

Embracing Generations of Family Farmers

PAGE 2



IN THIS ISSUE:

Legacy &
Land **6**

Top Real Estate
Listings **7**

The Many Benefits of
Farmland Ownership **8**

Embracing Generations of Family Farmers



Family farms are a unique institution, continuing through time in a world where considerations of hard work, long-term thinking and commitment are often sparse. Families in agriculture have long provided a steady backbone to rural America, serving as stewards of our natural resources and taking care of the neighbors and communities in which they live. Because of their dedication to preserving farm operations, farm families are very emotionally close to their way of life and to the land on which they live. Many see themselves as temporary stewards of their farmland, managing it for future generations, just as their great-great-grandfather might

have done for them.

If you've ever been part of a farm family, or been around one, you know the high level of commitment required to keep these operations together through the years. It's not an easy task. As children join a farm and employees are hired over time, there is much that deserves serious consideration to develop a productive operation in which everyone feels valued. Often, working on a farm means long hours and doing things you might not want to do, no matter the weather or how you're feeling. Farming can cause arguments with loved ones and even be the reason for missing important family activities

from time to time. Nonetheless, many will say they farm because they love doing so, and they want to give future generations of family members the opportunity to enjoy the same. This way of thinking has become increasingly important as time goes on. Starting a farm from scratch requires intense amounts of capital, time and labor—things typically not available to twenty year olds starting out in the world.

Adequate planning is the only hope for a legacy business to continue on indefinitely. In farming, this usually means involving multiple generations of family members in the planning process, which can be a very difficult, yet rewarding experience. Taking the time to plan for the farm's longevity allows generations to communicate what is important to them and how they can help accomplish family goals. Not only can the older generation offer stability and wisdom during these discussions, but younger generations can share their interests and how they might add value to the operation. Although everyone is different in their skill sets and what they value, all individuals have something unique to offer. *To help this planning process, we thought it would be useful to put forward some perspective that might spark ideas for talking points.*

COMBINING GENERATIONAL STRENGTHS

People change with time and we are all shaped by the eras in which we're born and raised. Our frame of reference is further engrained during the years in which we start careers and possibly raise families. Each generation experiences variations of change in the U.S. political landscape, trade policies and national economic conditions. These winds of change have provided the undercurrents driving supply and demand for farm production, cyclically impacting net farm income and farm support programs through boom and bust times.

It's important to remember that each of these generations has something unique to offer and contribute—both on the operation and in the planning for long term farm continuity. The Baby Boomers, for example, have seen it all, surviving the worst of times during the 1980s and enjoying the best of times in recent years. Many of the Boomer's

peers have gained considerable experience in the agricultural sector and they often have vast networks of contacts and resources to draw from. Those in Generation X also have considerable experience on the farm and have similarly seen many of the highs and lows. They are often in tune with technology and have the know-how and risk tolerance to drive the changes required for success. Generation Y is frequently looked to as the technical expert on farms, using skills they've acquired through a lifetime closely aligned with an array of technologies. These individuals can add significant value beyond the tractor cab, even in farm-related ventures that capitalize on value-added production and changing consumer preferences.

Families wanting to sit down and plan for the future usually have a shared goal—they want to ensure the continuity of the family farm for generations to come. While no

*For the first time in history,
there are four generations
employed in the
same workplace
(Silents, Baby Boomers,
Generation Xers and Millenials).*

generation and no family has all the answers, working together towards a common goal requires families to think in new ways. Approaching the goal as a marathon, and not a sprint, offers the perspective and time horizon needed to make the changes necessary to achieve the goal.

That might mean implementing business plans that change part of the farm into a very different enterprise that might not be

“the way we’ve always done it.” Sometimes creating new roles, changing responsibilities, planting unique crops, or entering into agribusiness ventures might be just what’s needed to suit the strengths of family members. Keeping everyone engaged and satisfied with their work goes a long ways toward success, as it’s critical to maintaining commitment and continuity.

By considering generational perspectives and strengths, and reflecting on what has worked for others, farm families have a starting point to evaluate their own legacy. The preservation of these special institutions sometimes requires a commitment and openness to change that may make parts of the farm unrecognizable at times. However, providing future generations with the opportunity to carry on the family legacy can be a satisfying reward for the current, temporary stewards of the farm.

