

Midwest Farmowner

News & Information from First Mid Ag Services

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Rising Farmland Values Bring New Challenges

The last two years have been exciting for farmland owners. As other asset classes faced a volatile undulation the past 12 months, farmland climbed steadily higher. June auction results from First Mid Ag Services and others posted record levels across Illinois, Iowa and Indiana.

“As we compare the average price of farmland sales conducted by First Mid Ag Services in 2021 to the first six months of 2022, we see the average price rose more than 25% to \$13,185 per acre,” says First Mid Ag’s Managing Broker and Auctioneer David Klein. “This is consistent with the Federal Reserve Bank of Chicago survey on farmland value trends.”

Farmland is typically a good hedge against inflation. With the current 12-month trailing Consumer Price Index (CPI) at 8.54%, the message is being received by the general investment community as well. Increased absentee investor interest in farmland has combined with generally good 2021 farmer profits to fuel two sources of strong demand in 2022. The impacts of general and commodity price inflation are being reflected in farmland values.

Estate Planning Needs

The unfortunate consequence of higher farmland values is that some individuals who never thought they would have an estate tax problem may now have one. An individual owning 320 acres of good Illinois farmland likely has an estate worth more than \$4 million – the Illinois exemption amount per person. Such a farmland ownership, with a few other assets totaling more than \$4 million, would trigger an Illinois estate tax today.

Illinois’ progressive estate tax ranges from 0.8% to 16% and could create a meaningful estate tax. The federal estate tax exemption for 2022 is \$12.06 million per individual and is taxed at a 40% rate. However, this higher level is set to expire at the end of 2025 and revert to around \$6.2 million (indexed for inflation). The tax rate is set to then increase to 45%.

“With a few minor changes to estate plans, you might limit or



June 2022 farmland auction results from First Mid Ag Services and other companies posted record levels across Illinois, Iowa and Indiana.

Photo by United Soybean Board

eliminate some of that exposure. We are encouraging farm families to make an appointment with their attorney and/or accountant to review their individual situations. If an estate plan hasn’t been updated within the past 10 years or so, it may be important to make those updates now,” says Klein.

First Mid Wealth Management Company can assist in this planning process by reviewing the estate plan prior to a meeting with your estate planning advisor. Naming First Mid as a fiduciary in a will or trust document can assure long-term ownership goals are carried out by an experienced corporate fiduciary that will fulfill the grantor’s wishes for many generations.

Mark Twain was quoted saying, “Buy land, they aren’t making any more of it.” But he also said, “The secret of getting ahead is getting started.” Call David Klein at 800-532-LAND to learn more about the ways to get started making your estate plans. MF

Inside: First Mid Relationships Key to Farmland Sales Success

Farm Managers Contribute to Effort to Educate Public About Agriculture

Two farm managers in First Mid Ag Service's Kankakee office are helping advance public understanding of agriculture through the Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA) Summer Tour. Farm manager Michael Bernhard is chairman of the committee and farm manager Ashten Masching serves on the committee.

The tour includes agriculture stops in Kankakee and Iroquois counties and a visit to Fair Oaks Farms in northwest Indiana, a farm that educates the general public about agriculture. Fair Oaks raises dairy cattle and pigs and grows crops at its location between Chicago and Indianapolis along Interstate 65. The farm is open to the public seven days a week.

"People of every background benefit from agricultural education opportunities, and Fair Oaks Farms is one of many places where farming meets the public," says Bernhard. "Our staff contribute to this and several other organizations that provide opportunities for the public to interact with agriculture. We see this as an important part of our agricultural mission."

"There's so much to experience for everyone at Fair Oaks Farms. We exceed the Indiana State Education Standards and follow STEM curriculum while entertaining school classes," adds Sharon Semko with Fair Oaks. "Students and other individuals can spend time learning so much by exploring our educational experiences: the Dairy Adventure, the Pig Adventure and the Crop Adventure. Visitors learn about our animals, our farming practices and about nutrition."

Fair Oaks Adventures include bus tours to the dairy and pig farms where visitors can watch through windows as cows are milked on a



Photo by Fair Oaks Farms

Fair Oaks Farms in northwest Indiana is a farm that educates the general public about agriculture seven days a week.

rotating platform by robots in a new, state-of-the-art facility that opened in 2020. The pig farm allows visitors to see pregnant sows and sows with piglets. During the fall, Fair Oaks has a pick-your-own apple orchard, pumpkin patch and sunflower field. In the winter, groups are invited to visit the Holiday Lights Trail and holiday market. Farm-produced cheese and ice cream are available for purchase.

Many First Mid Ag Services farm managers are members of ISPFMRA, which allows them to participate in professional activities and remain current on issues critical to success of the agriculture industry. For more information about the tour, contact Michael Bernhard at 815-936-8978. Learn more about Fair Oaks Farms at www.fofarms.com or call 219-394-2025. MF

Three More First Mid Managers Earn Professional Accreditation

Three more First Mid staff members have received newly designated status as Accredited Farm Managers (AFM). Tom Hill, based in the Springfield office, Joe Richie in Kankakee, and Eric Schumacher from the Mattoon office reached the milestone earlier this year.

