

Machinery Investments & Farm Financial Trends

farmdoc



I ILLINOIS

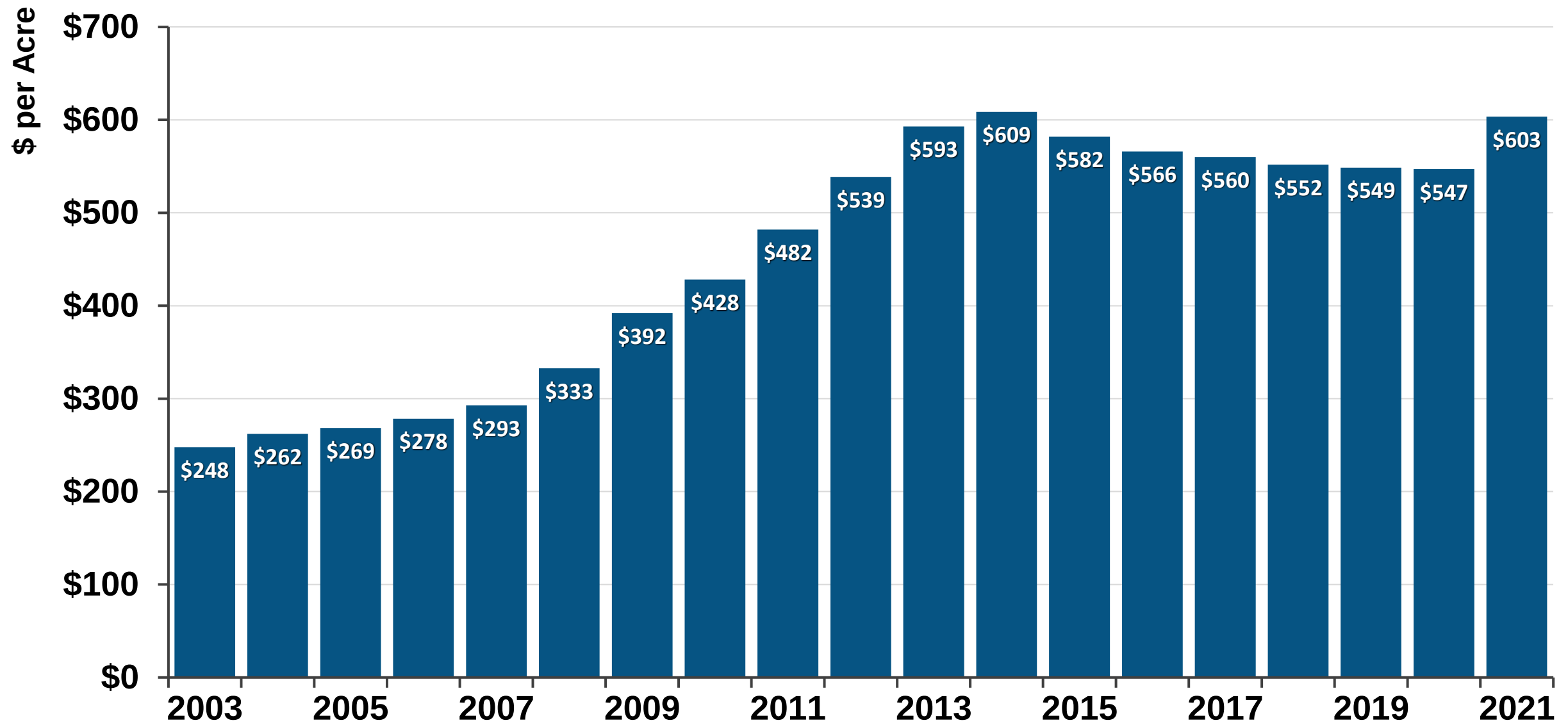
Agricultural & Consumer Economics

COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

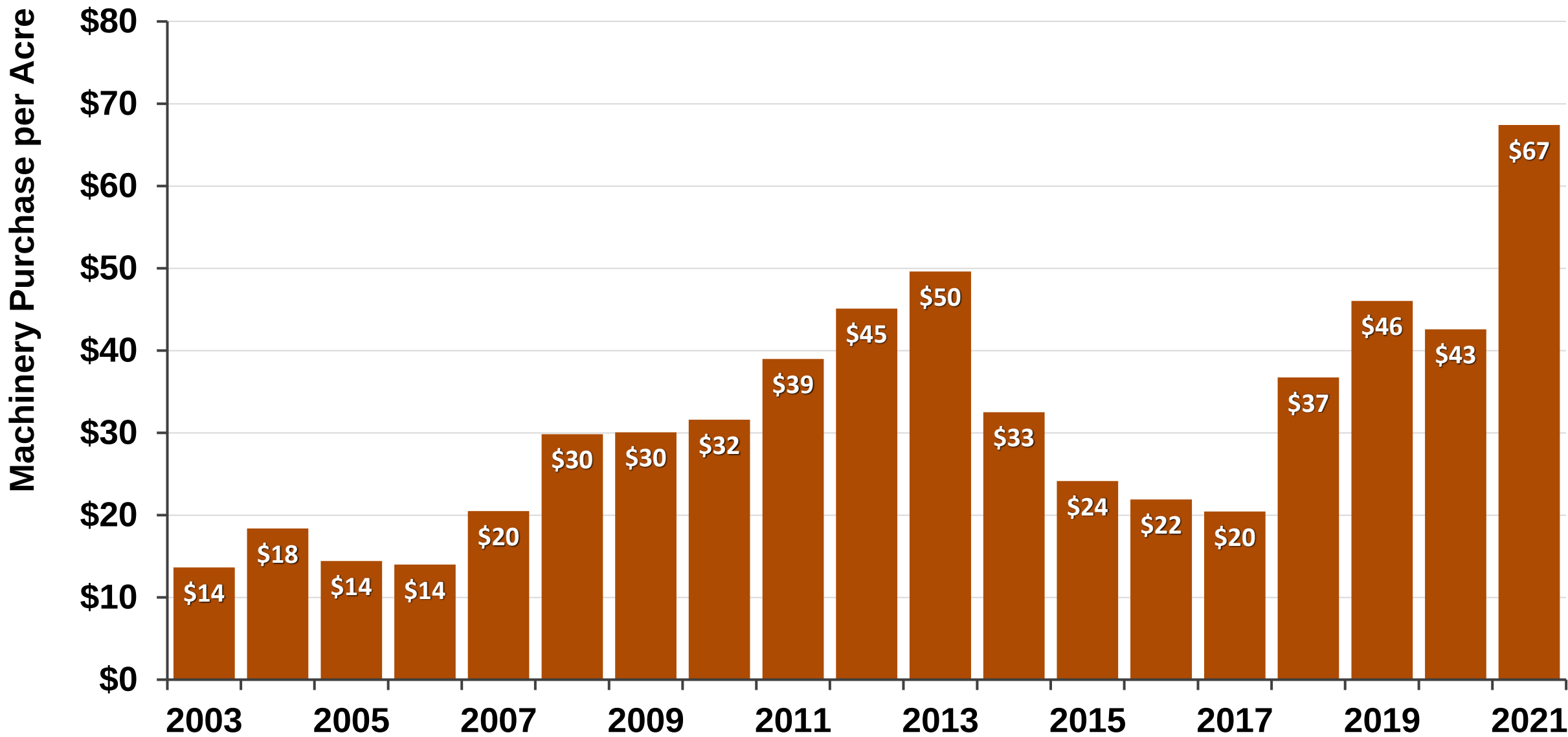
Brad Zwilling
VP of Data Analysis
Illinois FBFM