THE BABY BOOM GENERATION—DEFINING CHARACTERISTICS

Born 1946 to 1964

Age in 2018:
54 to 72

INFLUENCERS:

Civil rights, Vietnam War, Cold War and space travel

Highest rate of divorce and second marriages in history

The “American Dream” was promised to them as children and they pursued it

Core Values:

Skeptical of American foreign policy, anything is possible, equal rights, optimism, want to “make a difference”

Attributes:

- Ambitious
- Able to handle crises
- Competitive
- Consensus leadership
- Loyal to careers

Work Ethic:

- Workaholics
- Driven
- Work long hours to establish identity and self worth

Defining agricultural events:

1. Abundant labor and the return of a free market economy after World War II
2. Synthetic fertilizers and chemicals
3. Mechanization, specialization and farm expansion
4. 1980s farm crisis

GENERATION X-DEFINING CHARACTERISTICS

Born 1965 to 1980

**Age in 2018:
38 to 53**

INFLUENCERS:

Watergate, Energy Crisis, dual income families and single parents

Came of age when the USA was losing some of its appeal as the world's most prosperous nation

Increased information flow from the development of cable television

Core Values: Balance, entrepreneurial, independent, informality, pragmatism

Attributes:

- Adaptable
- Results driven
- Ethical
- Loyal to brands
- Self starters

Work Ethic:

- Work-life balance
- Work smarter with greater output and in less hours
- Task oriented

Defining agricultural events:

1. 1980s farm crisis
2. Biotechnology and computerization of machines and operations
3. Low volatility in markets
4. Dawn of alternative energy

THE MILLENIAL GENERATION-DEFINING CHARACTERISTICS

Born 1981 to 1997

**Age in 2018:
21 to 37**

INFLUENCERS:

Digital media, a child-focused world and terrorist attacks

Grew up more sheltered than other generations as parents strived to protect them from the world

First generation of children with schedules to manage their busy lives

Core Values: Achievement, diversity, self confident, fun, sociability

Attributes:

- At ease in teams
- Focused on children and family
- Structured
- Loyal to peers
- Technologically savvy

Work Ethic:

- Ambitious
- Focused on what's next
- Multi-tasking
- Entrepreneurial

Defining agricultural events:

1. Biofuel mandates and the golden age of agriculture
2. Advanced technologies
3. Low interest rates
4. Value added opportunities

DIVERSIFYING THE FAMILY FARM

AGRICULTURAL SERVICES

As technology continues becoming more integrated in all aspects of farming, some farm operators see an opening to serve and help others. Mastering technological advances can be a challenge to some, and those individuals sometimes need support. Tech-savvy farmers from all generations can be found offering their services to help with things like drone imaging, hardware and software installation on machines, and troubleshooting of technical glitches. Aside from technology, some farms are finding ways to enter complementary businesses as a way to increase incomes and machinery usage. Drainage and tiling services, custom field work, grain and animal feed hauling, soil testing and contract labor are just a few examples. These enterprises are often started by younger farmers as low overhead businesses, or even older individuals looking to transition out of daily farm operations.

SPECIALTY PRODUCTS

As consumers become more aware and concerned about what they eat and where it comes from, some farm families are growing or creating specialty products to meet market demands. Doing so can be an interesting dynamic as many of these production methods, like organic farming, rely on a grandfather's experience in managing crops without modern chemicals, as well as a grandchild's technical knowledge to market and deliver to consumers. These operators often focus on adding value to their core cash crops.

CONTRACT LIVESTOCK PRODUCTION

Entering into contracts for livestock production has benefitted many farmers, both new and seasoned. The capital output required for growing and finishing buildings is often lower when compared to land and machinery, and has allowed young producers to decrease risk and build equity. The reliable income stream from these contracts has also been an attractive retirement plan for farmers wanting to become more passive participants in the farm. Additionally, the manure from animals is often applied to family farmland, helping insulate producers from high crop input prices.