AFMs are specifically educated and experienced in agricultural management and understand efficient production and profitable marketing by focusing on procedure, analysis, critical thinking and innovation. Farm managers have specialized expertise in production, business, environmental issues and government activities.

"This is certainly an accomplishment for each of these farm managers individually and demonstrates First Mid Ag Services' commitment to providing the best staff and service to our clients," says Brian Thompson, president, First Mid Ag Services based in Bloomington.

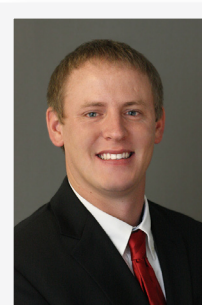
The AFM designation is presented by the American Society of Farm Managers and Rural Appraisers (ASFMRA). The designation is earned by meeting stringent requirements in experience and education in addition to passing a rigorous written examination and abiding by the American Society's Code of Ethics. Just 43 percent of ASFMRA membership has received



Tom Hill



Joe Richie



Eric Schumacher

accredited status and is maintaining it through the ASFMRA continuing education program. ASFMRA is the largest professional society for rural property land experts in the U.S.

For more information about AFM accreditation and how First Mid farm managers put it to use for clients, contact Brian Thompson at bthompson@firstmid.com. MF

Farmland Sales Illustrate Effectiveness of Choosing Best Auction Options

When John Hubble and his three siblings decided to sell their farms in Macon County, Justin Wheeler, First Mid licensed Illinois Managing Broker and auctioneer in Decatur, had some advice. Try selling the farms at different times using the auction types that would maximize individual sale returns.

“Since COVID, First Mid Ag Services quickly adapted online bidding options and are now a staple in the auction services we provide. As restrictions eased, we gravitated towards a hybrid approach of having a live, in-person auction with remote bidding option, which has been very effective,” says Wheeler. “There are situations, mostly dictated by property type, where the timed online only or virtual online only auctions have produced great success for our clients.”

Hubble is co-trustee for his father’s trust, which includes eight different farms in Macon County purchased during the 1960s. His father died in 1986, and he and three siblings inherited the farms. Since they reside across the nation, First Mid’s Kevin Hilligoss managed the farms.

“Given strong land and commodity markets and a large number of trust beneficiaries, we decided to sell three farms in late 2021 and the other five as seven tracts in early 2022,” says Hubble. “Justin’s advice to generate interest and top prices was to use different auctions.”

The first sales included property types ranging from commercial development potential to recreational to bare farmland. Both timed online only and virtual online only methods were utilized, which Hubble says was a smooth, easy process. The other seven tracts consisted of high-quality farmland and were sold using the hybrid

approach with a choice and privilege format to maximize value – the highest bidder got first choice of the tract or tracts they wanted, and the next bidder had the privilege to purchase any remaining tracts at the high bid price.

“My advice is to listen to the experts. As absentee landlords, we didn’t understand all the market factors, and Justin was very responsive to any questions we had,” says Hubble. “Whether you need farm management or to buy or sell, First Mid has the knowledge for the job and the farm managers are very customer friendly. The whole experience was extraordinarily positive.” MF



First Mid Relationships Add Value to Central Illinois Sale

When Kristine Fulton and her three siblings made the decision to sell the family farm, it was not even a question who they would ask to coordinate the sale. Mark Smith, based in the First Mid Bloomington office, was already successfully managing the farm for the family, and easily transitioned into the lead role to manage the land auction as well.

“When I read through the information on the First Mid website about the four pillars of their business, there is a fifth pillar that I would add and that is relationships,” says Fulton. “Mark was able to deal with all our family dynamics among four siblings living in three different states in managing the farm. He was very responsive and knowledgeable in answering all our questions when we decided to sell.”

The Marlan Miller Trust Farm consisted of 120 acres in McLean County. Marlan “Bud” Miller had farmed the property prior to his death in 2004. Miller’s son and Fulton’s brother, Doug, then began farming the property in a crop share arrangement with Fulton, brother Curt and sister Janine. Their stepmother also had an interest in the farm.

“After a few years, we decided to switch to professional farm management and a cash rent arrangement. We hired First Mid to make the change, and work with Mark. He set the appropriate rent for the farm and made sure we were soil testing and implementing conservation practices that made the land as productive as it could be,” says Fulton. “When our stepmom passed away and we were ready to sell, we had a high degree of confidence in the land value.”

The sale was conducted in June in a combined live and online auction format. In addition to the acreage, the property contained an outbuilding, bins and two wind turbines.

“We were delighted at how the auction was conducted. Mark and David Klein were very professional, and the end result exceeded our expectations. We were very grateful,” says Fulton. “I am a tough critic, and I would tell others that you will do yourself irreparable harm to not consider First Mid to manage a sale. No one does it better and I highly recommend them.” MF



Photo by USDA

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Inside This Issue...

- Three Receive Professional Farm Manager Accreditation
- Macon County Farm Sales Showcase Auction Tool Effectiveness
- First Mid Farm Managers Help Share Ag Facts with the Public



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