is inevitable that inflation will return to the economy, possibly at rates as severe as we had in the late 1970s to early 1980s. Higher rates of inflation will be accompanied by higher interest rates, both short- and long-term,” McCabe adds.

Soy Capital Ag Services advises clients, based on the outlook, to:

- Maintain liquidity of at least 10 percent of income plus assets. Although liquidity doesn't currently pay in financial returns, it offers safety for short-run uncertainty.

- Recognize the growing need for more taxes by all types of government. Taxes will be a drain on business profitability, employee compensation and economic recovery. Taxes act as a burden on all economic activity and dampen growth.

- For financial investments, go light on utilities, consumer staples and businesses that rely heavily on debt. Expect rising

interest rates. As a debtor, lock in long-term rates. As an investor, keep fixed-income maturities short. Avoid long bonds. Bond market crashes (like the 1970s) can be just as bad as stock market crashes.

- In stocks and other investments place heavier weightings in oil, natural resources and cyclical issues. As always focus on quality, value and diversification.

- Buy real estate. Farmland is an excellent long-term prospect for inflationary times. Residential and commercial real estate should also fair well. **MF**



Farmland with good to excellent soils has fared better than some aspects of the economy, and remains a solid investment during inflationary times.

Soy Capital

Two Wet Springs Point out Value of Sound Waterways

Above-average rainfall the last two springs in Central Illinois has been hard on waterways and other erosion control structures on farmland. On Huss Farms LLC in Macon County, a 40-acre field had 6,000 feet of waterways that were no longer working properly. But through the efforts of Jim Flanigan, farm manager with Soy Capital Ag Services in Decatur, and others, the farm is set for any weather spring doles out in 2010.



“Waterways on farms with rolling topography need to be maintained to control erosion and control the water flow. As waterways get older, they often get silted in and no long function,” he explains. “Water during heavy rains no longer flows in waterways and flows down the side of waterways instead. That’s when waterways must be rebuilt.”

Flanigan began making plans to rebuild the Huss Farms LLC waterways in 2008. He applied for cost-sharing assistance from the Environmental Quality Incentives Program (EQIP) available through the Macon County Natural Resources Conservation

Service (NRCS). The Huss project ended up receiving about 50 percent of the \$12,000 cost through EQIP because the waterways were needed for conservation purposes.

Jeff Hyett, NRCS technician, did the survey work to design the new waterway system. Flanigan recommended wheat be seeded on the tract in the fall of 2008, so construction could begin after wheat harvest in the summer of 2009. Ron Hogan, Moweaqua, Ill., then used

a dirt scraper and bulldozer to construct the new waterways.

We seeded the new waterways this fall with wheat to control erosion during the winter. Next spring, we will put down a permanent grass seeding so the waterways will not erode,” Flanigan explains. “Farm owners need waterway systems that are designed properly to handle the volume of water that drains through a farm property. You also need to be sure a waterway gets seeded properly so that it holds in place when water runs through it. Coordination with agencies and contractors is also required, but all of the work is worth it when you see a good conservation project completed.” **MF**

Soy Capital 2009 Yield Results Now Available on Web Site

Corn and soybean yield results from Soy Capital Ag Services’ comprehensive research plots in Central Illinois are now available online. Yield results are updated weekly at www.soycapitalag.com, and will continue to be posted through the end of harvest. Results

will be summarized in *Illinois AgriNews* later this month as well.

“Soy Capital has 31 research plots this year where we tested corn following corn, corn following soybeans, refuge corn, genetically modified soybeans and conventional soybeans,” says John Croft, farm manager in Soy Capital’s Bloomington office and plots coordinator. “We encourage seed companies to enter current and experimental varieties.”

Soy Capital has both “replicated” and “strip” plots. In the replicated plots, each hybrid or variety is planted three times. In the strip plots, a “check” is used after every four varieties or hybrids to account for any variation in the field.

“Our goal is to collect unbiased, third-party information that can help farm managers and operators make sound decisions,” says Croft. “Having 31 plots across differing soil and weather conditions adds credibility to our results.”

Farmers planting Soy Capital research plots this year included Gene Benjamin, Bloomington; Larry Troyer, Normal; Sean Jordall, Lexington; Ken Millburg, Curran; Sam Brandenburg, Cisco; Jeff Hopkins, Watseka; Bob Wieland, Princeville; Gene Cunningham, Minonk; Chris Zimmerman, Harvel; Carlos Meiss, Fairbury; Doug Thompson, Atlanta; Bruce Klein, Gridley; and Brian O’Rourke, Downs, Ill.