INPUT SALES

For family members having an interest in sales or agribusiness, selling agricultural inputs has proven a natural extension of some farm operations. Doing so helps family farms deepen their network of contacts in the industry, expand relationships with others in the community and increase their level of expertise. Some of these shops are full service, offering crop scouting, grain storage and a complete line of products, while others run lean and focus on low prices. A goal for many families entering into these types of enterprises is to obtain volume discounts that can lower their own input expenses on things like fertilizer, seed, herbicides and aerial spraying. Some are even tapping the internet as a sales outlet to expand their reach.

ROLE MODIFICATION

Given the variety of personal interests and skill sets across generations, many family farms decide to modify the roles and responsibilities needed to run the operation. Often, this can make things look very different from what is traditionally viewed as a farmer's job. While some prefer to do a little bit of everything and be mostly outside, others are inclined to work behind the desk, doing more management than physical labor. Separating roles allows for increased specialization that can improve overall happiness and results. As farms grow and become more complex, there is a need for increased management and a focus on things like commodity marketing, relationships and contract management.

ALCOHOLIC SPIRITS

Some farms, like the Tuntland family's Waterman Winery in DeKalb County, Illinois (pictured), have expanded into the production of alcohol and wine using grains and grapes grown on the farm. The Waterman Winery tends a 12 acre vineyard that has 40 varieties of red and white grapes, and was planted into a former livestock pasture. This farm's continued expansion has been driven by each new generation, following their interests, as a way to diversify their traditional corn and soybean operation.



LEGACY & LAND

By Randall H. Borkus

American farmers have always been uniquely successful at their profession. After all, one American farm feeds 165 people annually in the U.S. and abroad. The ongoing pursuit by each generation to improve the productivity, fertility, profitability and efficiency of each individual American farm has created an exceptionally productive agricultural industry. One cannot help but wonder if the driving force behind this aptitude is the unique focus that farmers place on continuity. However, given human nature, many of us procrastinate on one final step in the process of ensuring continuity through generations to preserve the legacy of our family farms. This step is commonly known as “estate planning,” and following are three pitfalls to estate planning that you can and should avoid.

1 NOT MAKING TIME TO CREATE OR UPDATE YOUR ESTATE PLAN

For starters, most farmers and ranchers have complex estate planning needs. Likewise, the vast majority of farmers and ranchers have children. It is quite common one or some of these children wish to continue farming or ranching and others have no interest at all. How do you square this circle? Build *your* own unique estate plan to reflect *your* priorities for *your* heirs.

Proper estate planning comes with the bonus of denying the spendthrifts in our government the chance to get very involved in your business. This involvement usually comes at a very high price, and when your family is least up for the challenge. If you have an old estate plan, you should strongly consider updating it to reflect your current priorities and to avoid government involvement.

2 THE BELIEF THAT “JOINT TITLING” AND “BENEFICIARY DESIGNATIONS” SOLVE ESTATE PLANNING ISSUES

Many farmers and ranchers believe that the easiest way to plan their estates and avoid the courthouse (probate) is to own property in joint names with family members. Others utilize transfer on death (TOD) and payable on death (POD) accounts, or simply name family members as beneficiaries of their life insurance policies and retirement accounts. Relying on joint accounts and beneficiary designations can be a huge mistake, especially when succession and continuity are a primary goal.

For example; enrolling jointly owned real property in programs administered by the USDA may interfere with government subsidies. Additionally, farmers and ranchers give up a lot of control over real estate when owning it with other family members. Corporations, partnerships, limited liability companies (in some cases) and trusts tend to be much better options for maximizing subsidies, minimizing personal liability, maintaining control and creating a true platform for business succession.

I’ve seen many folks create a comprehensive estate plan and then, over time, begin to weave in joint titling with rights of survivorship,

POD or TOD accounts, and beneficiary designations. This can create conflict with the original estate planning intent. While joint titling and beneficiary designations avoid probate, these assets are also guaranteed to be included in an individual’s taxable estate, which is unfortunate. Further, the single biggest reason to avoid joint titling is the lack of protection from creditors, predators and litigation.

With proper planning, you can have much more control over the amount of taxes you will pay, and can limit liability exposure.

