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## The Growing Global Demand for Enhanced-Quality Soybeans Can Help Maximize Profit Per Acre.

Soybean variety selection continues to become more exciting and complicated as varieties with enhanced traits become available. However, one thing remains certain during this selection process – farmers will consider which one is going to help them maximize per-acre profitability on their farm. One strategy is growing varieties with enhanced-quality-traits including food-grade, Identity Preserved (IP) and non-GMO.

*“The premium that we are offering farmers for that little extra effort is proving to put more money into their bottom line.”*

Dean Martin of the Blue Grass Farms of Ohio

Most of these soybeans are finding their way to Asia for use in tofu, miso and other soybean-based food items. The premium paid for these soybeans can help any farmer increase their profit margin as well as diversify their agricultural portfolio.

Not only will growing enhanced-quality and food-grade soybeans benefit an operation's bottom line, but it will also place this operation at the front of an industry movement that predicts strong demand for these soybeans.

This is also a market where U.S. soybean farmers have a competitive advantage. Because enhanced-quality soybeans require separate storage and shipping containers, as well as a certain amount of traceability, the United States already has the infrastructure in place to handle specialized soybeans.

Growing enhanced-quality soybeans does take extra time. Contracts are set up ahead of time between buyers and farmers; the control for making sure the buyer is getting what they agreed on is based on year-long auditing and inspections.

“We will actually help farmers with procurement and give them an extra hand in teaching them how to deal with some of the challenges they are going to face with maintaining that purity such as keeping the planter clean and making sure their seed is pure. It's a cooperative effort between all parties,” stated Dean Martin of the Blue Grass Farms of Ohio.

Soybean profits are about more than yield, as quality traits become increasingly important to the U.S. soy industry's customers. More farmers are thinking about the end users of their product and what they want from U.S. soybeans. And as more enhanced-quality traits become available, soybean farmers will have more variety options and profit opportunities.

Visit [www.soybeanpremiums.org](http://www.soybeanpremiums.org) to learn what premium programs are available in your market.



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## Farm Management

# Tighter budgets squeeze CAUVs



## Country Counsel

By ROBERT MOORE

### Key Points

- CAUV is intended to allow farmers to pay taxes based on their land use.
- Critics say farmers are not paying their share.
- Reappraisal of land is causing some CAUV rates to increase.

CURRENT agricultural use valuation, or CAUV, allows farmers to pay real estate taxes on the agricultural value of their farmland instead of the fair market value of the farmland.

To use an actual example, a 54-acre parcel in Delaware County has a fair market value of \$171,500 (\$3,175 per acre) and a CAUV value of \$8,860 (\$164 per acre). If taxes were paid on the fair market value, the owner would pay \$2,712 annually. However, by enrolling the property in CAUV, the owner pays \$307 in annual taxes — a savings of \$2,405 (\$45 per acre) each year.

### Budget scrutiny

The intent of CAUV is to allow farmland owners to pay tax on their land based on their use of the land.

As local government and school board budgets become tighter and tighter, CAUV is scrutinized more and more. Critics of CAUV claim that it is unfair that a specific group of people — farmland owners — pay less in real estate tax while the rest of the population does not receive such a benefit. However, studies show that even at CAUV value, farmland generates a net return to the community because of the low services required by farmland.

Conversely, residential properties, even when taxed at full value, tend to consume more in public services than they generates in tax revenue. The point is that budget deficits are more likely caused by consumption of services by residential property than they are by CAUV.

### Formula factors

CAUV values are calculated for each of the 3,650 soil types in Ohio. This calculation is based on a formula containing the following five factors:

**Cropping pattern:** Combination of corn, soybeans, wheat and hay typically grown on the soil type

**Crop prices:** Based upon a survey of Ohio elevators

**Crop yields:** Based upon Farm Service Agency yield for each soil type

**Non-land production costs:** Based upon enterprise budgets developed by Ohio State University

**Capitalization rate:** Based upon the average Farm Credit Service rate on a 15-year loan and the previous five years average interest rate

Using these five factors, the Ohio Department of Taxation calculates the CAUV for each soil type in Ohio. The county auditor then applies these CAUV rates to each CAUV property in the county.

### Reappraisal required

The county auditor is required to re-appraise the value of the land in the county every six years and to update the value of the land based on sales the third year of every six-year reappraisal period.

The CAUV values are updated when an appraisal or update is performed in the county. Therefore, CAUV values are adjusted at the same time that the value of all land is adjusted in the county: every three years.

Recent reappraisals and updates in counties have caused a significant increase in CAUV value, causing concern for many landowners in Ohio. The question often arises as to why there is such a dramatic increase in CAUV values. The answer to this question involves several factors.

First, CAUV values were at a record low rate from 2000 to 2005. Therefore, any increase in CAUV value will appear to be large when the previous CAUV value was very low.

Second, according to Ohio Farm Bureau, Farm Service Agency yields were discovered to be too low and were increased significantly in 2006 to reflect the true yields on Ohio soils. For example, Millgrove silt loam went from 144 bushels per acre to 170 bushels per acre for corn.

Lastly, the capitalization rate decreased due to lower interest rates. A lower capitalization rate causes higher land values.

The three factors, particularly the yield adjustment, cumulated in a rather dramatic increase in CAUV values.

### Right to appeal

Landowners have the right to appeal the value placed on their property by the county auditor. This appeal process begins at the county level, but it can go as high as the Ohio Supreme Court.

Most appeals involving CAUV pertain to the eligibility of certain property for CAUV, but CAUV values could be challenged, as well. However, the formula for determining CAUV values is well-established, has been used for many years and is grounded in sound principles. Therefore, appealing the actual CAUV values would likely be a difficult appeal to win.

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