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Midwest Farmowner

News & Information from Soy Capital Ag Services

Illinois Implements New Illinois Farmland Assessment Statutes

Illinois farmland owners may have noticed a change in their 2015 assessments, as new Illinois Farmland Assessment statutes have modified the law passed in the early 1980s. The earlier law changed farm tax assessments to reflect a capitalized value of the income potential land represents in agricultural use, rather than market value which might reflect future use.

Photo by USDA-NRCS

According to University of Illinois ag economists, assessment methods at the time were developed to use best available data and practices for measuring income potential across a wide range of agricultural practices and conditions. Income measures included multi-year factors to limit variability through time and across management differences unrelated to income potential.

"The Farmland Assessment Law in 2013 was passed to adjust for some unintended consequences in the previous assessment process," explains Brian Thompson, president, Soy Capital Ag Services, based in Bloomington, Ill. "The change is intended to equalize how prime land and less productive land are compared in the assessment process based on the simple language of the original law. Application of a consistent assessment structure provides fairness in the taxing process via assessments and local control over tax rates."

Prior to the new law, assessment changes were subjected to annual limits of 10 percent of the previous year's corresponding value. As farm incomes increased, lower assessment values or values near zero were skewed by the 10 percent limitation versus higher productivity index (PI) soils at the upper end of the assessment value range. This diminished the smoothing control intended by the 1980s law. As a result, annual movements of roughly $1.50 per acre year for low PI soils compared to annual movements of up to $65 per acre per year for higher PI soils. In order to resolve the growing inequity, the 2013 law maintained the 10 percent annual limit. But the 10 percent limit now is based on a newly created soil productivity indexed medium value on cropped soils instead of the farm's previous years assessed value. Also for the 2015 tax year only, the 10 percent limit on the new medium value will be reduced by $5 per acre.

"It is important for all farmland owners to understand the process of assessment as it is one component in the calculation of farm real estate taxes. The other component is the tax rates of the taxing bodies covering the location of the farm (county, township, schools, fire protection, roads and more). Assessed value times the tax rate equals real estate taxes due," says Thompson. "Tax levels are somewhat of a 'fixed cost' since owners have to pay real estate taxes. Ultimately, it is one more influence on the net income generated from a farm."

For more information about the new statutes or personal farmland assessments, contact Brian Thompson at bthompson@soybank.com or 309-665-0959. MF

Inside: National Survey Shows Who Owns Most Rented Farmland

Farmland Investor Pleased with Soy Capital Auction Results

Joyce Korbecki purchased 80 acres of farmland near Bonfield, Ill., in 2008 as an investment. She sold the farm seven years later, and is pleased with the outcome. Soy Capital Ag Services conducted a successful sealed bid auction of the Kankakee County farm in August.

"The whole process went very well. We were pleased with the results," says Korbecki, who worked with farm manager John Tammen from Soy Capital's Kankakee office. "John was so conscientious, and every step was well planned. We worked with Claire Chaplinski as our attorney, and she helped me throughout the sales process."

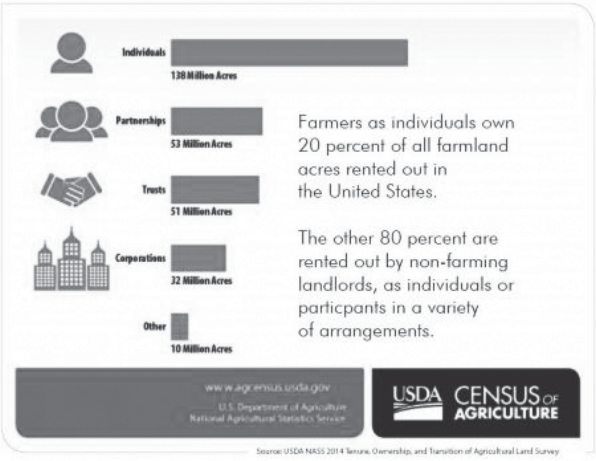
"As an attorney, it is wonderful to work with Soy Capital on farm auctions. They have a great deal of expertise on farm management and auctions," says Chaplinski. "My clients trust Soy Capital to set realistic expectations of the value of their farmland prior to auctions."

Tammen notes that the tract brought more per acre than he originally thought it might. He also worked with Korbecki and Chaplinski through owner and tenant transitions.

"Once the auction date was set, John and I worked together to make the transaction as seamless as possible for the client," says Chaplinski. "There are many legal aspects that must be addressed prior to the farm auction, such as terminating the lease with the farm tenant, clearing any title matters and addressing survey boundary issues. Soy Capital is very responsive and works with me to ensure that all legal issues are solved prior to sale."

Korbecki encourages other farmland sellers to consider Soy Capital. "A lot of the farms that are for sale in this area have Soy Capital signs. That speaks to their reputation," she says. MF

Survey Shows Non-Farmers Own Most U.S. Rented Farmland



The 2014 Tenure, Ownership and Transition of Agricultural Land (TOTAL) survey results recently released by the U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) show agricultural producers rent and farm 353.8 million acres of farmland. Of those acres, 80 percent are owned by non-farming landlords. Rented farmland acres and buildings are valued at more than $1.1 trillion, while all landlords combined received $31.2 billion in rental income while incurring $9.2 billion in total expenses.

