

The global piece of local N costs

GOING into the fall fertilizer application period, experts predict tight supply of fertility products. But as the Illinois Fertilizer and Chemical Association's Jean Payne describes, it's a global marketplace — and that's driving demand and prices.

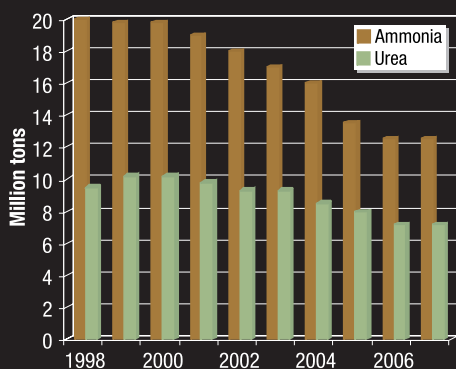
Eight years ago, Payne says, the U.S. imported 40% of fertilizer needs. Today, that figure is upwards of 60%. Payne lays some of that blame at the feet of our policymakers, who she says have yet to come up with a good energy policy. Yet the global marketplace has changed dramatically in that time period.

When U.S. natural gas prices were so high several years ago, domestic fertilizer producers couldn't compete with foreign imports and cut back production. In the meantime, demand in India, China and South America had grown — up 20% since 2006. "Now, production has come back around in a fast way," Payne explains. "Production is up, demand is up, and producers are struggling to meet the demand overseas and here at home."

Production might catch up with demand, as countries with lower and more stable natural gas prices build more manufacturing plants — places like China, South America and the former Soviet Union. But it'll cost more to get it here. Both ocean-going and inland freight rates have doubled in recent years.

Yet here in the Midwest, production isn't the most limiting factor. "Even if we could magically increase supply, we still don't have enough capacity to store it all," Payne says. "We continue in Illinois to have major ammonia supply logistics problems. The terminals are strained to the breaking point; people try to get product in and out during that two- to three-week period when everyone wants it."

How much fertilizer can we store?



U.S. ability to store fertilizer domestically has decreased in the past 10 years, with 39% less ammonia storage capacity and 28% less urea capacity.

SOURCE: ILLINOIS FERTILIZER AND CHEMICAL ASSOCIATION

More bang for your fertility buck

By GAIL MILLER

WANT to maximize what you're spending on fertilizer this fall — especially if you think it's too much? University of Illinois' Bob Hoelt offers his top tips for streamlining your fertility program.

✓ **Formulate a plan.** Work with a professional to evaluate your fields and develop a nutrient management plan.

✓ **Soil test for deficiencies.** Plants make best use of nitrogen when soils are not acidic, and when they're not limited by lack of other fertilizer elements or soil microbial activity.

✓ **Test any animal manure.** An annual nutrient test will help you better manage manure in your fertility plan.

✓ **Evaluate commercial N fertilizer purchases.** Base purchases on cost per pound of nutrient.

✓ **Credit N rates for soybeans.** Beans grab N from the atmosphere, and put it back into the soil. Crediting 1 pound N per bushel of soybean yield is a good rule of thumb.

✓ **Set realistic yield goals.**
✓ **Consider source.** Look at crop, application and climate to determine the best N source.

✓ **Maintain equipment.** Improperly maintained and poorly calibrated equipment (yours or a custom applicator's) rob crop input dollars.

✓ **Watch for runoff.** Control erosion and water flow to keep nutrients where your crops can use them.

Miller writes from Mackinaw.



UP AND UP: Northern Illinois farmland is selling for a whopping \$9,900 per acre average, while top-quality farmland in central Illinois is selling for \$5,000 to \$6,000 per acre.

Land prices hopping

By CHERRY BRIESER STOUT

THE Energizer bunny has nothing on the rise in farmland values, which just seem to keep going and going.

Illinois land values rose nearly 6% in the first half of 2007. However, the market did back off its pace somewhat, as local investors and farmers replace 1031 like-kind exchange buyers in the farmland market, according to a midyear survey of the Illinois Society of Professional Farm Managers and Rural Appraisers.

So far this year, Illinois' land market is off a little from growth rates over the past several years, says Gary Schnitkey, a University of Illinois farm management expert and Illinois Society of Professional Farm Managers and Rural Appraisers secretary/treasurer. "The increase in 2007 is more moderate than the 2004-06 period."

Here are some highlights from the group's annual mid-year land values survey:

Land prices increased 5.9% in the first half of 2007, according to statistics. All land classes and regions of Illinois saw roughly the same increases. Top-quality farmland in central Illinois sold for \$5,000 to \$6,000 an acre, while northern Illinois farmland averaged \$9,900 due to urban influences.

Land prices are likely to rise between 6% to 9% in the second half of 2007. That's the prediction of 42% of Illinois farm managers. A third of members (33%) look for a land price increase greater than 10%.

Illinois land prices have jumped 50% over the past three years, but different factors are impacting this year's increase in land values. Land prices are now being driven by higher commodity prices and the bio-

Key Points

- Midyear survey provides insight into the land market.
- Farmland prices are likely to continue increasing this year.
- Look for cash rents to increase an average of \$21 per acre.

\$212, up from this year's \$191 average rental rate, according to the August survey of Illinois farms.

"Cash rents are likely to increase about \$21 an acre," says Schnitkey. The U of I farm management specialist played down rumors that cash rents in the Springfield area could hit \$350 next year. Some members reported cash rents averaging in the higher \$250 range, but none indicated a \$350 cash rent average, he says.

In 2006, cash rents were \$169 per acre, making the expected 2008 cash rents \$43 over the 2006 level.

New lease rates and changes are being determined this month, with the end of October being the required notice date for farm lease termination in Illinois. The August survey indicates more use of flexible cash-rent leases in the coming year, says Schnitkey, attributing the trend to a difficulty in setting cash rents with the uncertainty in commodity prices. Some 62% of the professional farm managers expect an increase in flexible cash rents, while 80% look for a decrease in the use of share-rent leases.

fuel boom, says Schnitkey.

Over the past year, the number of 1031 exchange buyers has dropped sharply, due in part to a slowdown in development around the Chicago area. The report shows a 36% drop in 1031 tax-free like-kind exchanges this year, down from 56% of transactions at this time in 2005.

More farmers and local investors are interested in buying land. Since mid-2006, local farmers buying land have driven the price increases, says Schnitkey. "Without it, we'd have seen land prices flat or decrease."

\$212 cash-rent average

It's a good bet that the average cash rent in Illinois will break through the \$200 ceiling in 2008. Farm managers expect 2008 cash rents to increase to

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