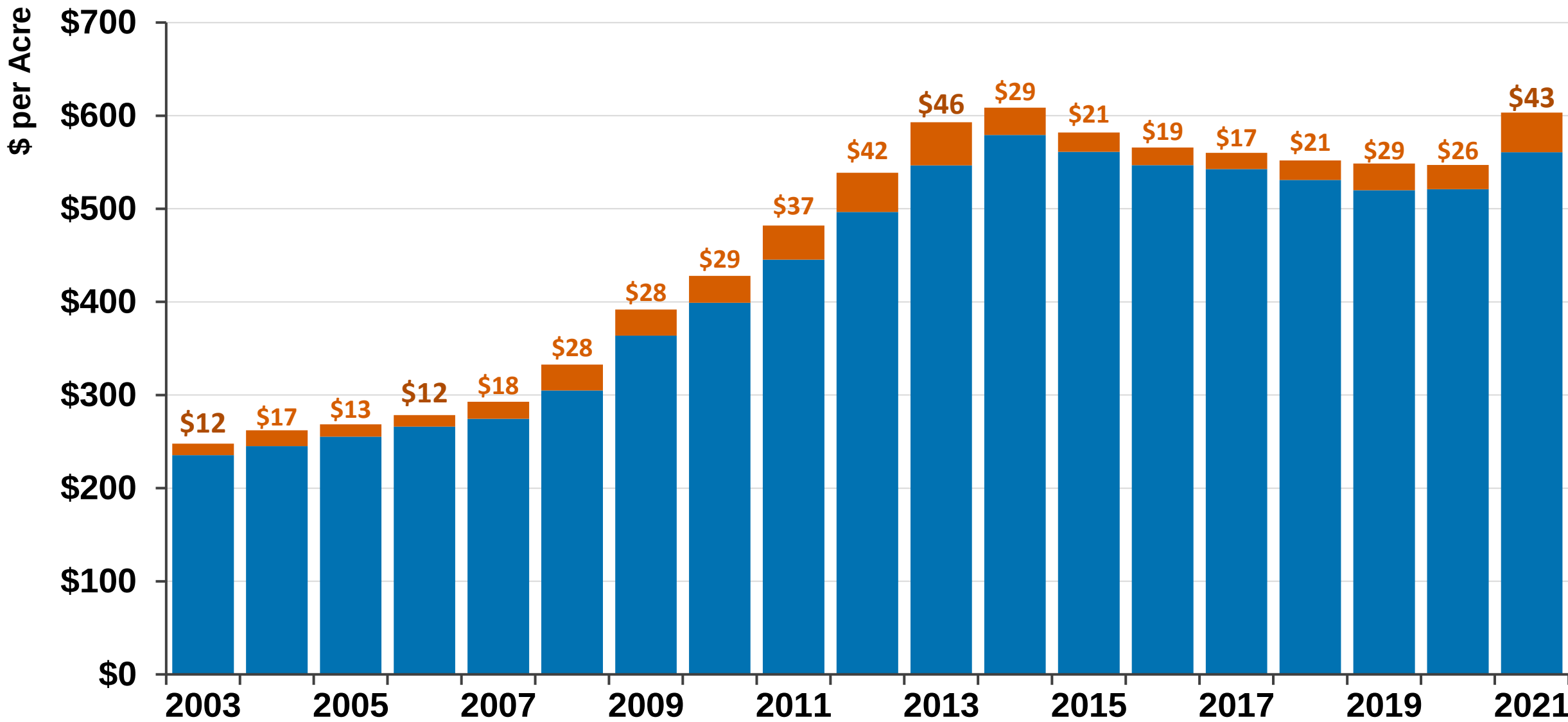
Average Machinery Values per Acre Doubled in 7 Years



Machinery Purchases Increase Almost 400%



Purchase Impact on Machinery Values



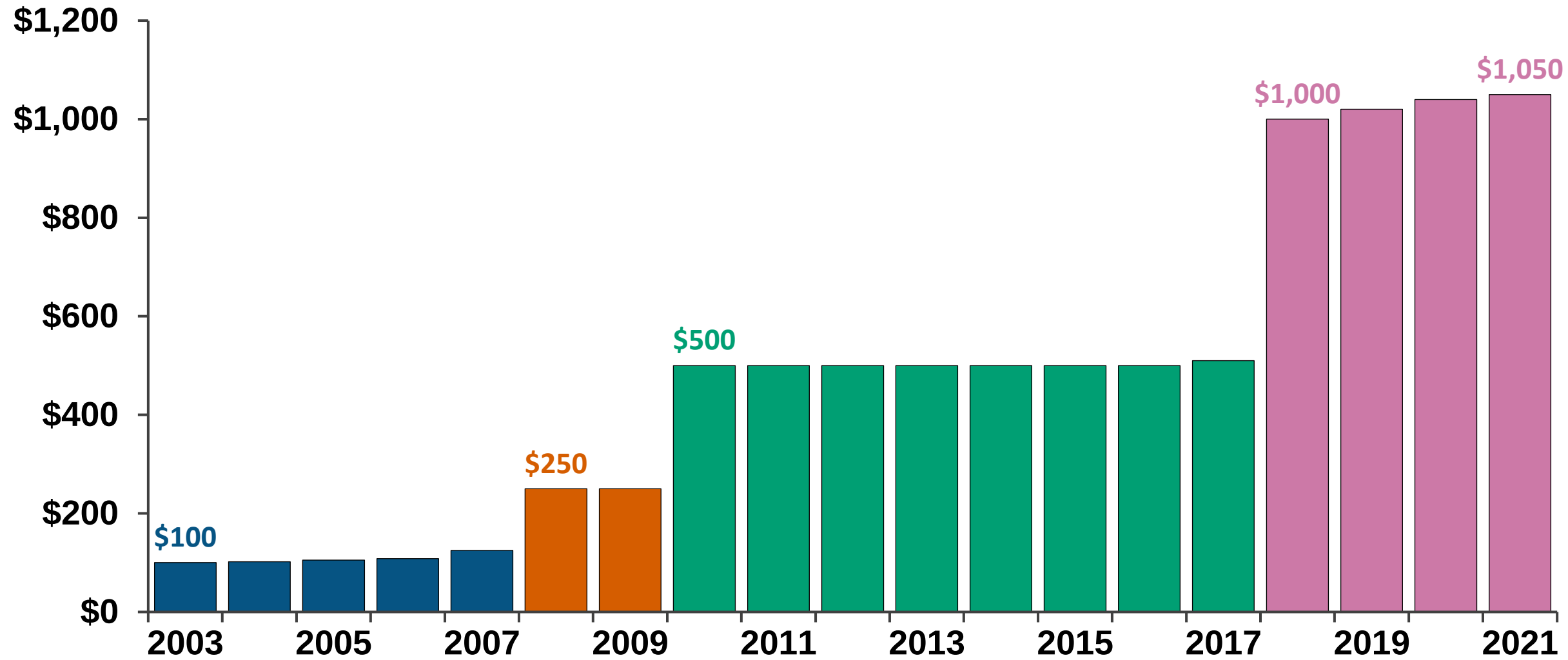
Tax Effects on Purchases

- Expense Election or 179 Election
- Bonus Depreciation (None, 30%, 50% or 100%)
- Purchases used as cash expense
- Machinery Like-Kind Exchange
no longer after 12/31/2017

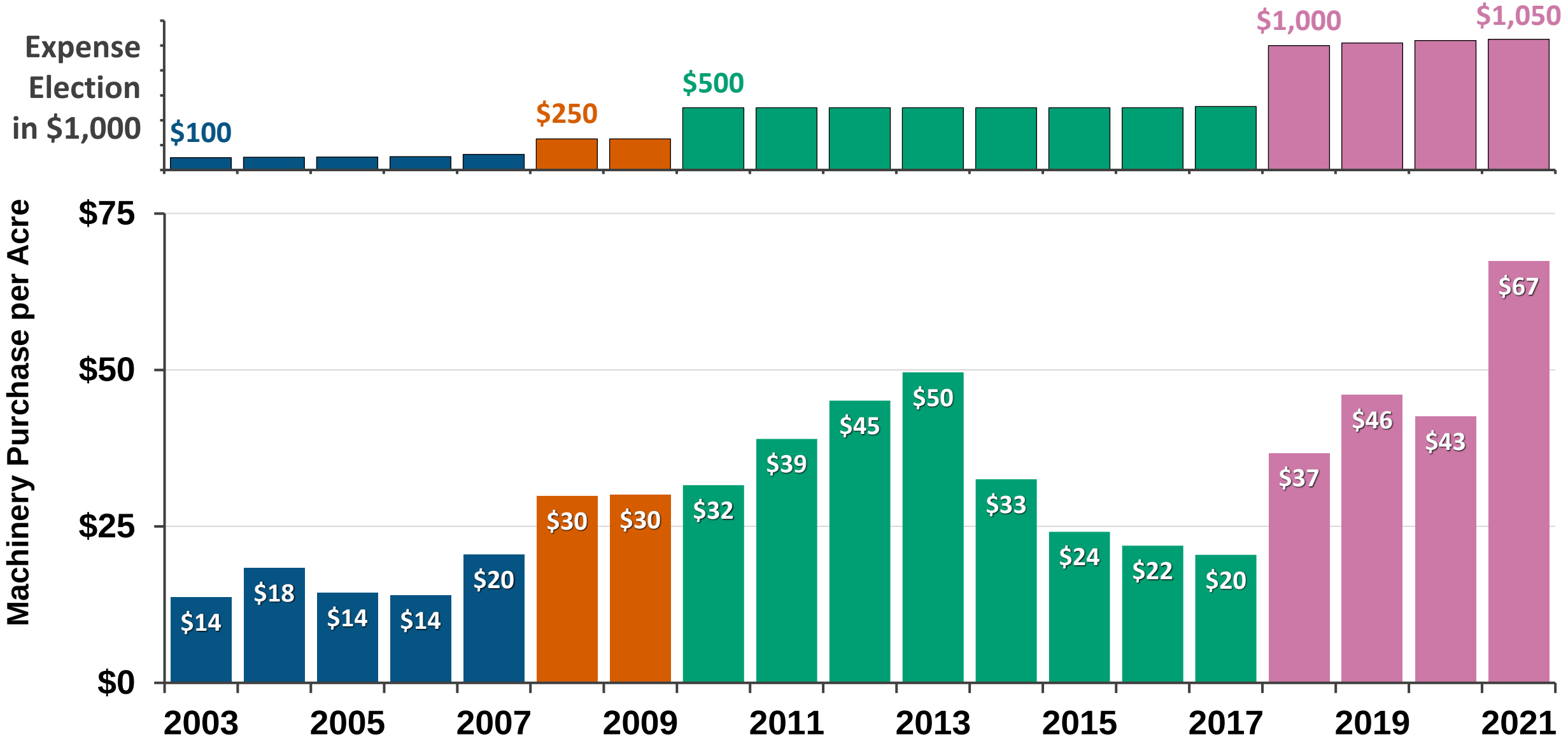
Tax Cut and Jobs Act (Sec. 1031 change)

