Machinery Investments & Farm Financial Trends

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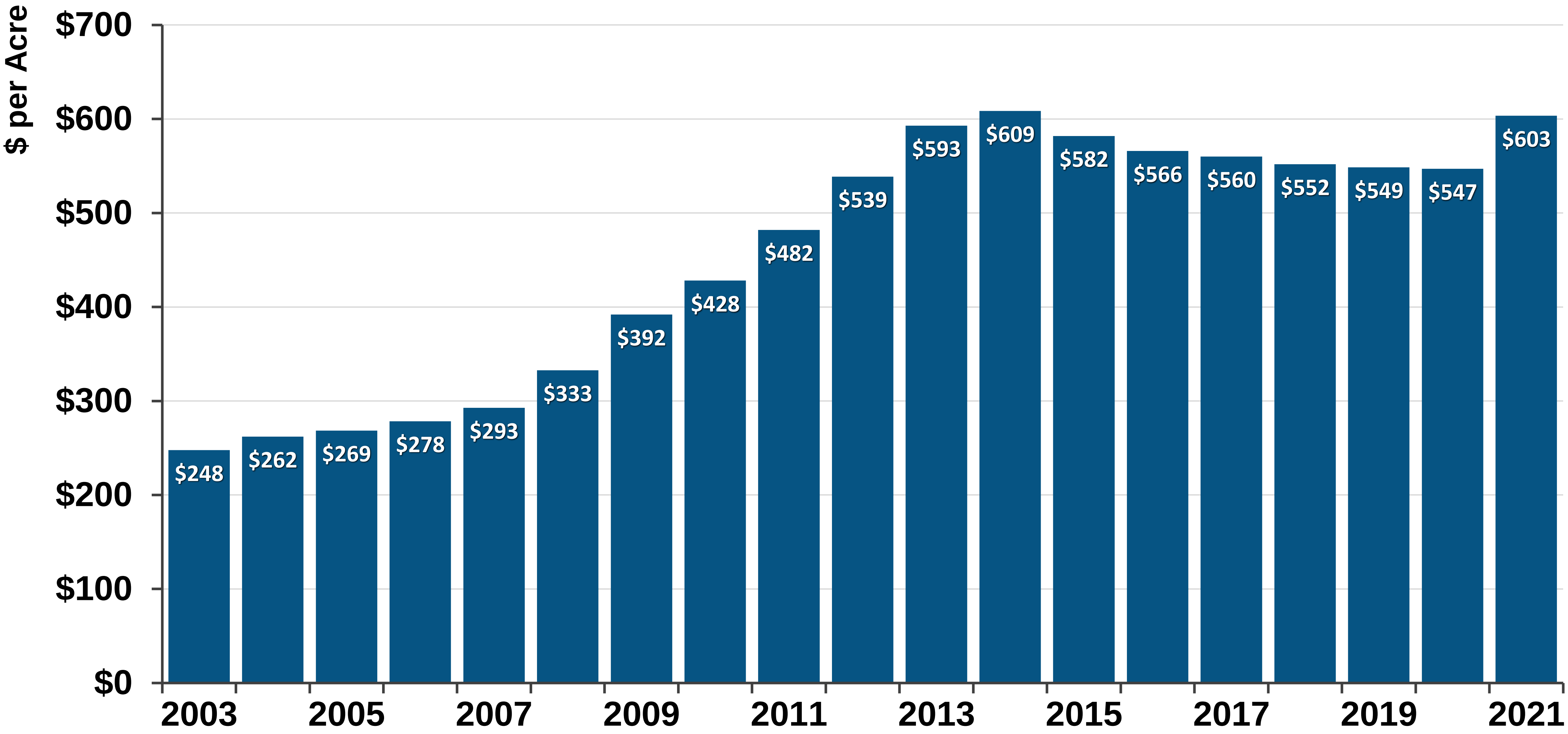
Average Machinery Values per Acre Doubled in 7 Years



