



AG PULSE



AGRI-VALLEY FARM MANAGEMENT, LLC

2006 Harvest Results

Harvest is now complete, and currently we are evaluating what went right and what went wrong in 2006. The majority of yields in the area were well above average with a average corn yield being in the 160 to 180bu/acre range throughout most of this area. Soybeans were good as well as most fields averaged 45 to 60 bu/acre.

All in all we can probably mark 2006 down as one of the best crops on record, ranking about 3rd to 5th all time. The seed companies continue to improve the genetics in the corn and soybean seed and that has made a remarkable difference in the corn yields especially.

The previous newsletter was mailed in June, and from that point we had a relatively normal end to our growing season. July and August were dry months as usual, but in September the temperatures fell, along with rain, which made the corn hold its moisture, and the bean stems stayed green longer than normal.

Currently we are making seed, fertilizer, and herbicide decisions for the 2007 crop year as it will be upon us before we know it. Many feel that winter is a down time when it comes to production agriculture, but most of the decisions that are made at this time of year will have a greater impact on the 2007 bottom line than planting the crop, or any other physical activity that one would engage in with the actual crop production. Crop inputs have become so specialized that it takes a great deal of time and knowledge to make the best decisions that will result in the maximum amount of return possible. We get a chance to sit down with our farm operators, numerous seed dealers, and agronomists to determine a good business plan for the year ahead. Crop rotations are set, seed is ordered, fertilizer decisions are made, and the herbicide that we plan to spray is also considered at this time of year.

We also keep a very watchful eye on the grain markets, as they are doing some volatile things, but we will discuss the markets in more detail later in this newsletter.

Current Local Grain Prices

Council Bluffs, IA Prices as of December 7, 2006

	<u>Corn</u>	<u>Beans</u>
December	\$3.33	\$6.37
March	\$3.43	\$6.42

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CHECK OUT OUR WEBSITE:

www.agrivalleyfmgmt.com

- Learn more about Agri-Valley Farm Management, LLC
- Useful Links Page, with links to market prices, weather, and local news
- View our 2006 test plot results

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Current Thoughts on the Grain Market

The markets have exploded higher since the beginning of harvest, and with the October USDA supply/demand report the upward move has only accelerated. The biggest news that came from the October USDA report was the corn carryout figure. The USDA defines the end of their marketing year as the end of September, which traditionally coincides with the beginning of harvest for the current year. Corn Carryout means the amount of bushels of corn that are currently forecasted to be on hand or in supply that have not been spoken for in trade, or usage. Usage usually consists of corn being used for cattle feed, seed, or ethanol production. When the USDA released their report on October 12th the current marketing year (2005-06) had a corn carryout of 1.971 billion bushels. The prediction for corn carryout for the next marketing year 2006-07 was reduced to 996 million bushels (which equates to a 30 day supply of corn in this country). Once this news was digested, the corn market shot higher right in the face of harvest pressure, coupled with a very good corn crop in 2006, which was very impressive.

On the soybean front things are not as positive from a supply/demand viewpoint. The same USDA report on October 12th set soybean carryout at 449 million bushels for the current marketing year (2005-06), and raised the carryout to 555 million bushels for the 2006-07 marketing year. However, the fireworks on the corn side of the ledger has pulled soybeans higher as they feel the need to compete for acres with corn in 2007.

At this time we are making cropping decisions for the 2007 growing season. Many farmers are planning to grow more corn in 2007 due to the fact that they can make more money. A good rule of thumb is that it costs about \$100 more per acre to produce an acre of corn than it does to produce an acre of soybeans. With a current harvest delivery price of \$3.25/bu (October 2007), and an average yield of 150 bushels per acre this equates to a gross revenue of \$487.50 per acre, when you compare that to 45 bushel beans at a harvest delivery price of \$6.56/bu (October 2007) this equates to a gross revenue of \$295.20 per acre or a difference of \$192.30 per acre in revenue. After you subtract \$100 of revenue to make up for the additional corn production costs you still have an advantage of \$92.30 per acre. This example is a good reason why the price of soybeans should continue to move higher, as that market has to protect soybean acres in 2007.

