

Northeast News & Notes



Land price boom expected to slow

WITHIN the next six years, either the [national] land price rate of gain will slow or the inflation rate will accelerate. Strong ethanol-related crop earnings helped U.S. land values mark double-digit gains three years in a row. Your expectations for future earnings and inflation both bear on how much you might be willing to pay for land.

"Land's earning capacity is one component of land value," cautions Kevin Dhuvetter, Kansas State University economist. Sharply higher gross crop revenues are boosting return to land and land value.

"Other contributing factors include: recreational opportunities, potential for development and expectations land may rise in value," he adds. "Because land is a bundle of attributes, earnings from production are rarely high enough to allow land to pay for itself."

A bit of history

From 1973 through 1981, U.S. average farmland values grew at double-digit rates nine years in a row.

Inflation accelerated. Grain prices rising to a new plateau, accelerating inflation plus the nine consecutive years of double-digit land-price gains made a convincing argument that land values had no way to go but up in the 1970s.

Americans, including farmers, had reason to believe inflation would persist. Farmers "buying land now because it will cost more next year" seemed like a no-brainer — for a while.

Then, the Federal Reserve tightened monetary policy in 1979, which did wring inflation out of the economy. That cure for inflation was excruciatingly painful for the ag sector. Land values plummeted.

be installed in ethanol plants starting in 2008. This may impact the DDGS market, too. The technology allows more separation of key components of the incoming corn crop before it enters the ethanol-making process.

Boal told Farm Progress: "My understanding is that the end result of fractionation, from a feed perspective, is a feed product that has a higher concentration of protein and less non-detergent fiber than DDGS produced from the more widely used dry-milling process. A better-quality byproduct would obviously be more highly valued by livestock producers.

"A byproduct with a higher concentration of protein may also compete more directly with soybean meal, currently the main source of protein in livestock rations. Such a feed would also be more attractive than current DDGS to the hog and poultry industries."

Why pork will be 'hot'

International food customers want more protein in their diets. That's why

Rate cuts raise risks

The Federal Reserve's January interest-rate cuts are a mixed blessing. "This policy change now sets up conditions for inflation later," says Dan North, economist for Euler Hermes ACI, Owings Mills, Md. "Plus the Fed has created excess liquidity that could easily re-create the conditions that formed the housing-market asset bubble.

"The Fed has created a moral hazard — an expectation that the Fed will come to the rescue every time significant instability occurs in the financial markets," he adds. "Investors will then seek too much risk in investments such as subprime mortgages, a condition which could also contribute to the formation of another asset bubble."

By John Otte

Dairy prices enter uncharted territory

BRUCE Dehm, farm financial consultant at Geneseo, N.Y., reports "uncharted territory" is a common farmer term these days. For dairy producers, he says, "\$17.50-a-hundred milk is the new \$13.50" in terms of making money with today's "higher costs of energy, fertilizer,

Automatic water pump circa 1925

TODAY'S pasture watering gizmos have nothing on technologies patented more than 85 years ago — except maybe smaller size and convenience. Consider this heavy-metal (iron) "pump-it-yourself-girls" water pump on display in the Bernard Krone Manufacturing museum in Spelle, Germany. It was designed and patented by Bernard and Heinrich Krone in 1925.



Rabobank analysts see China as the next big pork market, even as pork exports to Mexico decline.

Boal foresees pork prices remaining historically high for the next 12 months because Chinese pork inventories are barely keeping up with demand. And, China has seen losses in its pork market due to diseases and a "structural adjustment."

"We don't know the size of the decline in the herd," Boal notes. "The government says it is 1 million hogs. But large meat packers say it could be as much as 20% of the hogs."

Boal expects U.S. pork exports to China and Hong Kong could reach 150,000 tons on a carcass-weight basis. But the U.S. faces stiff competition from Brazil. France and Denmark have recently reinstated trade-distorting refunds that could provide an edge to the Chinese market.

The U.S. country-of-origin labeling will be mandatory in September 2008. That, adds Boal, could impact the Canadian market next year.

Web space offers technical updates

KEEPING track of new products isn't easy, from new tools that make your operation more efficient to the latest in fun gear for the farm — like pickup trucks. Now you can keep up on what's going on quickly and easily by just visiting www.AmericanAgriculturist.com and clicking on "What's new." You'll find it in the left quick links menu bar on the site.

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In addition, the quick links list includes a range of other features and services from livestock news to special events for your market. It's worth a look.

land rental rates and just about everything else we need to make milk."

Based on a recent talk by Ross Korves, a biofuels policy analyst, Dehm believes high commodity prices are here to stay. Korves noted: "We are at the point of fundamental change" with how farm commodities will be priced. With nonfood uses of corn and soybeans helping to soak up excess production. Korves predicts corn-based ethanol will continue to be a market driver, with virtually no cellulosic ethanol production before 2015. In fact, to meet world demand, U.S. average corn yields will need to increase from 153 bushels an acre to 176 by 2015 and an unbelievable 289 bushels by 2030.

That shakes down to the dairy quite quickly, suggests Dehm. "With \$20 milk prices, purchased concentrates have remained well-below 30% of the milk check. But when milk prices go back down, the feed pinch will hurt. There are plenty of on-farm discussions regarding grain handling systems to at least bring the cost of energy closer to the cost of production."

He says



"Corn at \$200 a ton and \$500 soybeans will bring purchased feed costs back to the front burner." **Bruce Dehm**
Geneseo, N.Y.

Not-so-obvious implications

Other implications of this new paradigm aren't so obvious, contends Dehm. "Rising demand for ethanol and biodiesel is creating a tide that's raising all commodity prices — including sawdust and straw, which we don't normally consider commodities."

The U.S. Environmental Protection Agency is writing new rules on greenhouse-gas emissions, including those generated from your farm, he adds. And, carbon sequestration will become a big theme for agriculture as carbon prices reach \$15 a ton.

'Guide to Farming' answers questions

DO you need a permit to start a new enterprise? How should you structure your business?

These questions, and a slew of others, are being posed by an increasing number of rural landowners who are exploring how to use their land for economic return. They're also the genesis behind a new guide published by Cornell Cooperative Extension and Cornell's Small Farms Program. It's titled "Guide to Farming in NYS: What Every Ag Entrepreneur Needs to Know."

"This is the first of many new resources being developed by the New York Beginning Farmer Project. Its objective is to increase the likelihood of success of all new and diversifying farmers in the state," says Erica Frenay, Small Farm Program coordinator.

Copies are available through Cornell Cooperative Extension county offices. You can download it for free at www.smallfarms.cornell.edu. Click on "Guide to Farming in NYS" under "Quick links" on the home page.

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Contact us:

Editor: John Vogel
jvogel@farmprogress.com
5227B Baltimore Pike
Littletown, PA 17340
Phone: 717-359-0150
Fax: 717-359-0250

Contributing Editors:

Alan Newport; Holly Spangler;
John Otte, economics;
Arian Suderman, marketing & management

Executive Editor: Dan Crummett

Corporate Editorial Director: Willie Vogt,
651-454-6994, wvogt@farmprogress.com

Sales: Tom Shearing, 585-786-0611

Subscription Questions: 800-441-1410



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