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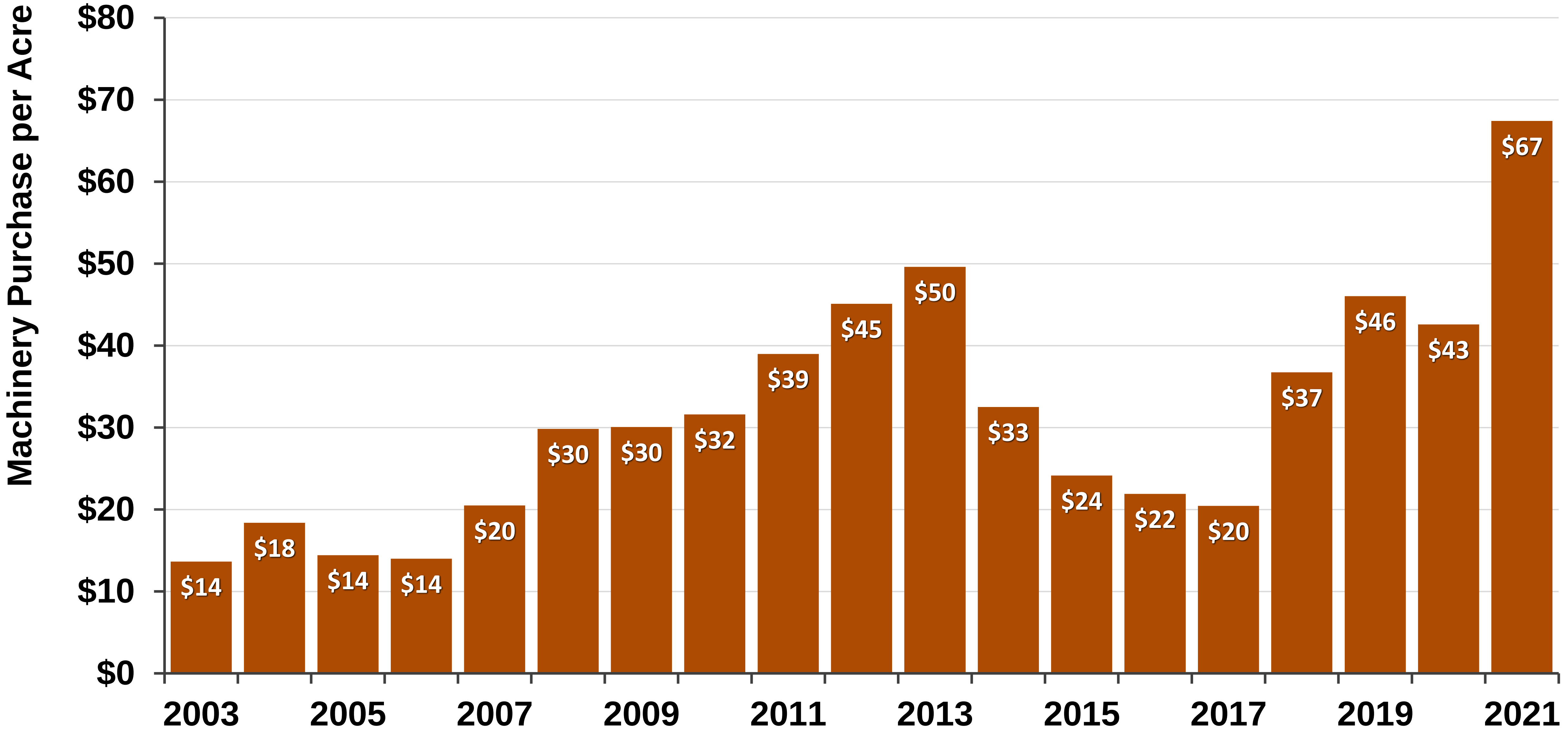
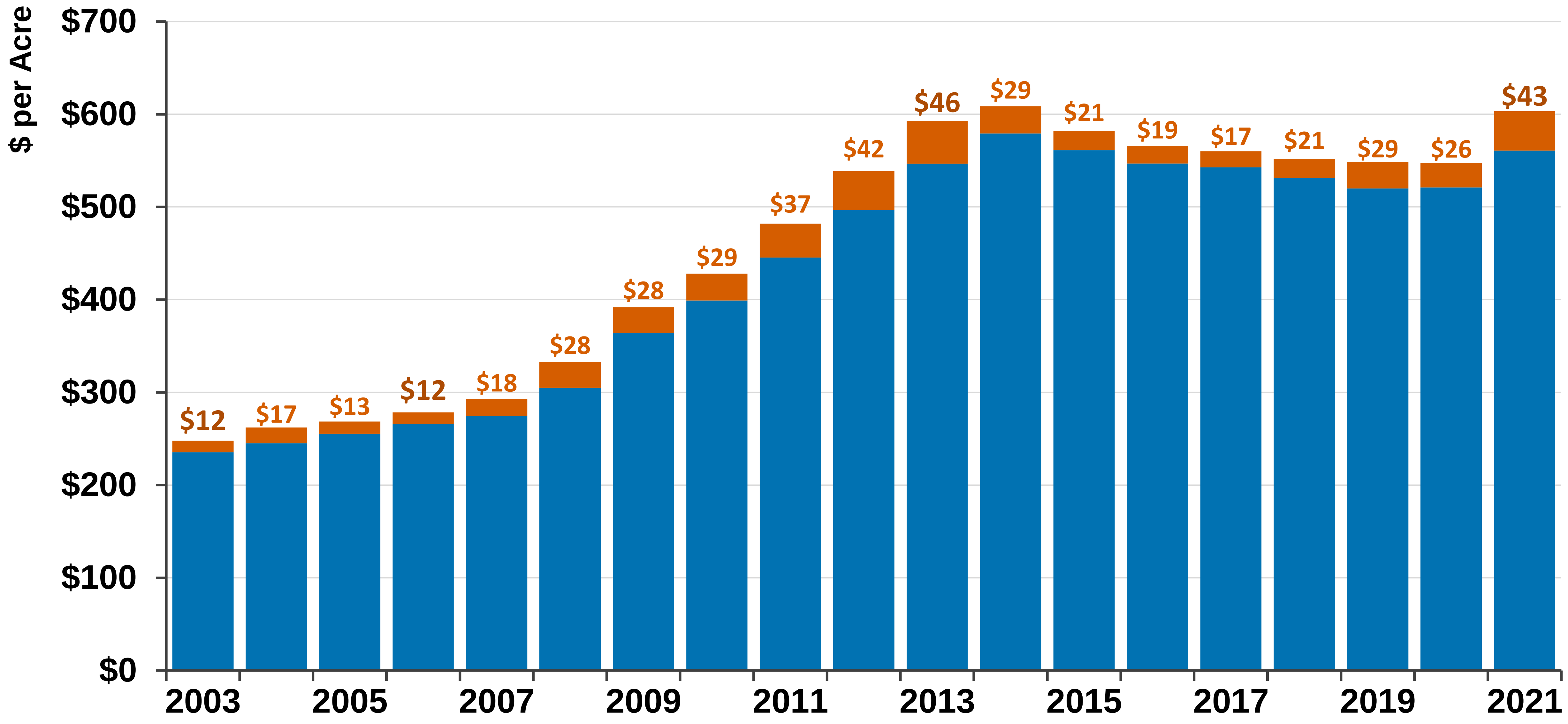
Machinery Purchases Increase Almost 400%



