

Get Green, Grow Green, Stay Green

In last month's column I began a discussion about future trends I see in production agriculture and how you can position yourself to capitalize on them.

I mentioned that I feel the next 15 years will somewhat resemble the period between 1965 and 1982. One of the significant common themes in both was a greater awareness of the environmental impact of our decisions and management practices. Prior to that time almost everyone in the Corn Belt used moldboard plows. Now you hardly ever see them used except in unique soil types and conditions.

I believe that if we have a period of increased income, all of the stakeholders in our society will look more critically at our management practices. This will require us to get green, grow green and stay green as it relates to how our farming businesses look and act environmentally. Perception will be as important as reality in how farming operations are perceived to be good stewards of resources.

Having an environmental management plan and working that plan will pay off big for a number of rea-

sons. Being proactive rather than reactive in meeting environmental regulations allows you to design practices around what is most economical for your operation.

For example, having a management and accounting system that records nutrients, chemicals, seed genetics, timing of application and weather conditions at application, and using that data to improve your bottom line rather than just keep regulators happy will maximize your profits.

Inventory management that allows for preserved identity of grain produced will pay off big when processors and end users require it. Eliminating theft or leakage could in itself pay for the system. Ag Connections (www.agconnections.com) is a company I am familiar with that does that well.

My experience observing what they do has been mostly in cotton, potatoes and vegetable crops where this data has been required, but I feel it's only a matter of time before corn and soybean producers will be held to this or a higher standard.

Having accurate and timely work

orders that result from a system like this could improve labor productivity in larger operations.

Additionally, having an environmental plan and minimal soil loss, nutrient loss to groundwater, regulatory information and notifications and other areas could be attractive to landlords who want to maximize rental income in the short run and reduce liability and maximize returns for the long run.

Put in that perspective, getting green, growing green and staying green is a win-win for all stakeholders in the agricultural sector. ■

Real Estate Bubble

In my October 2005 column I expressed concern about land prices and whether they could keep sustained double-digit increases. If you'll recall, I didn't think they could. I was wrong.

My sense then was a decline in real estate values wouldn't start with farmland as it did in the mid-1980s, but with residential housing, then move to commercial real estate and then to farmland.

The housing bubble has burst. The first law of bubbles is they always burst and the second law is they always go higher than most expect.

Most residential markets are in their third or fourth quarter of decline and according to *Moody's Economy.com*, some parts of America may continue to decline until mid-2009. That could result in five years of down housing markets. Coincidentally, the farmland market of the 1980s fell for five years.

Selected farm real estate sales firms I have visited with recently report the amount of money looking for farmland from 1031 exchanges is about half what it was a year ago. Could the commercial real estate bubble be the next to burst?

Farmland may continue to stay high and go higher if grain prices we've seen lately are sustainable. As I mentioned in last month's article, keeping your powder dry will likely be the best strategy for whatever happens. ■

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