IRS Expense Election (Sec. 179)

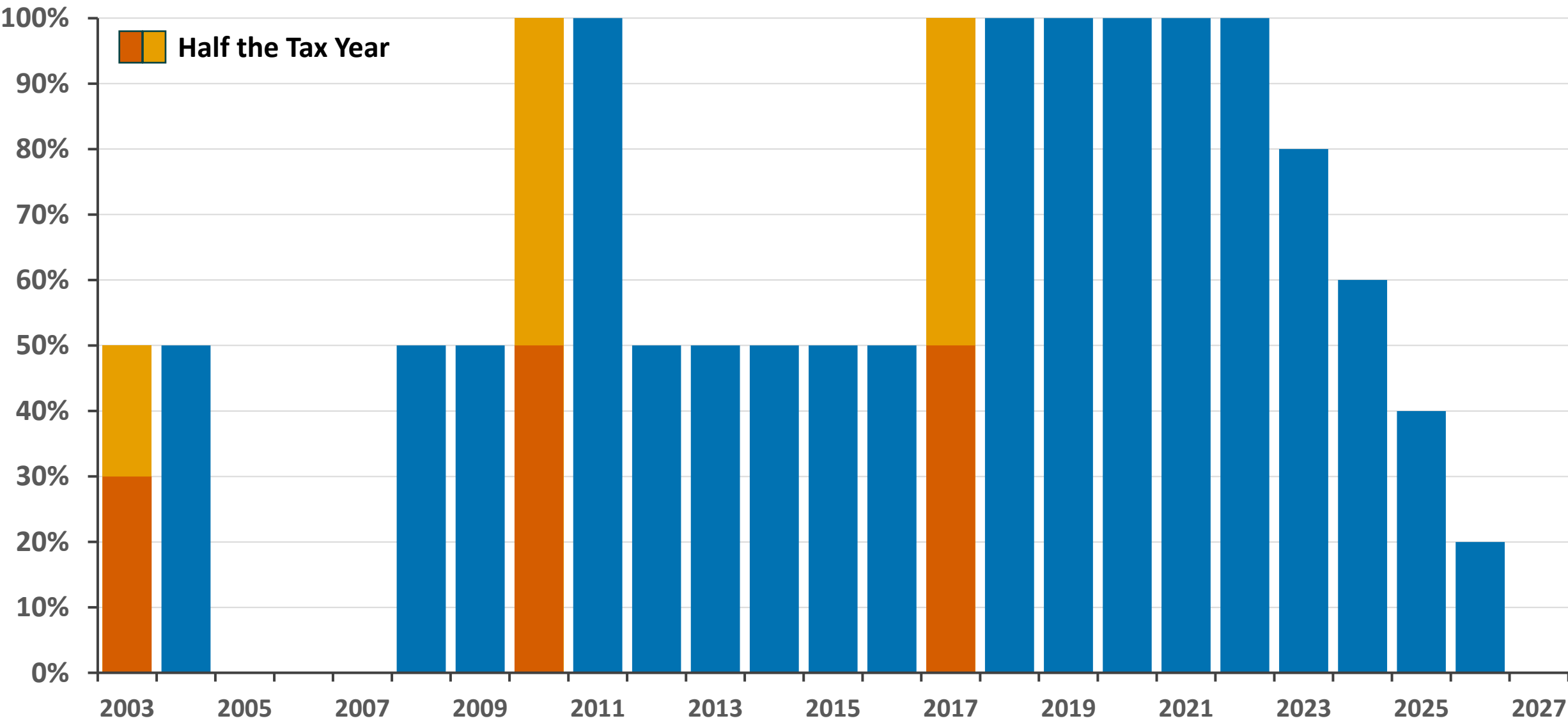
Now \$1 Million Adjusted for Inflation in Thousand Dollars



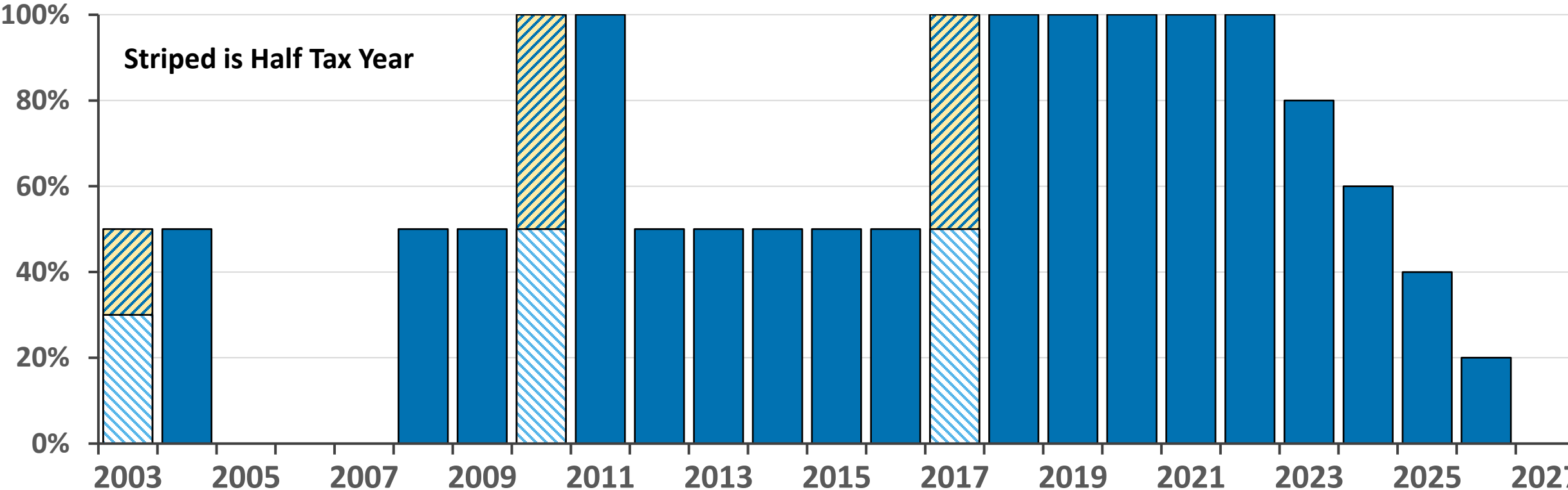
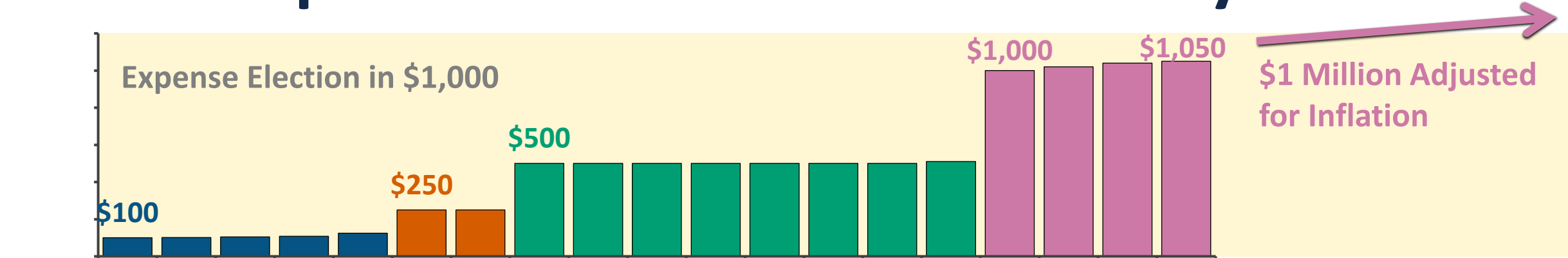
Machinery Purchase Changes with IRS Sec. 179?