Purchase Impact on Machinery Values

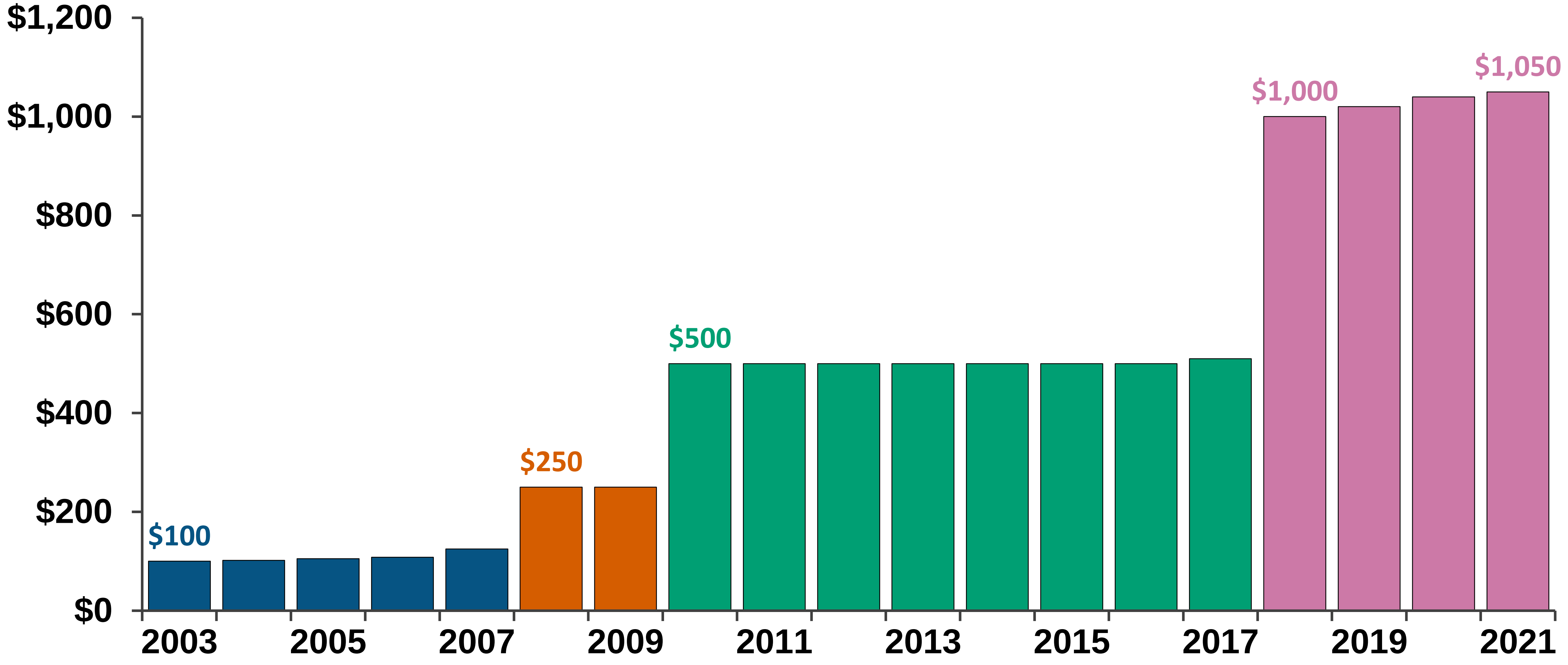


Tax Effects on Purchases

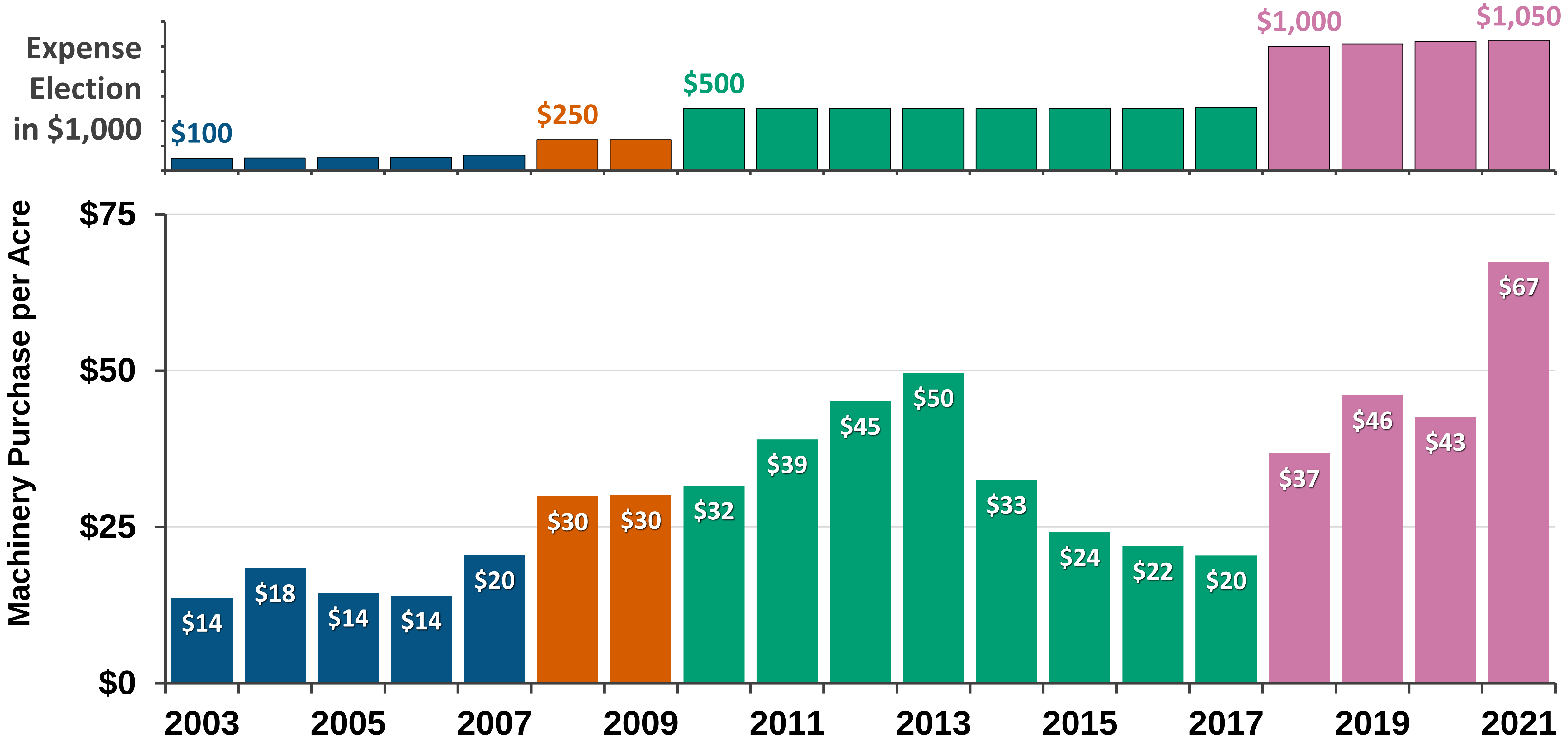
- Expense Election or 179 Election
- Bonus Depreciation (None, 30%, 50% or 100%)
- Purchases used as cash expense
- Machinery Like-Kind Exchange
  no longer after 12/31/2017
  Tax Cut and Jobs Act (Sec. 1031 change)

IRS Expense Election (Sec. 179)