The bottom line is that properly titling assets dictates who inherits and how they inherit. Doing so also prevents unintended consequences that often occur when things are kept too simple and you rely on verbal instructions and the hope those you leave behind carry out your wishes. Titling property jointly and using beneficiary designation seems unassuming and convenient, but the lost opportunity created could be very expensive and leave heirs unprotected and at odds.

3 OVERLOOKING ASSET PROTECTION PLANNING

Many farms have Form 1099 and “cash-only” employees which makes it convenient for business purposes, but can expose your business and family to personal liability.

When you hear about asset protection planning in the news you might start to think of complex offshore trusts, entity planning, lawyer fees and confusing strategies. However, in many cases, a family might receive significant asset protection planning if they have a large umbrella policy attached to their homeowner insurance policy, and have appropriately selected beneficiary designations for life insurance policies and annuities.

If you have any questions or concerns about your estate, or if you are unsure where you stand with your current plans, it may be time to speak to someone about asset protection, proper asset titling and the statutory protections of life insurance and annuities. I have never met a person who enjoys the process of getting his or her affairs in order. Likewise I have never met a person who didn’t benefit greatly from having done so. With the right team in place, and your customized estate plan in order, you can operate your business each day with the knowledge that continuity and legacy, whatever they mean for you, will be preserved for generations to come.

Randall H. Borkus has offices in Oak Brook, Illinois and Minot, North Dakota. Randall is an attorney and consultant with a deep background in asset protection, farm and business succession, income tax planning, and finance. His primary focus is on family asset preservation planning, life insurance planning, income tax planning, zero estate tax planning, estate planning, and farm/ranch succession planning. He provides collaborative services to entrepreneurs, financial advisors, insurance professionals, CPAs, business professionals, and many estate planning attorneys.

Martin, Goodrich & Waddell LAND LISTINGS

All acreage and mileage figures listed here are approximate

ILLINOIS PROPERTY

ADAMS COUNTY

- 17 acres. Adams Swine Facility, 3½ mi. NE of Loraine. \$2,190,000 SALE PENDING

BOONE COUNTY

- 161.6 acres. KGF Poplar Farm, ⅞ mi. E of Poplar Grove. SOLD
- 80 acres. Manchester Farm, 6¼ mi. N of Poplar Grove. \$8,700/ac. SOLD

BUREAU COUNTY

- 120 acres. Lalik North Farm, 4½ mi. SE of Tampico. \$8,650/ac.
- 80 acres. Lalik South Farm, 4½ mi. SE of Neponset. \$8,450/ac. SOLD
- 119 acres. Tiskilwa Property, ½ mi NE of Tiskilwa. \$3,190/ac. SOLD

CARROLL COUNTY

- 931.8 acres. Stone Farms, north of Mt. Carroll. \$6,295,000. SOLD

CHAMPAIGN COUNTY

- 97.5 acres. Ostfriesland Farm North, 1½ mi. SE of Rantoul. \$12,900/ac. SOLD

COOK COUNTY

- 27.8 acres. Golf Road Farm, contiguous to Hoffman Estates. \$35,000/ac. SOLD
- 35.5 acres. Lynwood Property, village of Lynwood. Auction. SOLD

DEKALB COUNTY

- 124.7 acres. Hassler Farm, ⅝ mi. NE of Hinckley. \$10,950/ac.
- 175.8 acres. Hall-Weber Farm, 1½ mi. E of Shabbona. \$10,500/ac.
- 114.5 acres. Johnson Farm, 1¼ mi. E of Kirkland. \$11,500/ac.
- 314 acres. McGirr Road Farm, 3½ mi. NW of Hinckley. \$11,250/ac. SOLD
- 160 acres. Prairie Lane Farm, 2¼ mi. NE of Hinckley. \$10,900/ac. SOLD

DEWITT COUNTY

- 77.3 acres. Craddock Farm, 2¼ mi. S of Farmer City. \$10,900/ac. SOLD

KANE COUNTY

- 78.9 acres. Kartheiser Estate, contiguous to Hampshire. \$1,354,000
- 127.7 acres. Plank Road Farm, ¼ mi. SE of Elgin. \$9,850/ac. SOLD
- 82 acres. Lueth Farm, ¾ mi. S of Algonquin. \$14,900/ac. SOLD