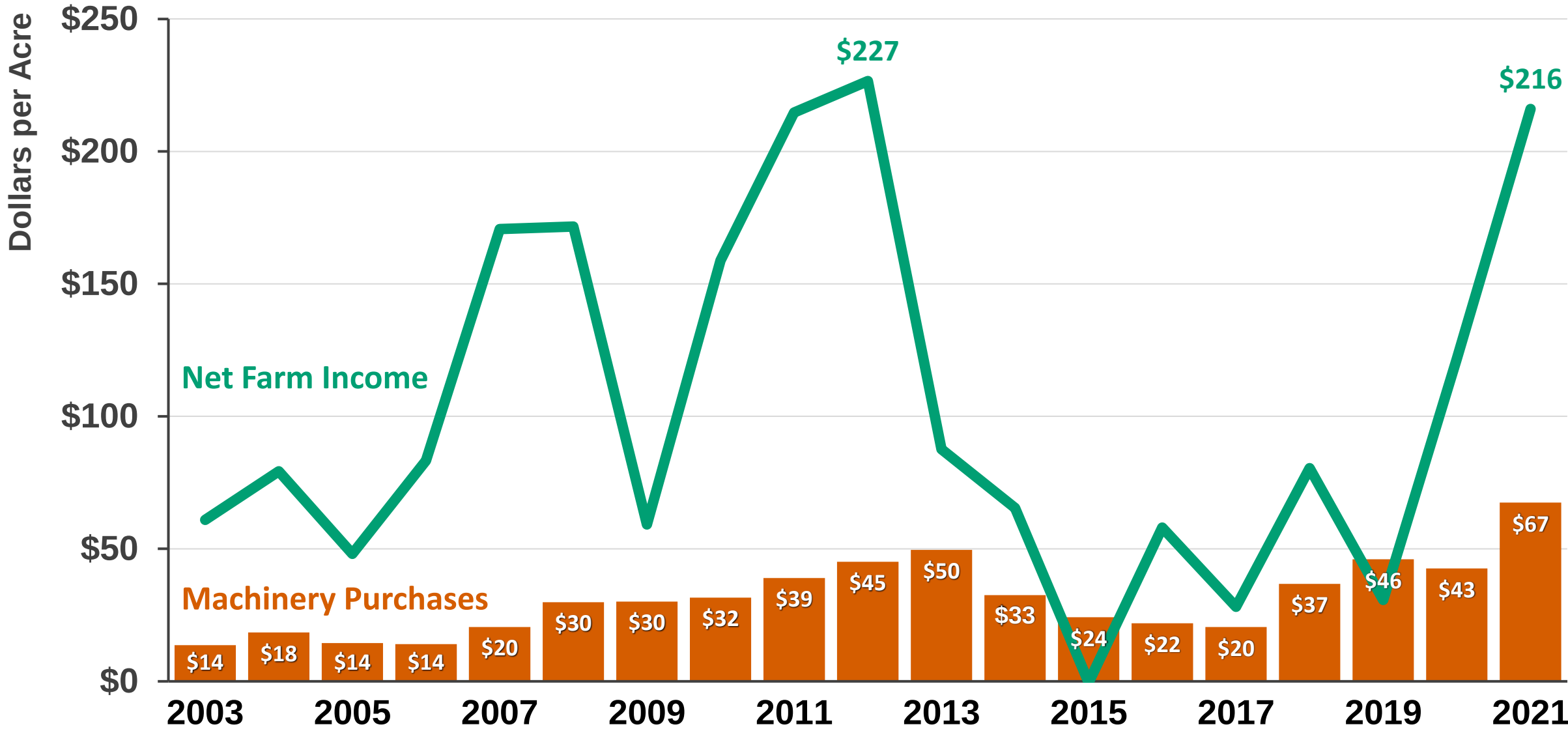
Bonus Depreciation Set to Phase Out by 2027



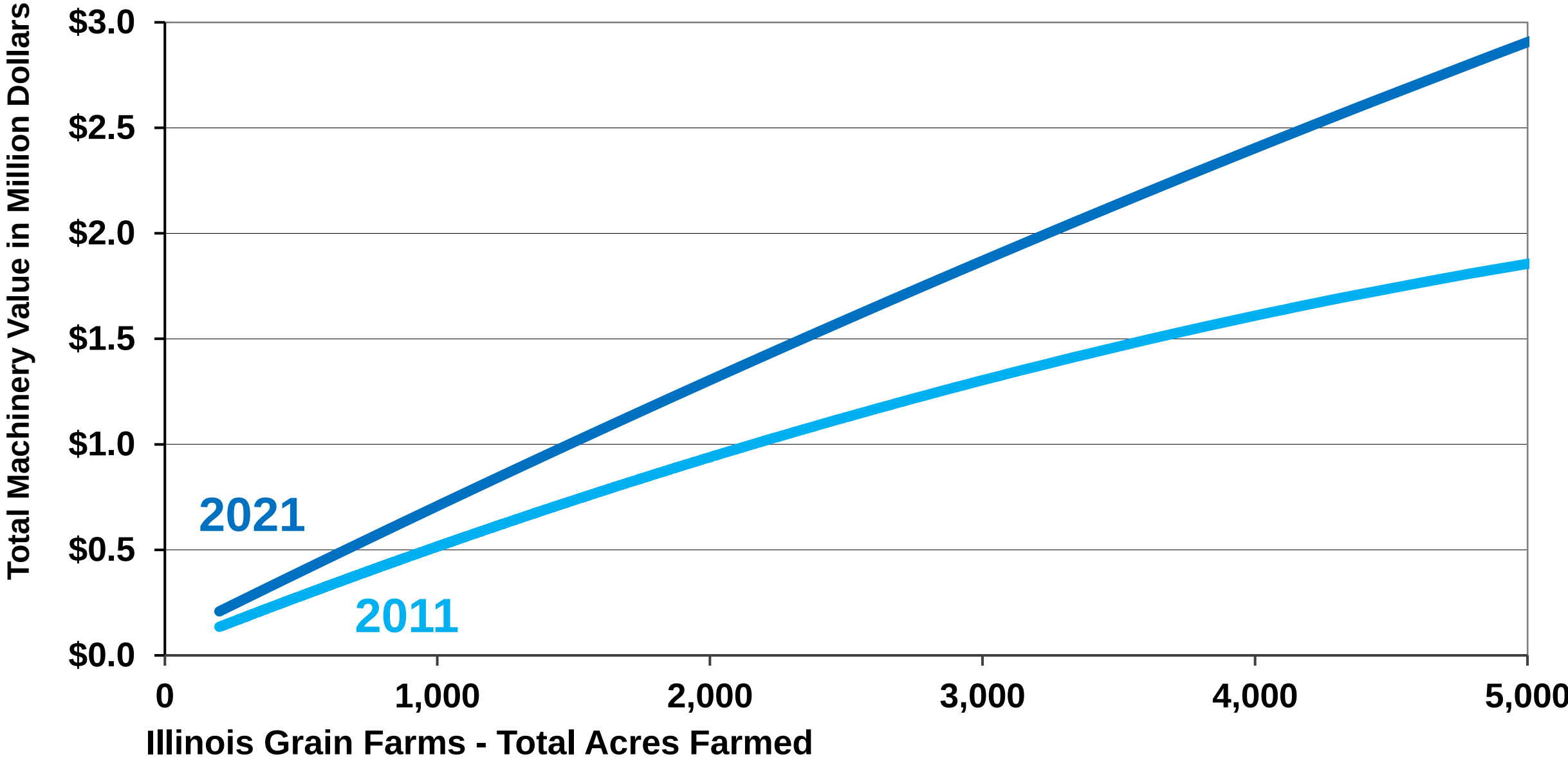
Bonus Depreciation Set to Phase Out by 2027



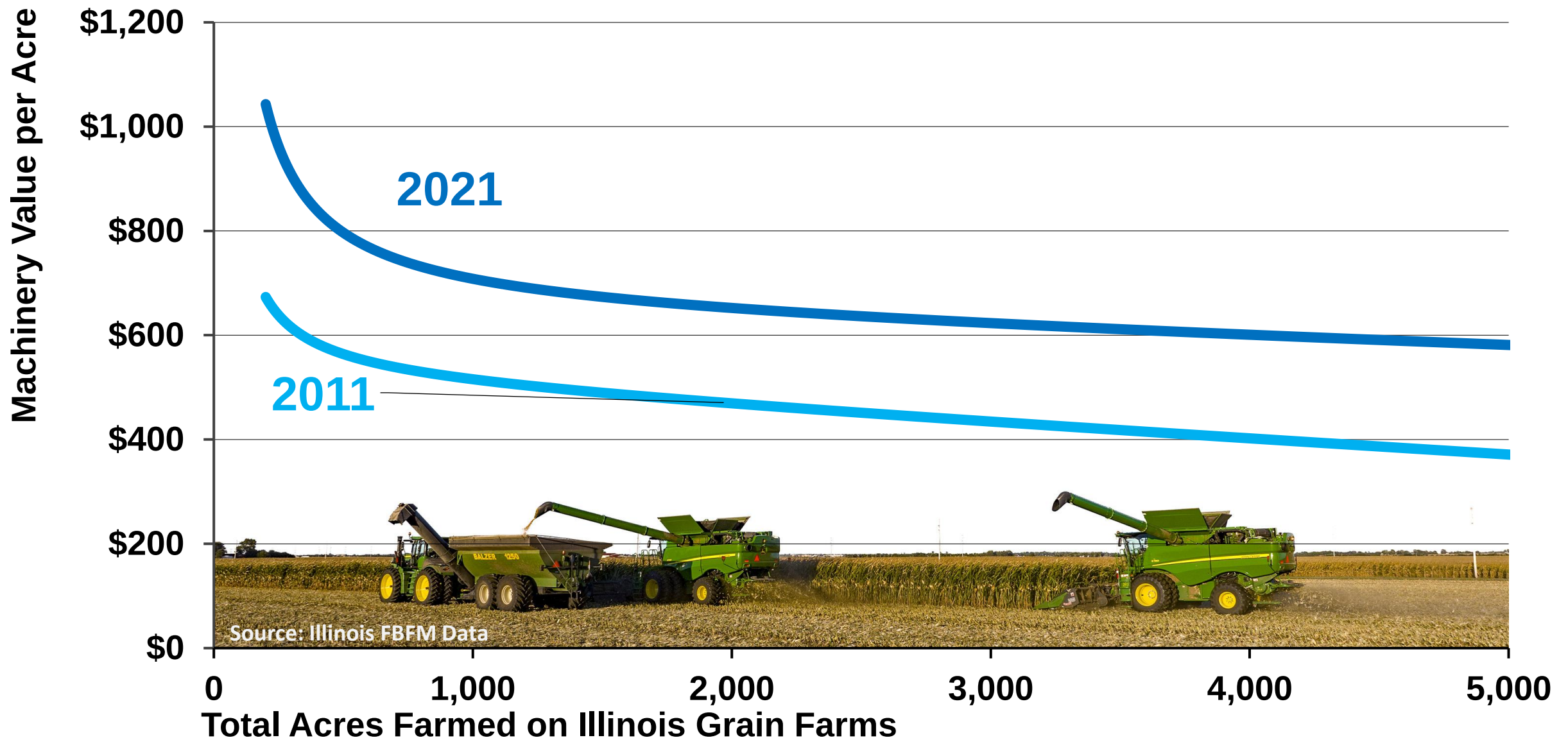
Farm Income Effect on Machinery Purchases