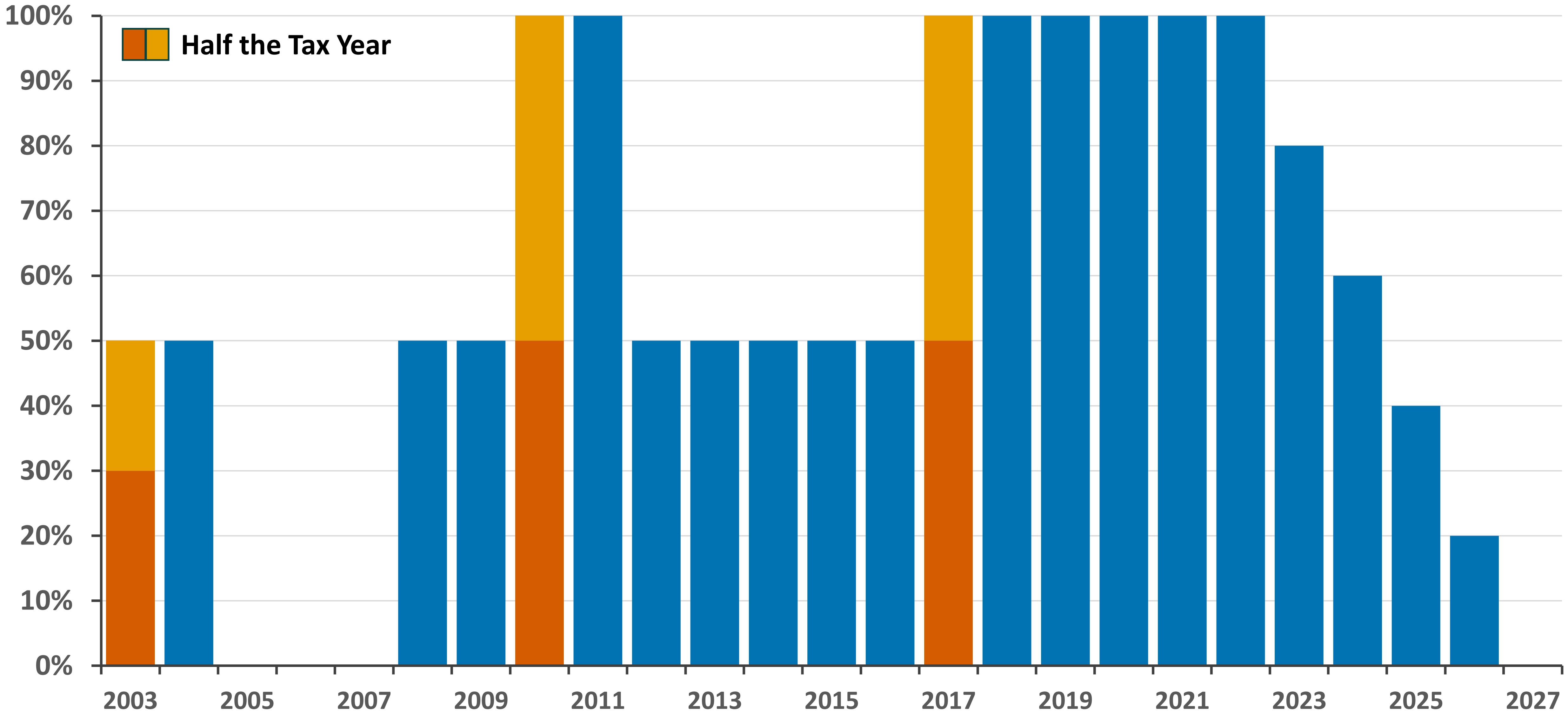
Now $1 Million Adjusted for Inflation in Thousand Dollars



Machinery Purchase Changes with IRS Sec. 179?



