

Agriculture Faces Many Challenges



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I have just returned from Colorado to attend the 80th annual meeting of the American Society of Farm Managers and Rural Appraisers during their earliest snow fall on record. But despite the weather these “most trusted rural property professionals” learned about some of the most challenging issues faced by all facets of agriculture in the months and years to come.

Richard Brock, prominent market analysis, commented, “What a mess – the 2009 growing season a challenge from start to finish – inputs costs sky high, persistent rains made it impossible for many growers to get their corn and soybean crops planted as early as they would have liked – cooler than normal temperatures through the summer – some areas missed critical August rains – freezing temperatures arrived before a significant percentage of the corn crop had reached full maturity, wet and cool conditions making this the most frustrating harvest season in memory – and drying costs will be enormous.”

On a more forward looking perspective, Terry Argotsinger, an accredited farm manager and accredited rural appraiser, analyzed the steps and negotiations involved in wind farm development. He outlined 12 steps in wind project development: site selection, land agreements, wind assessments, environmental review, economic modeling, interconnection studies, permitting, sales agreements, financing, turbine procurement, construction contracting, and operations and maintenance.

Consequently, Argotsinger cautioned land owners who want to get an easement and let developers build wind turbines on their land that this development process may take several years from start to finish. He also pointed out that the proposed project could be terminated at any step along the way. The location decision will depend on the access to a power grid, sufficient wind velocity, tax incentives, power demand and the will of the people to work together and make the project compatible for everyone.

He advised land owners who are in the site area to get legal advice, individually and as a group. Any agreement will involve three phases – development, construction, and op-

erations. He also pointed out arrangements for decommissioning a project should be included that could take place in 20 to 30 years.

Wind farms will influence land values so experienced land appraisers will need to be consulted when land in and near these projects is being bought, sold, or involved in estate settlements.

The economics of carbon sequestration, another key issue that could affect many current and future farm owners and operators, was discussed. If “cap and trade” legislation is passed, the buying and selling of carbon credits will offer some farmers an opportunity to participate in this new market. Farmers may gain income from practices that sequester carbon such as reduced tillage, cover crops, and crop rotations.

More financial problems for agriculture like the 1980s? Virgil Holtgrewe, an accredited rural appraiser from Colorado challenged the members to look ahead with caution. He reminded his audience of the 70s and 80s with low commodity prices, available credit and farms going into debt, expansion of farm operations, and high interest rates from 15 to 18 percent. The results in those years were foreclosures, bankruptcy, and falling commodity prices. Borrowers did not recognize the changing land market and losses of equity.

Do farmers face another market risk period? Holtgrewe cites accelerated land values, losses by livestock producers, high production costs, the energy crunch and ethanol production as developments that signal risks for many farmers today. He pointed out that market values correspond with economic conditions. His view “a spike outside the box can create a domino disaster.”

However, he was hopeful that today is different than 30 years ago. Most farms have a more favorable debt to equity ratio now. But the increasing federal debt may lead to inflation.

Ernie Goss, professor of economics at Creighton University, presented an economic overview. He opposes the stimulus package, cap and trade proposals, easy housing credit policies and raising taxes. However, he sees gradual recovery and the falling value of the dollar should be helpful for farmers who produce products for export. Δ

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