Machinery Increases More on Larger Farms (2011 vs. 2021)



Per Acre Values Shift Up 40% to 60% on Grain Farms 2011 vs. 2021

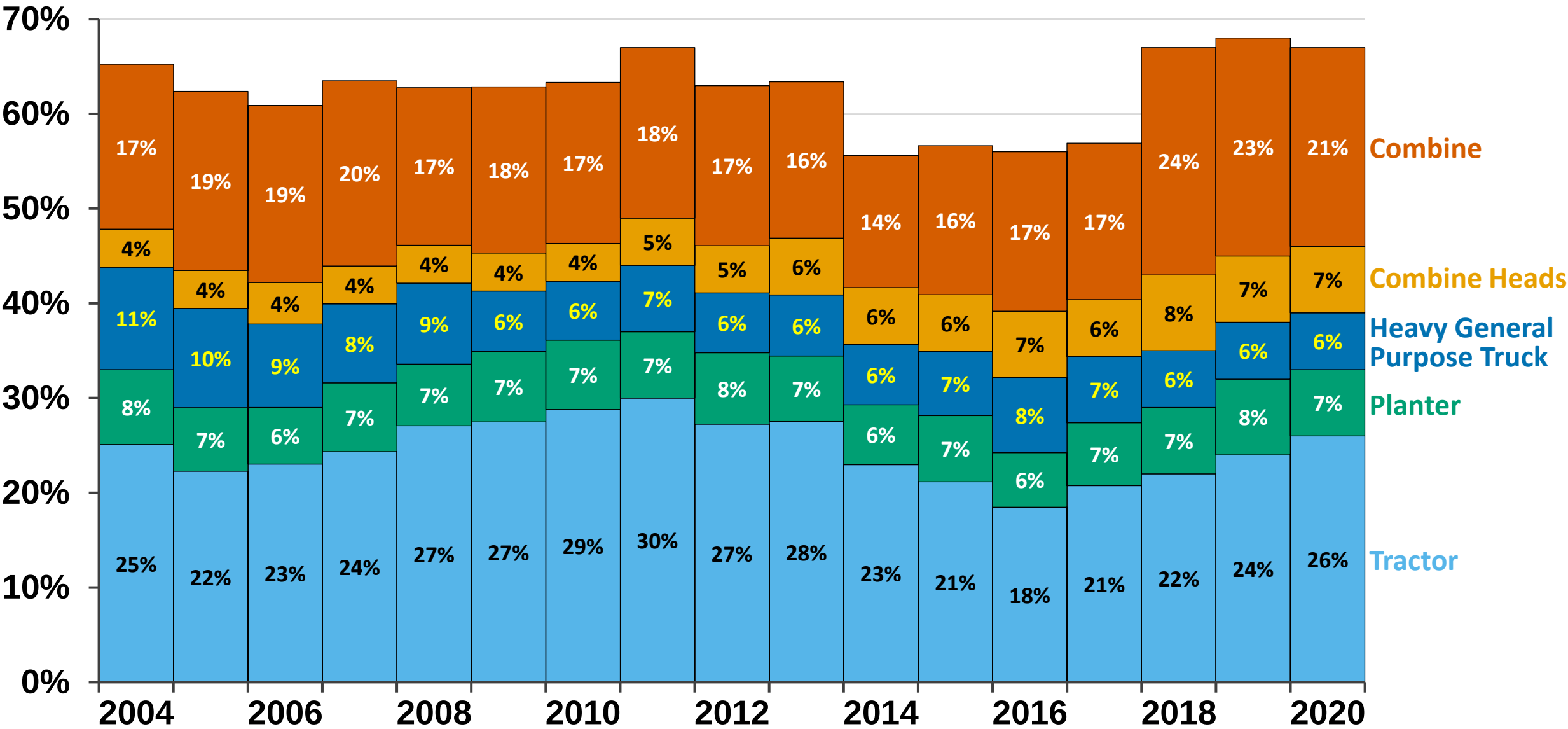


Source: Illinois FBFM Data

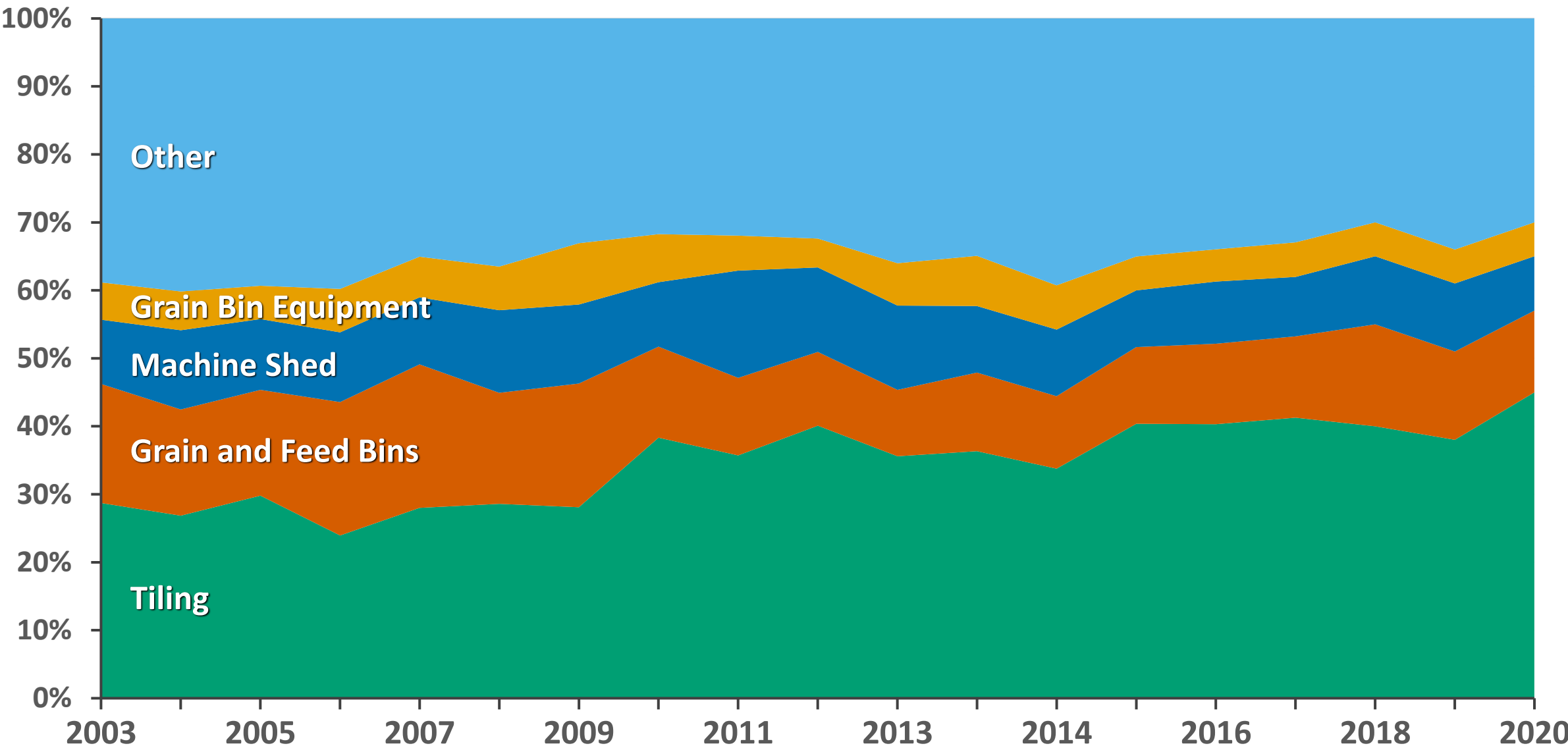
What Capital Items are Farmers Buying and When?



