

Flat Corn Prices

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annual:	3.48	3.42	3.46
High:	4.23	3.76	3.85
Low:	2.87	3.07	3.23

High date: 6/17/16 7/10/17 5/3/18
 Low date: 8/31/16 10/4/17 7/11/18

Interest Rate Changes

<u>Jan</u>	<u>Short</u>	<u>Long</u>	
2019	2.72	3.15	1x
2018	1.68	2.59	1.5x
2017	0.96	2.75	3x
2016	0.75	2.65	3.5x
2010	0.57	4.11	7x
2006	4.38	4.73	1x

IRS Applicable Federal Rates

Flat Corn Prices

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Q1	3.61	3.52	3.49
Q2	3.83	3.56	3.62
Q3	3.21	3.38	3.31
Q4	3.26	3.22	3.42

67% of days in '16 & '17 = 3.25 – 3.75
 83% of days in 2018



Land Value Changes

<u>Year</u>	<u>Index</u>
1981	118
1987	62
1996	102
2006	193
2010	254
2014	405
2017	393
2018	401

Financial Efficiency: % of Gross Farm Income

	2017	2015	2009
Interest Expense	3.1%	3.0%	3.1%
Operating Expenses	75.6%	81.0%	71.9%
Depreciation	12.7%	13.2%	7.2%
Operating Income	6.8%	1.5%	17.8%



Spend less than you earn

Year	Net Income	Living
2006	103303	59686
2010	204631	74209
2014	107290	88936
2015	- 2971	84779
2017	45142	85542



What Should My AGI Be?

Amounts needed for:

- \$ 85,000 Family living
- \$ 15,000 Income tax liability
- \$ 20,000 Principal >> depreciation
- \$ 120,000 Adjusted Gross Income

To the extent actual AGI is less than \$120,000, tax deferral is generated



Western Illinois Pork Production
Economic Impact

- ◆ Illinois is the #4 state in pork production
- ◆ 2 of the top 100 U.S. countries are Pike #63 and Hancock #91
- ◆ Four of the top 40 pork systems
- ◆ \$120 Million per year for education in our region, pork production is four times that \$\$
- ◆ 3 manufacturers in Adams pay \$500,000 of RE taxes, pork industry pays 13 times more



Habits of Financially Resilient Farms

- ◆ 1 being the most important:
 - 3.2 – Attention to detail
 - 3.6 – Operating cost management
 - 3.9 – Maximize yields
 - 4.3 – Disciplined spending
 - 4.4 – Marketing
 - 4.6 – Machinery cost management
 - 4.6 – Land control and rent strategies
 - 5.2 – Financial planning
 - 5.9 – Overhead cost management
 - 6.8 – Implementing new technologies



Tax Cuts & Jobs Act

Depreciation

- SEC. 179 amount increases to 1 million
- 100% bonus depreciation for new and used property after 9/27/17
- Farm equipment 5 years & 200% DB



Tax Cuts & Jobs Act

Like Kind Exchanges

- Only allowed for real estate property
- Must show trade-in value as a sale
- Must show full FMV as a purchase
- Will lower schedule F income greatly
- Will increase form 4797 income greatly
- Will compute much less SE tax



Tax Rates in 2017 and 2018

	<u>2017 Rates</u>	<u>2018 Rates</u>
Federal Tax	25%	17.6%
SS Tax	15%	0%
IL Tax	<u>5%</u>	<u>5%</u>
	45%	22%



FSA MFP Soybeans

- ◆ 600 Acres
- ◆ 64 Bushel Yield
- ◆ \$1.65 Payment
- ◆ \$63,360 Income



TOP TEN BUSINESS STRATEGIES 2019

- | | |
|-------------------------------|--------------------------|
| 10. Flat corn prices | 5. Build business habits |
| 9. Interest rates tighten | 4. Tax rates decrease |
| 8. Land values stable/up | 3. Spend MFP \$ wisely |
| 7. Financial efficiency | 2. Review estate plan |
| 6. Significant livestock \$\$ | 1. Study new tax forms |

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Tax Cuts & Jobs Act

Estate Tax

- Estate exemption doubles to 11.2 million per person
- Stepped up basis is retained for all qualifying assets
- Illinois exemption remains at 4 million
- IL tax on 5 million = \$285,714