The survey also found that more than 90 percent of the land counted is slated for ownership transfer in the next five years. That does not include farmland that is in or is expected to be put into wills. Landlords expect to keep or put nearly 48 percent of the acres in trusts.

Only 21 million acres are expected to be sold to a non-relative, while 26 million acres are expected to be sold to a relative or given as a gift, leaving a small amount for new farmers.

"Farmland has always been a valuable resource, but what we see in the most recent TOTAL results is the emergence of farmland as a future investment," says Joseph T. Reilly, NASS administrator. "More families are creating trust ownerships to make sure land remains in their family for farming or as an investment."

According to findings, the average age of landlords is 66.5 years old; higher than the average farmer age, who is 58.3 years old, according to the most recent Census of Agriculture. Only 18 percent of all principal landlords are under 55 years old, and nearly 45 percent of all principal landlords have never farmed. TOTAL counted approximately 2.1 million landlords with various ownership arrangements to come up with its estimate, surveying farmland ownership in only the 48 contiguous states. To access the complete 2014 results, key data highlights and more, visit www.agcensus.usda.gov/Publications/TOTAL/. MF

Soy Capital Farm Managers Address Nutrient Loss

The Illinois Nutrient Loss Reduction Strategy (INLRS), which was released in July, does not impose any new regulations on farmers. But it does seek to reduce nitrogen and phosphorus losses through voluntary implementation of specific best management practices.

Each of the 12 states in the Mississippi River Basin, including Illinois, were called upon by the U.S. Environmental Protection Agency (EPA) to produce their own plans to respectively reduce nitrogen and phosphorus loads carried in rivers to the Gulf of Mexico.

"The initial goal of the strategy is to reduce phosphorus losses by 25 percent and nitrogen losses by 15 percent by 2025," says Tyler Roth, Certified Crop Adviser and farm manager in Soy Capital's Decatur office. "The ultimate goal is to reduce both nitrogen and phosphorus losses by 45 percent, although the strategy does not include any timetable for reaching that level."

In Illinois, agricultural runoff contributes 80 percent of the nitrogen and 48 percent of the phosphorus losses to the Mississippi River. Reducing the loss of both nutrients is critical, but Roth says the vast majority of nitrogen loss reduction will have to come from agriculture.

The good news is since 1977, the amount of nutrients applied to Illinois farmland has declined. While total nitrogen sales have remained fairly stable over the past 35 years, phosphorus sales have declined by 35 percent. And while fertilizer use has declined over the time frame, corn and soybean yields have increased by 40 percent and 30 percent respectively.

"By producing higher yields, we remove more nutrients from the soil than we did 35 years ago. As yields continue to increase, we must be even more efficient with how we use nutrients to avoid depleting our soils. It's a fine line that requires careful monitoring," he says.

Soy Capital Ag Services professionals will work with farm operators to implement best management practices to fit each client's investment.

"Each farm and farm operator is unique. It requires a deep understanding of both our client's farmland and our farm operator's strengths. By working closely, we are able to implement the proper practices to reduce nutrient losses from each farm," he says. "As we continue to manage nutrients and our practices evolve, we will continue our efforts to meet ILNLRS goals. We often have operators who adopt what we have suggested on client's farms to their entire operation. In many of these cases, yield gains have been the positive result of suggested management practices that they would not have otherwise considered."

Photo by USDA-NRCS

NRCS conservationists examine a well-established filter strip on this Cass County, Ill., farm. The filter strip captures sediment and excess nutrients leaving the sloping farmland.

Roth adds while it is unclear what the possible implications might be if nutrient reduction goals are not met, civil litigation and regulation could be possible. He says a number of pending lawsuits within the Mississippi River Basin exist in regard to water quality, and such lawsuits against individual, local watersheds could likely be a precedent for future suits.

"By being good stewards and implementing best management strategies, agriculture has the opportunity to voluntarily reduce nutrient losses without learning the ramifications," he says.

Future editions of *Midwest Farmowner* will contain additional information on best management practices suggested by the INLRS. If you would like to have a personal discussion with a Soy Capital Ag Services farm manager on this topic, please contact Tyler Roth for more information at 217-421-9619 or troth@soybank.com. MF

Soy Capital Agronomic Testing Results Now Available

Soy Capital Ag Services each growing season partners with seed and agriculture retail companies to providing unique third-party agronomic testing. Research trials include hybrid and variety testing as well as population, fertility, weed, and disease management.

"Our ever-evolving industry requires us to continually search for the best management practices for our clients," says Miriam Ulrich, seed program coordinator. "Working directly with seed companies and agricultural retailers allows us to test the newest products on the market, including experimental products not yet released for retail use. These tests provide valuable objective data that empower our farm managers to make solid management decisions."

Soy Capital clients interested in reviewing the 2015 data can visit the website link at www.soycapitalag.com/services/seedtesting.asp. In addition, clients with ideas of products to test in the future can contact Miriam Ulrich at 309-665-0054 or mulrich@soybank.com. MF

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