KANKAKEE COUNTY

- 157.6 acres. Bonfield, 3 mi. N of Bonfield. \$6,975/ac. SOLD

KENDALL COUNTY

- 10 acres. Creek Road Property, ⅝ mi. W Plano. \$225,000 SOLD

LA SALLE COUNTY

- 130.7 acres. ABP South Farm, 2¼ mi. SE of Oglesby. \$11,500/ac.
- 104.6 acres. Groveland Farm, 1½ mi. NW of Dana. \$8,575/ac. SOLD

LEE COUNTY

- 115 acres. ABP North Farm, 5½ mi. NW of Paw Paw. \$10,500/ac.
- 160 acres. Herman Road Farm, 2¾ mi. S of Steward. \$9,250/ac. SOLD
- 113.4 acres. Cantlin Farm, 2¼ mi. S of Paw Paw. \$9,450/ac. SOLD



OUR FEATURE FARM:
THE COINE FARM
OGLE COUNTY, IL
BIDDING IS OPEN NOW AND
CLOSES APRIL 6, 2018

The Coine Farm is a unique opportunity to purchase first class recreational land with productive tillable soils. The property offers excellent deer, turkey, upland bird, waterfowl and fishing opportunities, and the woods have been managed for quality timber. The owner of the farm, Bob Coine, has long been a national expert in deer habitat and hunting. He has written several books on the subject and has created the DVD series, "Building Whitetail Paradise." There are approximately 256.62 total acres and 147.92 tillable acres, of which 65.39 acres are currently enrolled in CRP. An additional 3.23 acres are enrolled in CRP and planted to pine trees. The farm is offered in three tracts.

LIVINGSTON COUNTY

- 75 acres. Blackstone Farm, 1 mi. S of Blackstone. \$3,975/ac. SOLD

MC HENRY COUNTY

- 56.9 acres. Route 47 Property, ¾ mi. NW of Woodstock. \$519,000 SALE PENDING

MCCLEAN COUNTY

- 196 acres. Anchor Farm, 2¼ mi. SE of Anchor. \$10,450/ac.

MERCER COUNTY

- 28 acres. New Boston Property, 2¼ mi. NW of New Boston. \$2,350/ac.

OGLE COUNTY

- 256.6 acres. Coine Farm, 3¹¹/₁₆ mi. S of Mt. Morris. ONLINE AUCTION
- 127 acres. Ogle County Crossroads Property, city of Rochelle. \$39,900/ac.
- 13.2 acres. Goguen Farm, adjacent to Rochelle. \$8,350/ac. SALE PENDING
- 88 acres. Rock River Ranch, ¾ mi. E of Mount Morris. \$899,000. SOLD
- 321.9 acres. Cooper Farm, village of Hillcrest. \$12,500/ac. SOLD
- 57.5 acres. Hub City Route 38 Farm, ¼ mi. W of Rochelle. \$12,500/ac. SOLD

PUTNAM COUNTY

- 118.1 acres. Gunderson Farm, ¼ mi. E of Hennepin. \$910,000

ROCK ISLAND COUNTY

- 94.4 acres. Route 92 Property, ⅝ mi. S of Muscatine, IA. \$5,250/ac.
- 20 acres. Canoe Creek Farm, 3½ mi. N of Hillsdale. \$79,500 SALE PENDING
- 73 acres. Lake Forest Property, village of Milan. \$5,450/ac. SOLD

STEPHENSON COUNTY

- 221.8 acres. Davenport Farm, 1½ mi. N of Rock City. \$8,475/ac. SOLD

WILL COUNTY

- 54.9 acres. Lincoln Highway Property, village of Frankfort. \$29,500/ac.
- 103.9 acres. Crete Farm, 3¼ mi. NE of Beecher. \$5,900/ac.