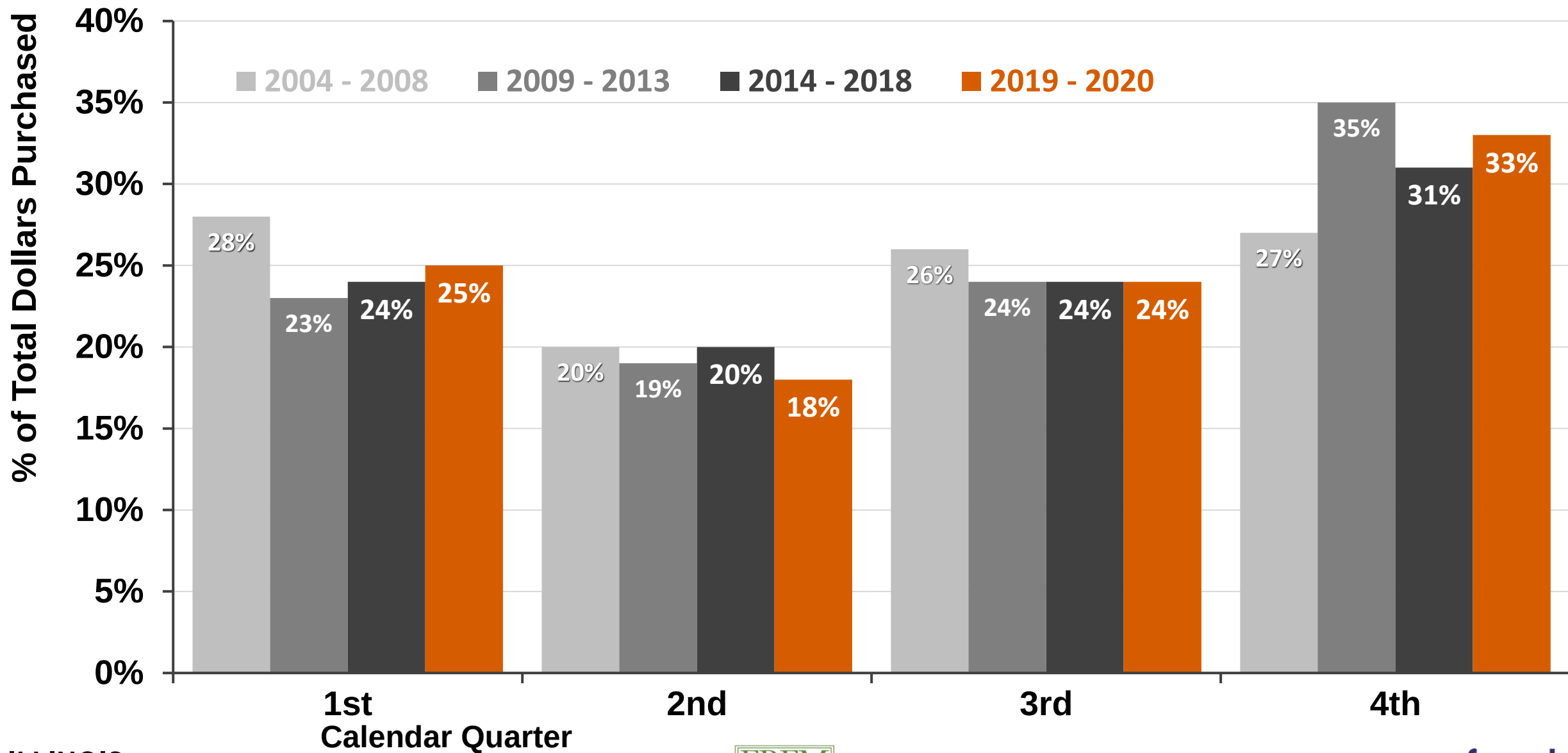
Most Dollars Spent by Type of Machinery



Most Purchased Farm Buildings



When Are Most Capital Purchases Made?



Financial Trends

Gross PPE
Accum Depreciation
Fixed Assets

Intangible Assets Gross
Accum Amort: Intangible Assets
Long-Term Investments
Investment in Subsidiaries
Other Long-Term Assets
Long-Term Deferred Tax Asset
Other Assets

(11,181,600)

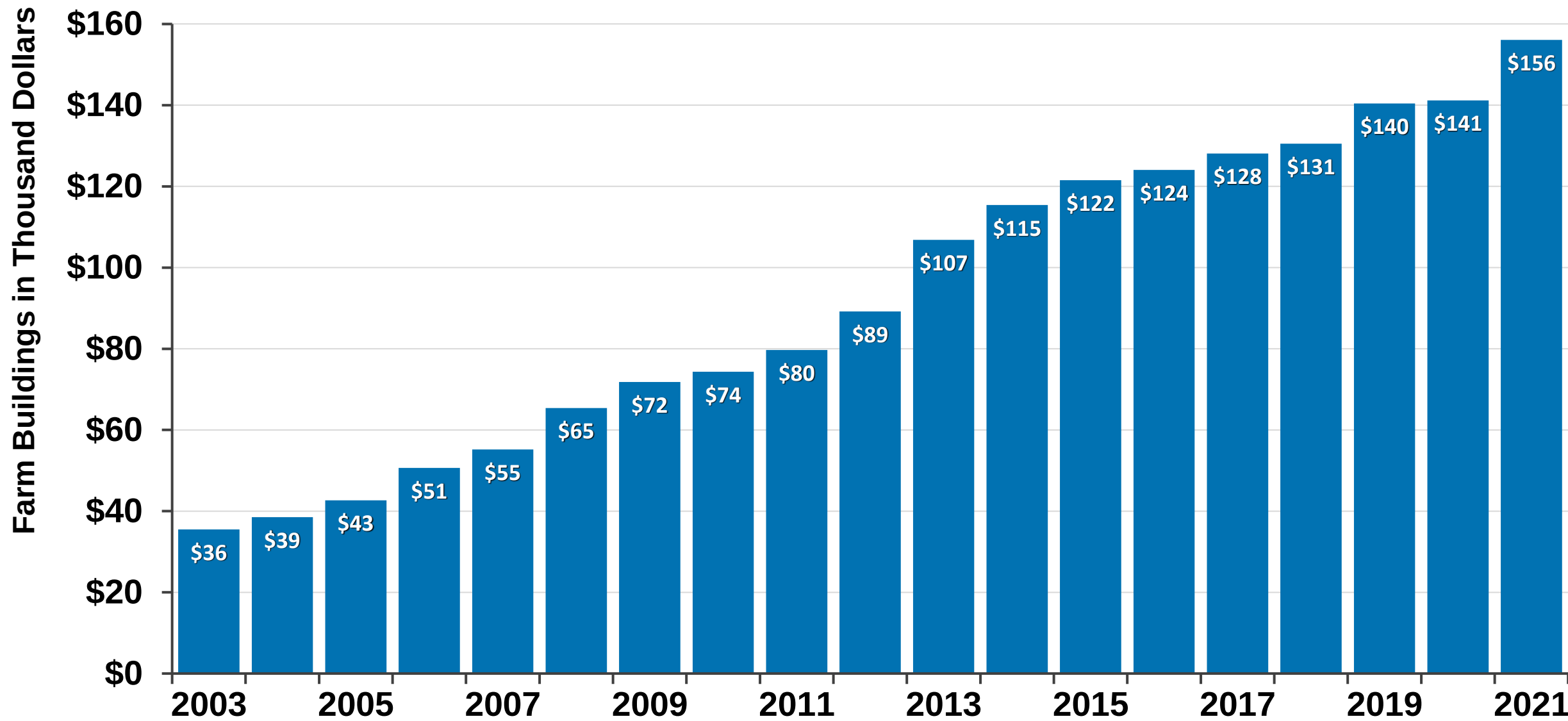
0	16,027,000	344.9%
71,300,717	4,010,854	344.4%
17,825,179	11,948,402	347.6%
53,475,538	31,986,350	470.1%
182,348,839		

5,093,885,304	3,815,118,533	33.5%
---------------	---------------	-------

150,241,291	83,979,200	78.9%
404,906,646	88,445,000	357.8%
555,147,937	172,000,000	222.0%