Bonus Depreciation Set to Phase Out by 2027



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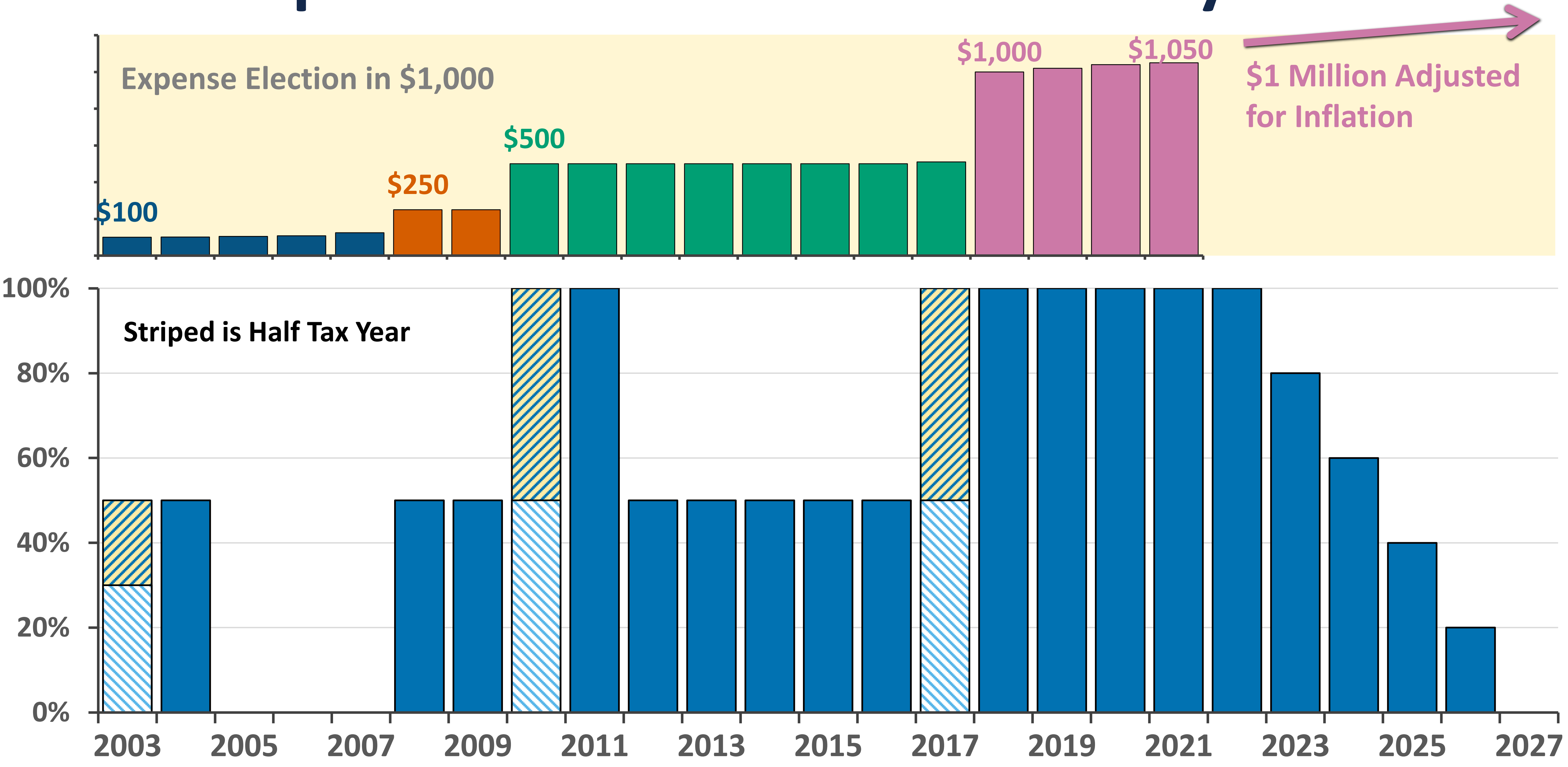
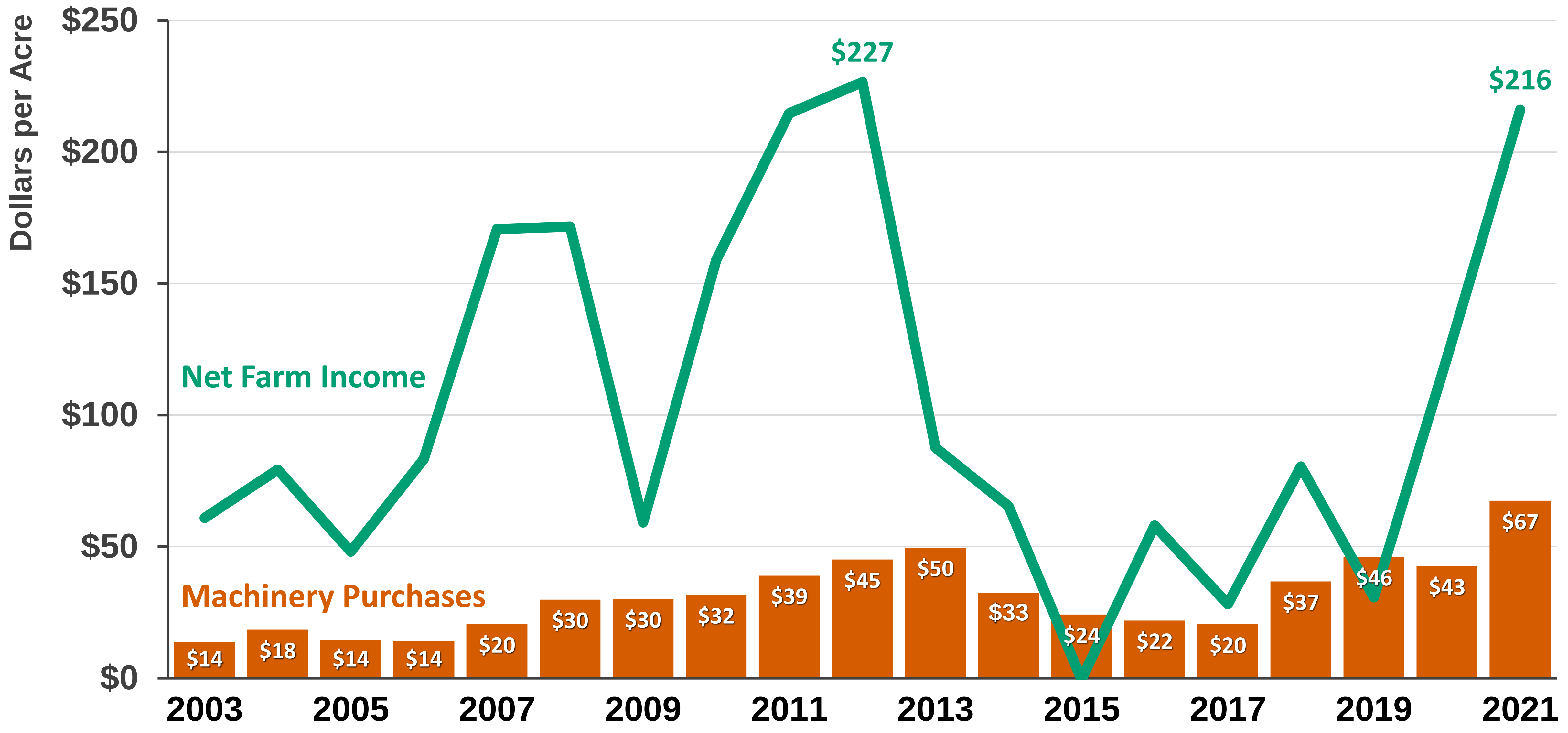
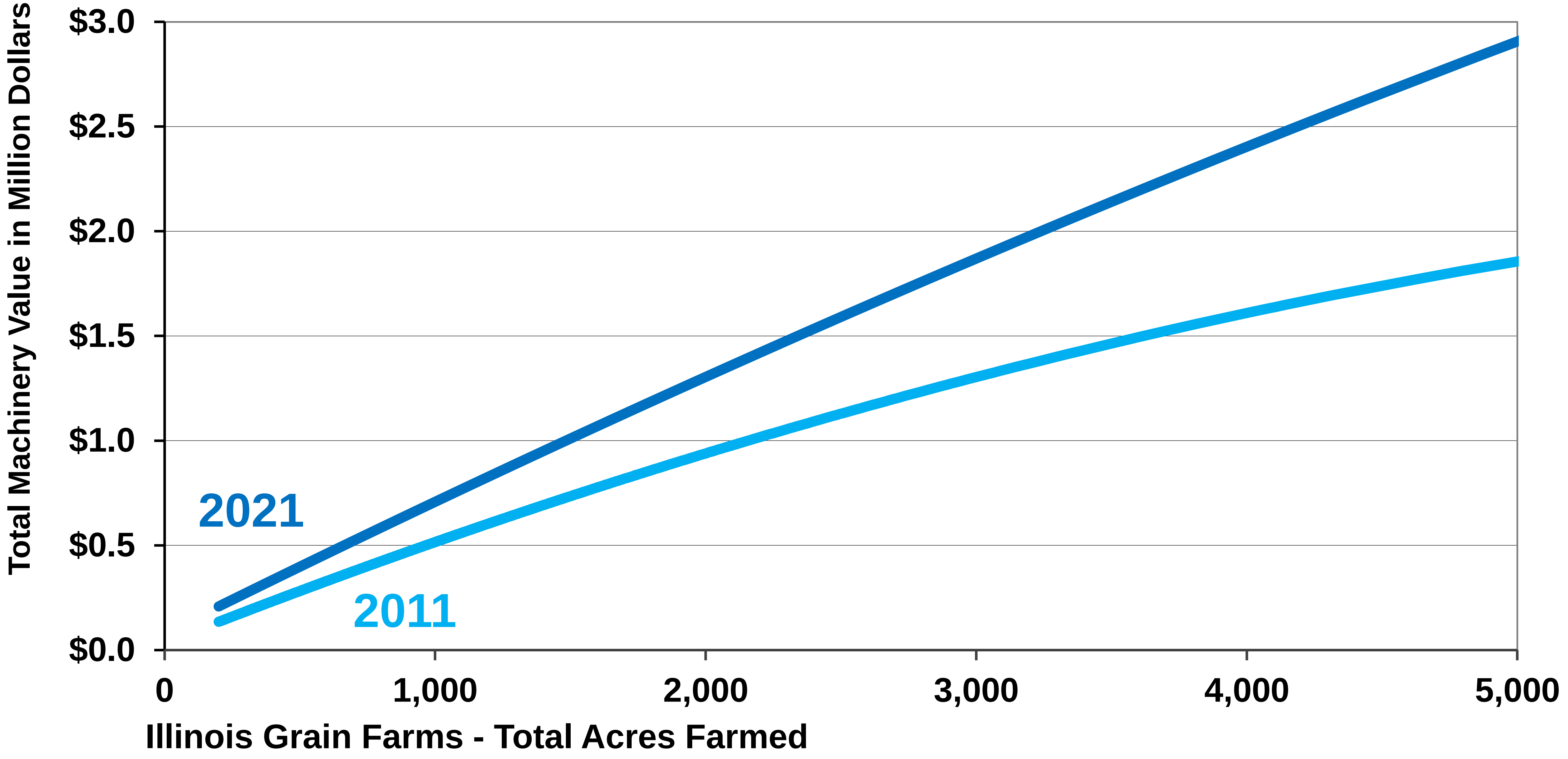