“As the seed industry continues to go through rapid changes, Soy Capital provides stability and organization for farm operators and landowners,” says Croft. “Farm operators who farm Soy Capital managed land can also purchase seed through our Agronomic Partners Seed Program. We work with several participating companies.”

For more information about the seed program or plot results, contact your Soy Capital farm manager or John Croft at jcroft@soybank.com or 309-665-0059. **MF**

Soy Capital Research Plot Participating Seed Companies

AgriGold	Heritage-Diener
Asoyia	Horizon Genetics
Beck’s Hybrids	ICORN
Bo-Jac/Mavrack	LG Seed
Burrus/Hoblit	Mycogen
Croplan Genetics	Nu-tec G-2
Crop Prod. Services	Pioneer Hi-Bred
FS	Schillinger eMerge
DeKalb/Asgrow	Select Seed Hybrids
Garst	Stine Hybrids
Golden Harvest	Stone Seed Group
Great Lakes Hybrids	Wyffels Hybrids

Farmland Real Estate Sales Remain Steady into Fourth Quarter

The farmland real estate sales market remained steady into the fourth quarter of 2009, despite softness in other segments of the economy. David Klein, Soy Capital Ag Services managing broker based in the Bloomington office, says a number of factors have contributed to the stability of the farmland market in Illinois.

Klein lists as reasons for market stability the lack of farmland supply, the value of scarcity and space as population grows and non-distressed sellers creating less volatility.

Current interest rates remain historically low, which helps buyers and reduces alternative investment options. Inflation concerns keep a floor under the market. In addition, Illinois land ownership law makes the state a "friendly" place to invest. Such issues as potential capital gains tax increases, estate tax changes and a lower U.S. dollar also contribute to the solid land market. Finally, and possibly most importantly, farmland has not had the trust of the investment community violated by the federal government the way some stock-held companies were in late 2008 and early 2009. Klein says this has brought the interest of non-typical land investors into something as tangible as farmland.

"Technological advances on the best soils lead to comparatively stable returns. Land diversification for such opportunities as wind energy and the expanded production of ethanol can also positively affect the value of land," says Klein.

Auctions conducted by Soy Capital on prime farmland have been particularly successful, he continues. "In an uncertain market, at times, the auction process is the best way to determine a property's value. The 530 acres Soy Capital auctioned in seven tracts throughout September confirmed that the farmland market is quite healthy."

The Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA) in its mid-year survey this summer found 73 percent of members expect land values to remain stable or drop no more than five percent, 98 percent expect interest rates to remain stable or increase slightly and 90 percent expect inflation to remain stable or increase only slightly in the near term. Challenges to farmland values into 2010 include lower 2009 cash grain returns and negative livestock returns, as well as fewer

land exchanges, any significant rise in interest rates, and possible government energy policy changes.

"Farmland values are in a stable trading range and have support for many reasons," says Klein. "We will still need to feed and fuel the world."

For more information on Soy Capital's farmland brokerage services, contact David Klein at dklein@soybank.com, or call 309-665-0961. **MF**

2009 SOY CAPITAL COMPLETED SALES

DATE	COUNTY	ACRES	PRICE/ACRE
1-29	Kankakee*	123	\$6,700
1-30	Montgomery	73	\$4,700
2-25	Logan*	243	\$4,600
2-25	Logan*	91	\$2,001
2-25	Sangamon*	158	\$4,900
3-06	Christian	192	\$7,400
4-10	McLean*	106	\$26,000
4-27	McLean	642	\$6,230
4-29	Moultrie	73	\$6,500
5-29	Logan	106	\$6,800
5-30	Woodford*	21	\$8,283
6-02	Dewitt	80	\$6,550
6-30	Fulton	154	\$5,600
7-28	Sangamon	112	\$1,300—conservation easement /CREP
8-06	Shelby	50	\$6,275
8-24	McLean	80	\$6,755
9-09	McLean*	78	\$7,500
9-09	McLean*	120	\$6,800
9-16	McLean*	252	\$5,591
9-22	Edgar*	80	\$7,100
9-28	McLean	197	\$3,480—timber/tillable

TOTALS:

12 COUNTIES

3,031 ACRES

\$6,350 average price per acre

* Sealed Bid Public Auction

**Ag Real Estate?
Farm Management?
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* Accredited designations of the American Society of Farm Managers and Rural Appraisers, American Society of Agronomy, and the Realtors Land Institute.

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John Deere