- 10 acres. Sloan Property, 1 mi. S of Monee. \$104,000
- 71.6 acres. Sapphire Pointe Farm, ¼ mi. SE of Frankfort. \$7,850/ac. SOLD
- 280 acres. Wilton Prairie Farm, 3½ mi. SE of Manhattan. \$7,350/ac. SOLD

WINNEBAGO COUNTY

- 57.5 acres. Pine Deer Property, city of Rockford. \$23,000/ac.
- 65.9 acres. Whitney Farm, 3¼ mi. SW of Winnebago. \$10,850/ac. SALE PENDING
- 166.2 acres. Lightfoot Farm, 2½ mi. N of Winnebago. \$6,750/ac. SOLD

IOWA PROPERTY

APPANOOSE COUNTY

- 165 acres. Numa Ridge Farm, ½ mi. W of Numa. \$5,425/ac. SOLD

DECATUR COUNTY

- 160 acres. Weldon Ridge Farm, 1 mi. SE of Weldon. \$5,600/ac.

MUSCATINE COUNTY

- 84.6 acres. Murdock Property, 3 mi. E of Muscatine. \$495,000. SOLD

INDIANA PROPERTY

LAKE COUNTY

- 80 acres. Minder Property, city of Hobart. \$7,950/ac.

WISCONSIN PROPERTY

ROCK COUNTY

- 115.6 acres. Spring Creek Farm, ¾ mi. W of Beloit. \$5,350/ac. SOLD

For details on these properties, call Jeff Waddell, Josh Waddell or Mark Mommsen at 815-756-3606 or visit our website at www.mgw.us.com.

Investment Focus:

THE MANY BENEFITS OF FARMLAND OWNERSHIP

I hope our readers find this issue of Seasons to be a helpful reminder of the importance of estate planning. As we put this issue together, we were constantly reminded of all the reasons we love agricultural land as an investment. Farmland is unique as an asset, as it is often near and dear to the people who own and operate it. There are terrific financial benefits to farm ownership, and for many landowners, these benefits are matched by the enjoyment and appreciation they and their loved ones have for the farm.

My favorite characteristic about farmland, as an investment, is that it's remarkably steady and exhibits very little volatility. As an asset, farmland does not react to day-to-day market fluctuations. Instead, it derives its value from long-term, global macroeconomic trends. A higher volatility investment, like individual stock ownership, can instantly, and often erratically, react to daily events ranging from corporate earnings, trade deals and energy costs, to unemployment rates and manufacturing growth. As world population continues to grow and develop higher protein diets, farmland ownership presents American farmers and investors with an opportunity to harvest considerable foreign dollars spent on grain and meat purchases, and bring them home to grow and improve local farms and communities.

For absentee landowners, purchasing a farm puts you in a landlord role. Unlike nearly all commercial and residential real estate investments, ag land, for all intents and purposes, has a vacancy rate of nearly zero. With very few exceptions, owners of productive farmland can always find a tenant. Rates may vary and grain markets may fluctuate, but there is an inherent global demand for the grains produced on the land. And as discussed, daily events and temporary fluctuations have little impact on lease rates. Rather, global trends and supplies edge markets one direction or another much more

gradually than comparable investment types. Absentee landowners also avoid much of the time and expense normally associated with "rental property." A strong relationship with a single tenant can produce decades, even generations, of a mutually beneficial business relationship. These relationships stand on competitive rental rates and quality land stewardship as their foundation. This is in stark contrast to the fleeting, often adversarial relationship that can develop much more frequently in residential and commercial real estate between a property owner and a tenant.

Perhaps the most fundamental benefit associated with farmland ownership is found in its essence. It is physical. It is there. It cannot be exported or outsourced. Our primary variable is Mother Nature, against which we've grown remarkably adept at hedging. The U.S. has only just begun to reverse the trend of outsourcing that has pervaded for decades. The static nature of ag land stands in stark contrast to the ebbs and flows of jobs, factories, labor participation and training that shift from place to place depending on economic conditions. Going into every planting season, with a little help from mother nature, you can rest assured that you have a good grasp on what your farm can produce and how long it will take to produce it. I hope you and your families have a happy and productive spring!



Jeff Waddell
President

2020 Aberdeen Court
Sycamore, IL 60178
www.mgw.us.com
info@mgw.us.com
(815) 756-3606