This is happening because of the ethanol plants need for corn. Currently there are 25 plants in the State of Iowa, with as many as 8 that should be functional in the next year. There are also countless other "projects" that are either in the planning or capital raising stages throughout the state. In taking a look at some of Dr. Robert Wisner's (Dr. Wisner is a well known Economist from Iowa State University, I have listed his website address at the bottom of this article) information on his website he is forecasting a huge increase in corn used for ethanol over the next year. He is saying that we have used 1.6 billion bushels of corn for ethanol in the 2005-06 marketing year, and is forecasting that we will use 2.15 billion bushels of corn for ethanol in 2006-07. That is an increase of over 34% in just one year!

I have written about ethanol and what it can mean to the agriculture industry in past newsletters, and I just cannot stress enough that it deserves our support. Higher commodity prices could be here for quite some time as long as the demand for corn remains high. If you take the time to look at Dr. Wisner's website you will find a link titled Wisner Balance Sheets (pdf file), he is forecasting a corn carryout number next October of 661 million bushel. That is using an average yield of 149.9 bushel corn across the country, or 2 bushel better than this year's crop, which was the 3rd to 5th best crop of all time. A 150 bushel average yield for the entire country is an interesting thing, as we are due for a widespread drought. Things would get very interesting with prices of commodities if we would have a challenging year in 2007 from a moisture standpoint.

In closing, the markets are a very funny business, things can and will change by the time you actually read this article. The good news is that corn demand for ethanol has given us the highest corn prices we have seen for quite some time, and it appears that soybeans are along for the ride.

<http://www.econ.iastate.edu/faculty/wisner/>

Recent Farmland Sales

The chart below lists some recent farmland sales in the area. The Iowa farmland market remains strong, as demand for good quality farmland is high in our area.

If you are considering selling your farm, please contact me and I will complete a no obligation farm valuation for you, and discuss the various ways to market your property.

Sale Date	County	Farm Type	CSR	Total Acres	Crop Acres	Sale Price	Price Per Acre	Notes
6/27/06	Montgomery	Bottomland	76	85	73.6	\$289,000	\$3400	Sold at Auction
9/15/06	Fremont	Bottomland	76	78	70.8	\$214,500	\$2750	Sold at Auction
9/15/06	Page	Terraced	63.7	148	140	\$364,080	\$2460	Sold at Auction
9/22/06	Harrison	Bottom	72	312	306.7	\$1,107,600	\$3550	Sold at Auction (Farm included center pivot)
9/23/06	Pottawattamie	Terraced	55.06	140.45	125.7	\$519,665	\$3700	Sold at Auction (Farm has highway frontage)
9/23/06	Pottawattamie	Terraced	55.31	153	135.1	\$451,350	\$2950	Sold at Auction
9/26/06	Montgomery	Crop/CRP Farm	56	176	142.2	\$290,400	\$1650	Sold at Auction (61.8 Ac CRP, 80.2 crop acres)
12/7/06	Pottawattamie	Primarily Bottom	72.9	155.9	132.1	\$619,440	\$4075	Sold at Auction
12/7/06	Pottawattamie	Terraced	63.3	160	154	\$649,060	\$4150	Sold at Auction

We are now entering the busy farm sale season with several more farm auctions, and farm listings hitting the market. It will be interesting to see what type of impact the increased price of corn and soybeans have on the land market. Also remember to look for Iowa State University's 2006 Land Value Survey. The survey is compiled by Mr. Mike Duffy an ISU economist and he surveys Iowa Farm Managers, and Land Brokers to get an idea of what land values are doing in the state. You will be able to find that information at the following website, and by searching for "2006 Iowa Land Value Survey". The survey should be released sometime in mid December. <http://www.extension.iastate.edu/>

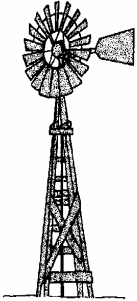
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Agri-Valley Farm Management, LLC is a full service, land management firm that focuses on meeting the goals set forth by our clients.

Our objectives include:

- *Provide competent, responsible, and experienced farm management services, and real estate sales services.*
- *Constantly strive to improve the quality of our services.*

Agri-Valley Farm Management LLC was formed on May 10, 2000. We take great pride in customizing our services to meet the needs of our clients.

If you would like further information regarding Agri-Valley Farm Management, LLC please contact Chad McColester at (712) 329-8460



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