

# CULTIVATIONS



## Post-Harvest 2021 Edition

News & Highlights  
from Farm Credit Illinois

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**FARM CREDIT**  
ILLINOIS

Helping Farm Families Succeed

Chat with the Chief

## Counting Blessings While Managing Risks & Opportunities

Aaron Johnson, President & CEO



towards genuine gratitude.

Compared to the drought conditions in the Upper Midwest and western states, along with the floods in the south and northeast, this year's gentle growing season in central and southern Illinois placed us in the garden spot of America. Overall, above average and some record-setting corn and soybean yields were recorded as commodity markets provided profitable sales opportunities.

In turn, strong farmland values and historically low interest rates improved farm balance sheets and income statements. We remember too that the most valuable farm assets are family and team members. Even as we inventory a bounty of blessings, it is also a time for strategic conversations with advisory teams as financial risks and opportunities loom.

### Managing Inflation & Interest Rate Risk

The Federal Reserve indicates interest rates will likely be left unchanged for the coming year, followed by up to three 0.25% hikes by the end of 2023. The Fed will closely

monitor the consumer price index, which has recently been more than double the rate targeted for long-term price stability. They currently describe the spike as temporary, or "transitory inflation."

But what happens if the Fed misread the risk and higher inflation becomes more systemic and prolonged? Eventually the credit markets would begin repricing the inflationary risk through higher long-term interest rates, causing the Fed to raise rates at a faster pace than currently projected and creating risk for farm businesses.

While farmers can't shield themselves from inflation, as seen in projected record-high 2022 input costs, they can manage their interest rate risk. In today's uncertain climate, consider locking in these historically low long-term rates. While you may pay more interest at first, the lasting financial benefits to your operation could be substantial. Don't hesitate to contact your FCI loan officer to explore the potential scenarios of transferring variable or adjustable-rate term debt to a fixed longer-term option.

And as you and your family celebrate Thanksgiving, know that we count you as one of our cooperative blessings. Regardless of what the next crop year has in store, rest assured FCI remains dedicated to **Helping Farm Families Succeed** today and tomorrow.

*"While farmers can't shield themselves from inflation, they can manage their interest rate risk."*

# WINTER LEARNING PROGRAMS

## Invest in Your Farm's Greatest Asset — You

Check out the Farm Credit College Lineup

### Farm Financial Analysis

This interactive workshop led by **FCI experts** breaks down the balance sheet in detail. Learn how to leverage your numbers and crop insurance coverage to manage the financial health of your farm.

TUESDAY NOVEMBER <b>30</b>	<b>I Hotel, Champaign</b> 9:00 am - Noon Lunch at noon
THURSDAY DECEMBER <b>2</b>	<b>Kaskaskia College, Centralia</b> 9:00 am - Noon Lunch at noon

TUESDAY DECEMBER <b>7</b>	<b>Decatur Conference Center, Decatur</b> 9:00 am - Noon Lunch at noon
WEDNESDAY DECEMBER <b>8</b>	<b>Regency Conference Center, O'Fallon</b> 9:00 am - Noon Lunch at noon

### Crop Marketing & Financial Outlook

Crop input costs are forecast to rise nearly 10% for the 2022 crop year, while projected cash prices are expected to decline.

**Dr. Steve Johnson**, retired Iowa State University extension farm management specialist, helps farmers consider a variety of risk management tools to prepare for potential crop profit margin compression. Hear perspectives from **FCI team members** on how to position your operation for profitability in 2022 and be ready for the next opportunity.

THURSDAY DECEMBER <b>16</b>	<b>Crowne Plaza, Springfield</b> 9:30 am - Noon Lunch at noon
THURSDAY DECEMBER <b>16</b>	<b>Thelma Keller Convention Center, Effingham</b> 5:30 - 8:00 pm Dinner at 5:00 pm
FRIDAY DECEMBER <b>17</b>	<b>Regency Conference Center, O'Fallon</b> 9:30 am - Noon Lunch at noon

Find out more about this year's lineup of learning programs and register at [www.farmcreditIL.com/learning](http://www.farmcreditIL.com/learning)

### Fielding Forward Crop Insurance Meetings

Gear up for the 2022 growing season with timely updates from industry experts. At each of the five meetings, facilitator **Jeff Nalley** of Cromwell Radio Network offers insights on current ag issues in Washington D.C., and Channel Seed's **Matt Bennett** shares his perspectives on the grain markets. Plus get the latest updates on federal crop insurance from **FCI agents** as you consider coverage options. Visit the online registration page for a full speaker schedule.