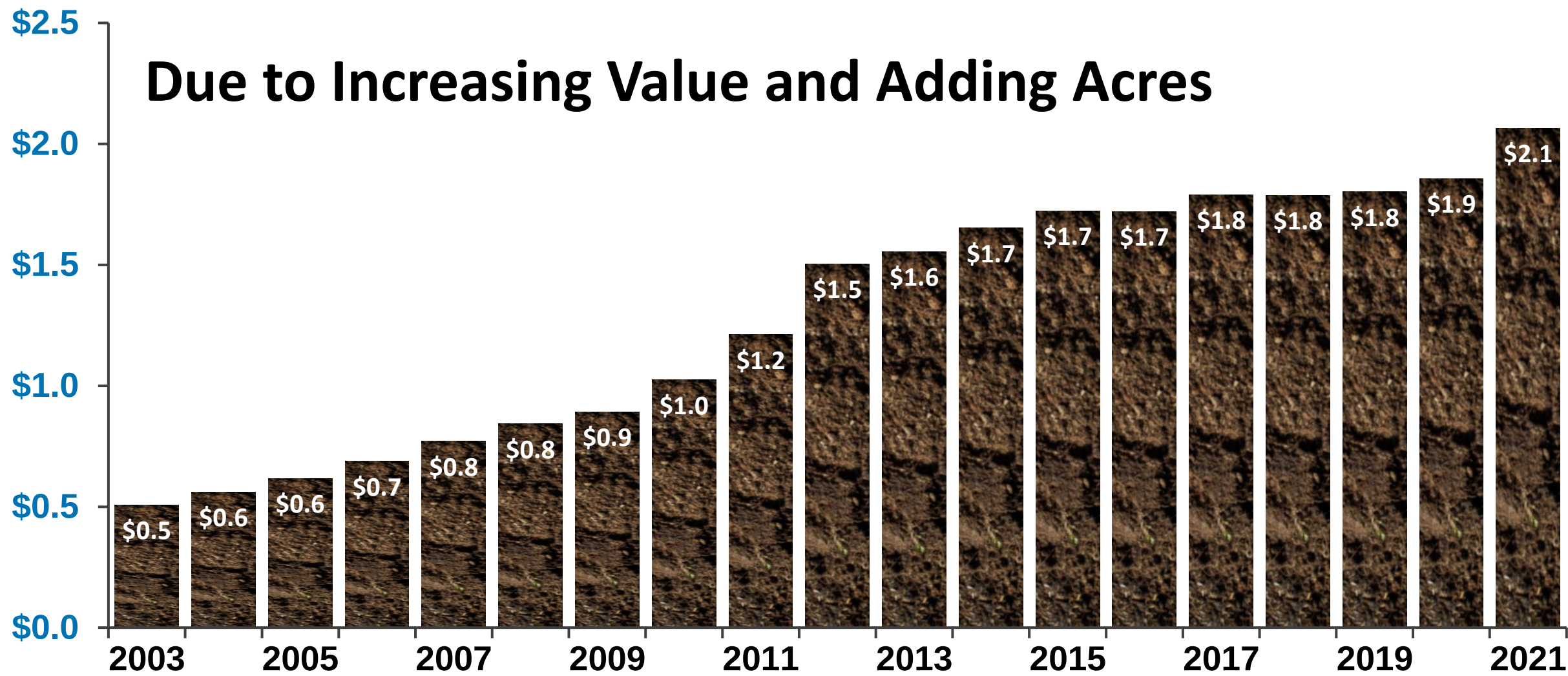
9,209,306		346.3%
-----------	--	--------

Ave. Farm Buildings Increased \$7,000 per Year



Average Value of Land Owned Increased

in Million Dollars



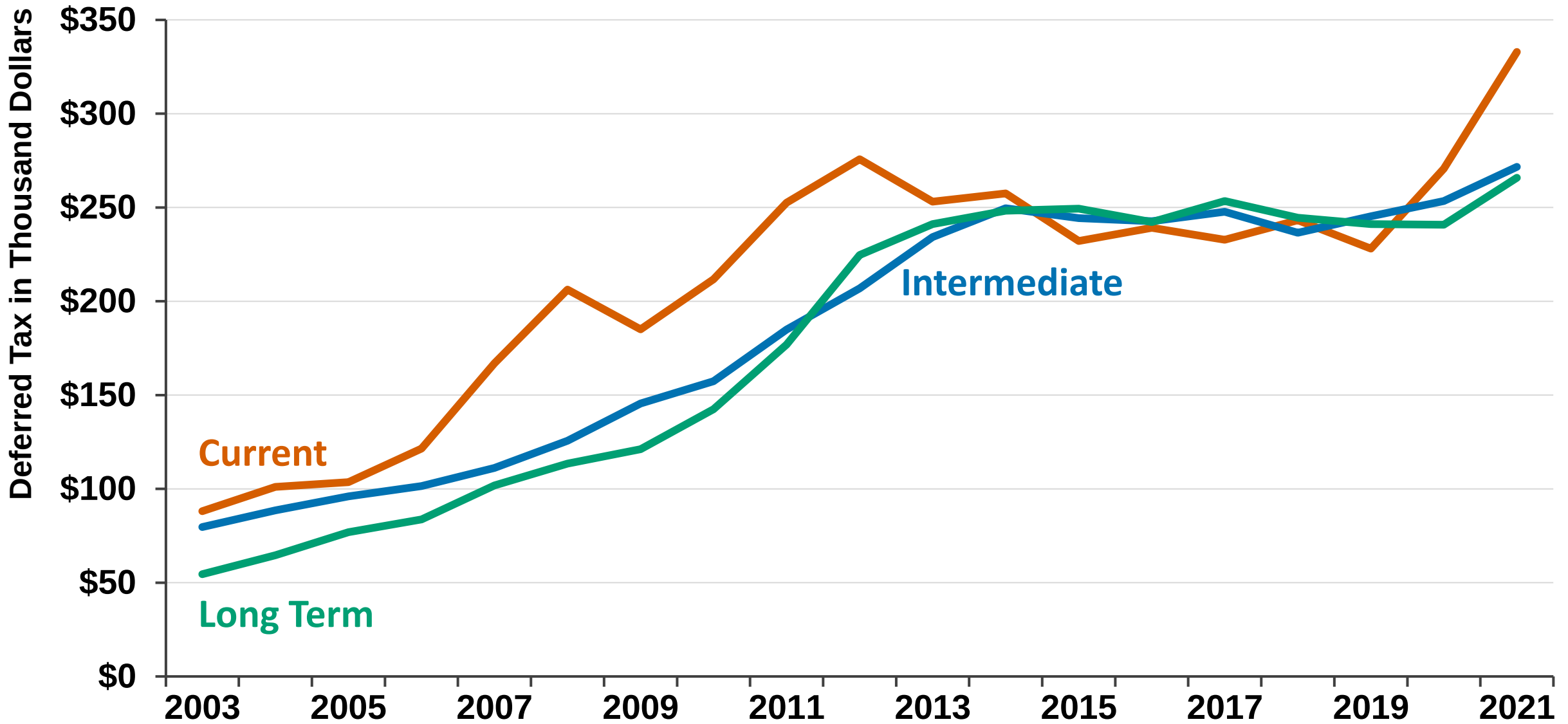
What is Deferred Tax?

Contingent Liability

- 3 Types
 - Current
 - Intermediate
 - Long Term
- Taxes owed if selling assets

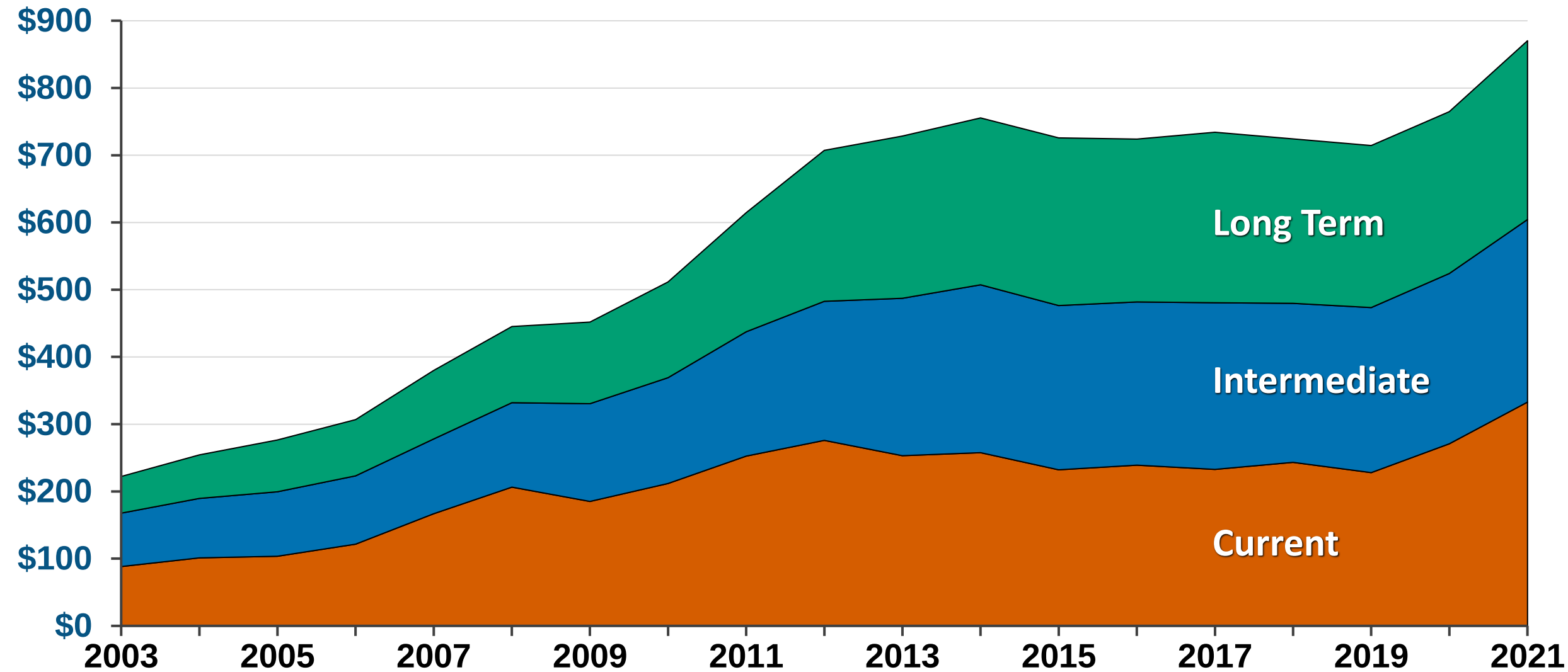
**Estimated over time with baseline rates
for Average IL FBFM Cooperator**