WEDNESDAY JANUARY <b>12</b>	<b>I Hotel, Champaign</b> 9:00 am - Noon Lunch at noon
TUESDAY JANUARY <b>18</b>	<b>Northfield Inn &amp; Conference Center, Springfield</b> 9:00 am - Noon Lunch at noon

THURSDAY JANUARY <b>20</b>	<b>Regency Conference Center, O'Fallon</b> 9:00 am - Noon Lunch at noon
TUESDAY JANUARY <b>25</b>	<b>Double Tree, Mt. Vernon</b> 9:00 am - Noon Lunch at noon
TUESDAY FEBRUARY <b>1</b>	<b>Thelma Keller Convention Center, Effingham</b> 9:00 am - Noon Lunch at noon

All programs offer **FreshRoots** learning incentives to eligible borrowers. Visit each event's registration page for details.



Pictured L to R: Austin Ellison of Belleville (St. Clair County); Mitchell Hinds of Kenney (Macon County); Adam & Lydia Holste of Altamont (Effingham County); Michael Yoder of Hammond (Moultrie County); Elliott Uphoff of Shelbyville (Shelby County); Jake Stroheck of Alton (Madison County)

## Beginning Farmers Honored for Exceptional Efforts

Six young and beginning farmers and farm couples were recognized at the 2021 Illinois State Fair with the third annual FCI Directors Cup \$5,000 award. The honorees prioritize personal growth and professional development, investing in a brighter future for their family and operation.

Get to know the 2021 Directors Cup honorees at [www.farmcreditIL.com/honorees](http://www.farmcreditIL.com/honorees).

Know an exceptional young and beginning farmer? Applications for the 2022 Directors Cup open in Feb. 2022 at [www.farmcreditIL.com/directorscup](http://www.farmcreditIL.com/directorscup).

## Winter Learning Programs

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### FreshRoots Forums

Young and beginning farmers: recharge and refresh during a day of learning with ag economist **Dr. David Kohl** and University of Illinois marketing and farm management instructor **Paul Stoddard**. In an ever-changing ag economy, learn proven strategies to adapt and manage through cycles, grow your operation, and prepare for the future.

THURSDAY FEBRUARY <b>10</b>	<b>Thelma Keller Convention Center, Effingham</b> 9:30 am - 3:00 pm Lunch at noon
FRIDAY FEBRUARY <b>11</b>	<b>Northfield Inn &amp; Conference Center, Springfield</b> 9:30 am - 3:00 pm Lunch at noon



### Estate Planning

Is it time to create or re-visit your farm estate plan? Join attorney **Brooke Didier Starks** of Meyer Capel at one or both virtual sessions to learn about the latest estate tax reform, gain a clearer understanding of tax lingo, and consider implications in real life estate planning scenarios. Bring crucial questions for practical perspectives in putting the process in motion and moving your family forward.

THURSDAY FEBRUARY <b>3</b>	<b>VIRTUAL PROGRAM Estate Planning Check-Up</b> What's Changed for 2022 9:00 - 11:00 am
THURSDAY FEBRUARY <b>24</b>	<b>VIRTUAL PROGRAM The Elephant in the Room</b> Overcoming Planning Paralysis 9:00 - 11:00 am





## Frontline Insight from Young & Beginning Producers

Commentary, wisdom, and perspectives from globally renowned agricultural economist Dr. David M. Kohl



Willie Nelson's song, "On the Road Again," is very appropriate for my spring and summertime lecture activities.

After 17 months of conducting more than 200 webcasts, human interaction has been

energizing and a blessing easily taken for granted. One of my favorite activities has been lecturing and facilitating young and beginning farmer groups. The objective is threefold: sharing insight on national and global issues; providing tools and techniques that can be used in their business, family, and personal lives; and developing a forum for networking and engagement. These multiple day sessions have not disappointed and led to some interesting perspectives.

### What Keeps the Newbies Awake at Night?

No, it is not caffeine from a Red Bull, which I considered on a recent all-night trek from St. Louis to central Ohio. Interestingly enough, uncertainty regarding family business transition and overall succession planning was beginning farmers' biggest worry. Many communicated it was difficult to get parents and other family members to start the process. This often results in a lack of focus and causes tension when making strategic decisions. Many hoped the potential tax law changes – expected to prompt an acceleration in business transition – would light a fire under this vintage segment.

Many young producers carry large amounts of debt as a result of recent startup and growth. Interest rate direction and the overall perspectives on inflation impacting input costs were frequently mentioned as worrisome.

Many are also concerned about the availability of productive labor. This was reinforced on my recent trip up Interstate 55. It seemed that every billboard had a "Help Wanted" sign, including a Wendy's restaurant where a noticeable shortage of productive workers was observed.

An interesting trend is the large number of individuals who recently returned to the farm after time in other occupations. Many feel overwhelmed by the complexity and change occurring in the agriculture industry. Some indicated challenges faced when explaining business decisions to a spouse who does not have an agricultural background. Of course, the uncertainty in government regulations, agriculture trade, and weather were high on the list of what keeps this aspiring group of agriculture entrepreneurs awake at night as well.