Estimated Deferred Tax by Asset Type



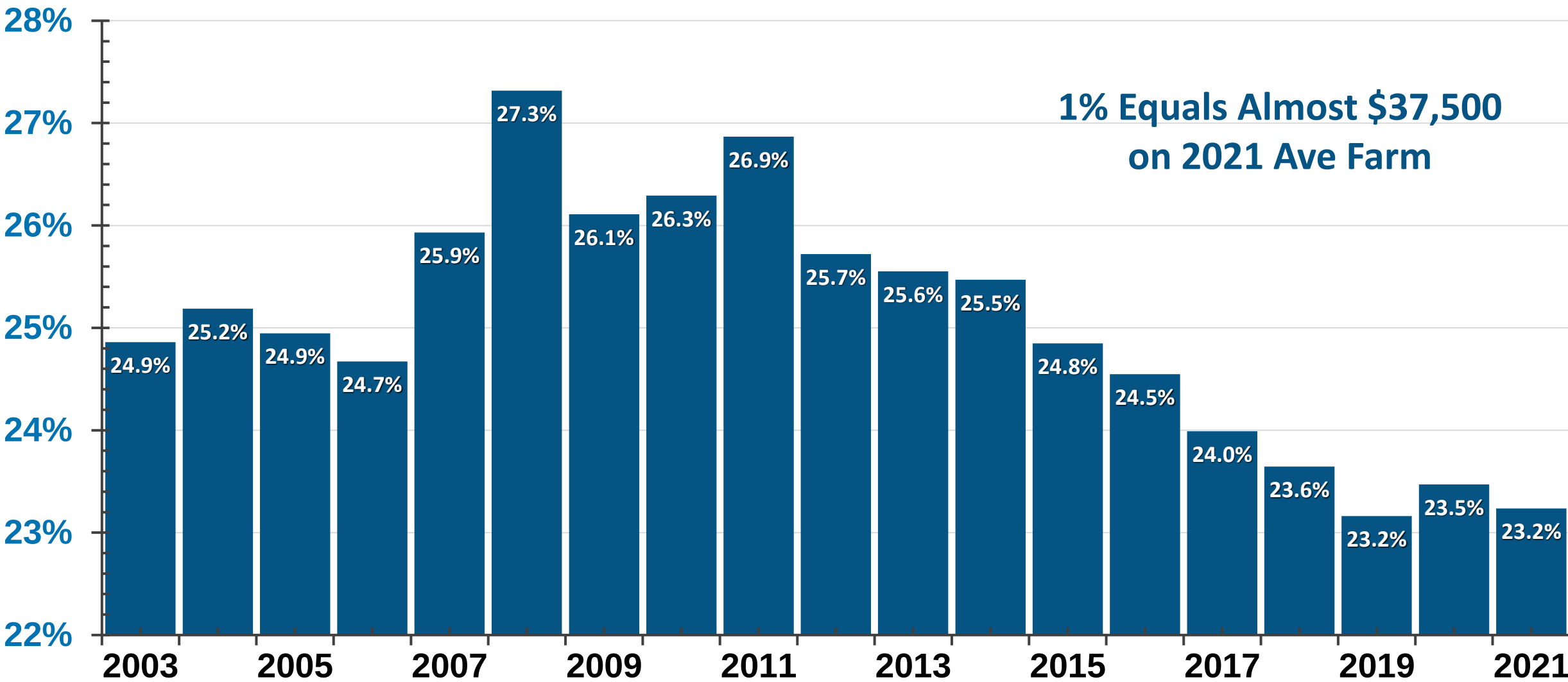
Estimated Deferred Tax by Asset Type

in Thousand Dollars



Percent of Net Worth Needed for Deferred Tax

Estimated Deferred Tax as % of Net Worth



Illinois Farm Business Farm Management

<https://www.fbfm.org>

5,000 farms representing
12,000 Farm Families

70 Professional Field Staff

ILLINOIS

FBFM

Login help | Need an account?

Business ResultsManagement InfoPublicationsResourcesWho We Are



A cooperative educational-service program to assist farmers with management decision-making

What is Illinois Farm Business Farm Management (FBFM)?

FBFM is a cooperative educational-service program designed to assist farmers with management decision-making. It provides help with business and family records. Computer assisted record processing options are available either on farm or at service centers. It provides financial and production business analysis reports. An experienced Farm Analysis Specialist helps interpret analysis reports and counsels on management problems. The specialist meets regularly with each cooperator throughout the year. [Read More...](#)

Publications & Tools

- [Illinois Average Farm Price Received Database Tool](#)
- [Index Numbers for Illinois Farms](#)
- [2017 Annual Summary of Illinois Farm Business Results](#)
- [2018 Farm Income & Production Costs: Advance Report](#)

Quick Links

- [FARMDOC](#)
- [Cost of Production - Grain](#)
- [Cost of Production - Livestock](#)
- [Family Living Costs](#)
- [Financial Characteristics](#)
- [FBFM Webmail](#)

FBFM

Email: info@fbfm.org

In Cooperation With

University of Illinois
Department of Agricultural and Consumer Economics
University of Illinois Extension
College of Agricultural, Consumer, and Environmental Sciences

© Copyright 2013. All rights reserved

Key Points to Remember

- Machinery values continue to rise – How long at this rate?
- Higher Tax Liabilities (Higher Farm Incomes) and IRS Tools led to use of Machinery as cash expense. – Continue?
- 30% of Purchases in 4th Quarter.
Tractors & Field Tile purchased the most.
- Monitor Deferred Tax, especially nearing retirement
 - Averaged 25% of NW, Estimate 1/3 per asset type

Upcoming Webinars

Oct 20: Young Farmer Programs

Krista Swanson and Nick Paulson

Access to financial capital is one of the many challenges that young and beginning farmers face. Learn more about these challenges and programs offered by agriculture lenders and the USDA that can provide expanded access to capital for operating costs and land purchase.

Oct 27: Lease Arrangements and Ownership from a Landowner Perspective

Gary Schnitkey and Luke Worrell

Farmland owners often have questions about leasing arrangements and other basics about owning land. Herein, we will provide the basics of the four different leasing arrangements: share rent, cash rent, variable cash rent, and custom farming. We will also cover questions of first-time landowner.



ILLINOIS

Agricultural &
Consumer Economics

**COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES**



ILLINOIS

Extension

**COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES**



farmdoc Sponsors



Agricultural & Consumer Economics

COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

ILLINOIS

Our Sites: farmdoc farmdocDAILY Farm Policy News

farmdocDAILY

Market Prices Authors By Month Categories Series Tools Webinars/IFES Sponsors/Donate About Us

EDUCATIONAL PARTNERS:

Dept of ACE FBFM EXTENSION

Subscribe for Daily Email Updates

Connect on Social Media

Latest Article

Update on US Interest Rates and Inflation

October 12, 2022

Carl Zulauf

In response to higher inflation, the Federal Reserve has raised the effective Federal Funds interest rate from 0.08% in January 2022 to 3.08% at the end of September 2022. A...

Read the Article

Corporate Sponsor

TIAA

Center for Farmland Research

Platinum Sponsor

COMPEER FINANCIAL

Platinum Sponsor

CORTEVA

agriscience

Platinum Sponsor

FARM CREDIT ILLINOIS

Helping Farm Families Succeed

Platinum Sponsor

FE

GROWMARK

Platinum Sponsor

IL CORN

www.ilcorn.org

Platinum Sponsor

ILLINOIS SOYBEAN ASSOCIATION

See all sponsors

See the Latest News on Social Media

Recent Articles - View All

PACE and Nitrogen Fertilizer Strategies for 2023

October 11, 2022

Gary Schnitkey, Carl Zulauf, Krista Swanson, Nick Paulson, and Jim Baltz

Nitrogen fertilizer prices are high and volatile, leading to concerns about fertilizer costs moving into 2023. Farmers have several tools for managing risks,

Read the Article

U.S. Farm Sector Balance Sheet

October 7, 2022

Michael Langemeier

U.S. farm equity in 2022 is 27.7% higher than it was in 2017 and 42.7% higher than it was in 2012. During the last 10 years, net farm income was...

Mulling Over Margin, Part 3: Chasing the Cost of Production Across Regions

October 6, 2022

Joe Janzen and Jonathan Coppess

High input costs have reinvigorated arguments in Congress for farm support programs where payments are triggered when the cost of production rises.

Thank You!

Visit us at

farmdocDAILY
.Illinois.edu

✉ Subscribe for Latest News Updates



ILLINOIS

Agricultural & Consumer Economics

COLLEGE OF AGRICULTURAL, CONSUMER & ENVIRONMENTAL SCIENCES



For the webinar archives and **5-minute farmdoc**
Subscribe to our channel **YouTube.com/farmdocVideo**