### Building the Phoenix



The next generation in agriculture is analogous to a phoenix, the mythical bird rising to the occasion. What are some of the principles and practices that will give them a higher probability of being on the positive side of the financial and quality-of-life ledgers?

#### ► Managing the Controllable

**Variables:** One nugget of wisdom in an economic, political, and social environment of extremes is to manage the controllable variables and around the uncontrollable factors. This often entails planning with a team of advisors including crop and livestock experts, marketing specialists, accountants, and agricultural lenders. This input can provide broad perspectives to filter into the planning process to establish priorities and focus.

#### ► Visualization of Outcomes:

Analogous to a stellar athlete, mental preparation is just as important as the physical

aspects. In agriculture, developing cash flow projections – incorporating production, marketing, finance, and operational efficiencies – can be the mental discipline needed for success. In an economic environment of rapid change, constant monitoring and tweaking of financial spreadsheets is a tool for the decade of the 2020s.

► **Pivoting:** Becoming quick and nimble through working capital discipline can be a key for success. Key metrics such as a working capital to debt service ratio of 3:1 to 5:1 provides a cushion for adversity, also positioning for opportunity. Maintaining four to eight months of household expenses in cash can assist in the family budget as well.

► **Profitability:** A profit plan is critical in a growing business. The 60-30-10 Rule can provide structure in the plan. That is, 60% of the bottom-line profits go toward operational efficiency first and growth second. Discipline in building working capital is critical, so as much as 30% of profits should be allocated to this area. Finally, 10% of profits are house money to enjoy yourself.

► **The Journey:** Circling back to the number one reason for sleepless nights for the new generation, a concerted effort toward transition and estate planning is a continuous process in the pathway to passing the torch. One percent of the value of the assets or equity is often needed to fund transition and estate planning. This journey often requires multiple years and updates every five to 10 years for all generations involved, as well as goal setting and communication in a structured process. If procrastination occurs, the winners are usually Uncle Sam, lawyers, and accountants who attempt to unravel the mess.

Being on the frontline with the next generation of agriculture producers is inspiring, particularly when they engage in the practices that take them to the next level in business and life.

## YOUTH INVESTMENTS

# \$2,000

## SCHOLARSHIPS FOR HIGH SCHOOL SENIORS

planning to study agriculture in college



2020 and 2021 Scholarship Recipients

FCI awards 30 scholarships to students with a passion for agriculture.  
Apply by **Monday, Feb. 28** at [www.farmcreditIL.com/scholarship](http://www.farmcreditIL.com/scholarship)



Shelbyville Cloverbuds 2021 Grant Recipients

# \$500

## COMMUNITY IMPROVEMENT GRANTS

4-H Clubs & FFA Chapters

Make a positive impact in your community by  
coordinating an improvement project

Project ideas include  
**tree plantings and landscaping | community  
gardens | fairgrounds updates | park improvements**

Apply by **Monday, Feb. 28** at  
[www.farmcreditIL.com/community](http://www.farmcreditIL.com/community)



# Looking to **lower your** operating loan's effective **interest rate by 1.25%?**

**Earn cash patronage at the Farm Credit Illinois cooperative**

*"The biggest advantage of an operating loan with FCI is cash patronage. I don't know any bank that's going to cut me a check for doing business with them."*

**Kevin Lash**  
Effingham County

FCI's June 2021 cash patronage payment lowered the effective interest rate of 90% of the 2020 FCI operating loans by 1.25% or more. (This calculation is based on 2,917 operating lines of credit with at least a \$100 average daily balance in 2020 that were not young and beginning farmer discounted loans).

## Benchmark Study Reveals Substantial Increase in Farmland Values

For the third consecutive year, land values in the central and southern 60 counties of Illinois increased, according to FCI's annual benchmark study completed in July.

Overall, farmland values increased an average of 8.54% with 18 of the 20 benchmark farms increasing and two remaining unchanged. Results across all land classes showed considerable variation, reinforcing the fact that agricultural real estate is a location-specific asset. When considering the individual benchmark values, the year-over-year percentage changes ranged from 0.00% to +20.51%. The table below illustrates the average changes in the four general land classifications.

The 2021 benchmark study shows a strong land market, with values nearing the all-time highs of 2014. The economic health of

Land Class	Region of the State	Productive Index Rating	Average Value Range per Acre	Average % Change from 2020
1A	Central	133 - 147	\$11,875 - \$14,100	+7.41%
2B	Central	117 - 132	\$8,200 - \$14,100	+11.12%
3C	Central	100 - 116	\$5,800 - \$8,800	+5.47%
3C	Southern	100 - 116	\$4,203 - \$8,500	+7.81%

farmers and farm owners is mostly stable, but there still is pressure on farmers' financial positions. Forecasted higher input prices and rising cash rents will be a challenge for the upcoming planting season.

For additional details and analysis, along with an explanation of how the study is conducted, visit [www.farmcreditIL.com/benchmark](http://www.farmcreditIL.com/benchmark).