Farm Income Effect on Machinery Purchases



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



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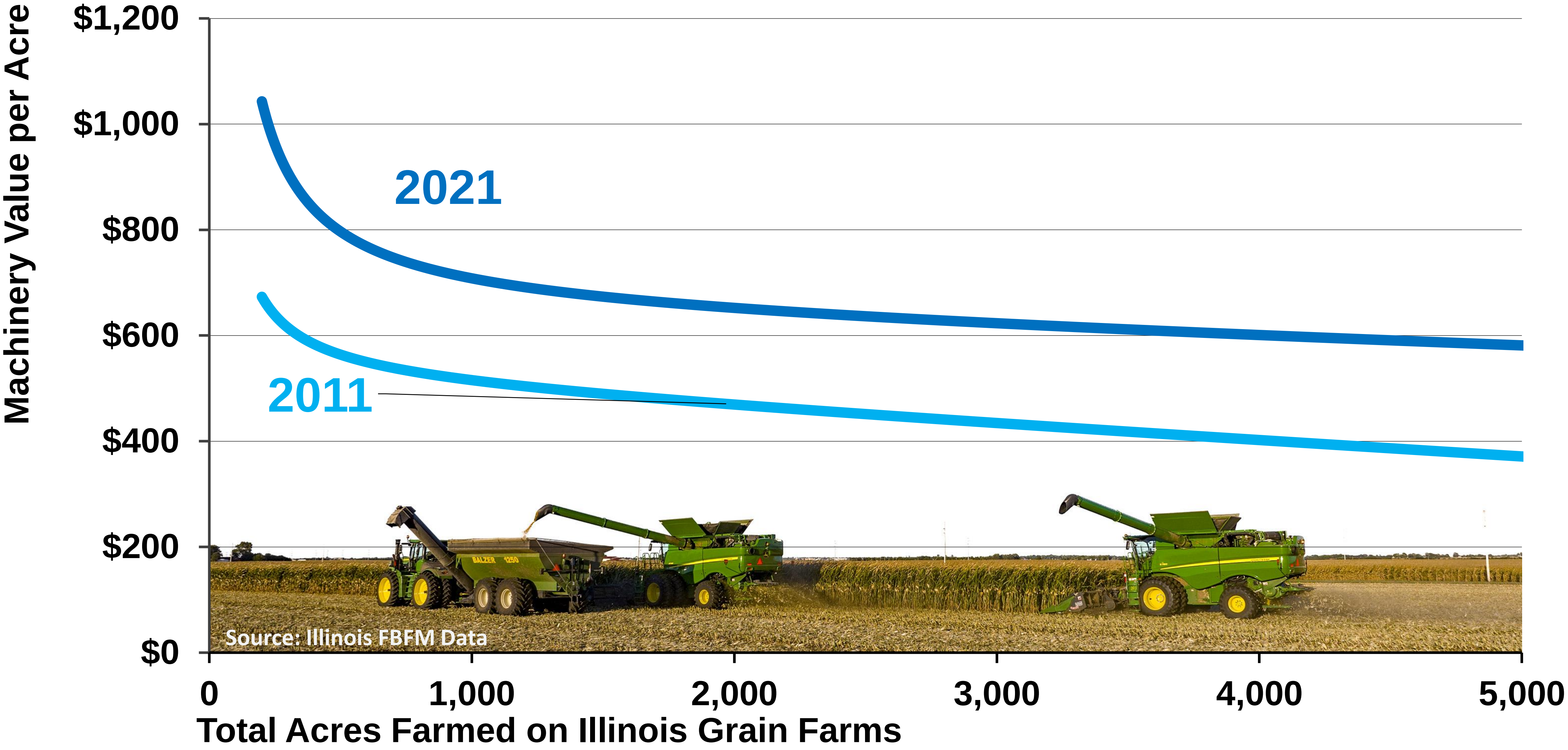
Per Acre Values Shift Up 40% to 60% on Grain Farms 2011 vs. 2021



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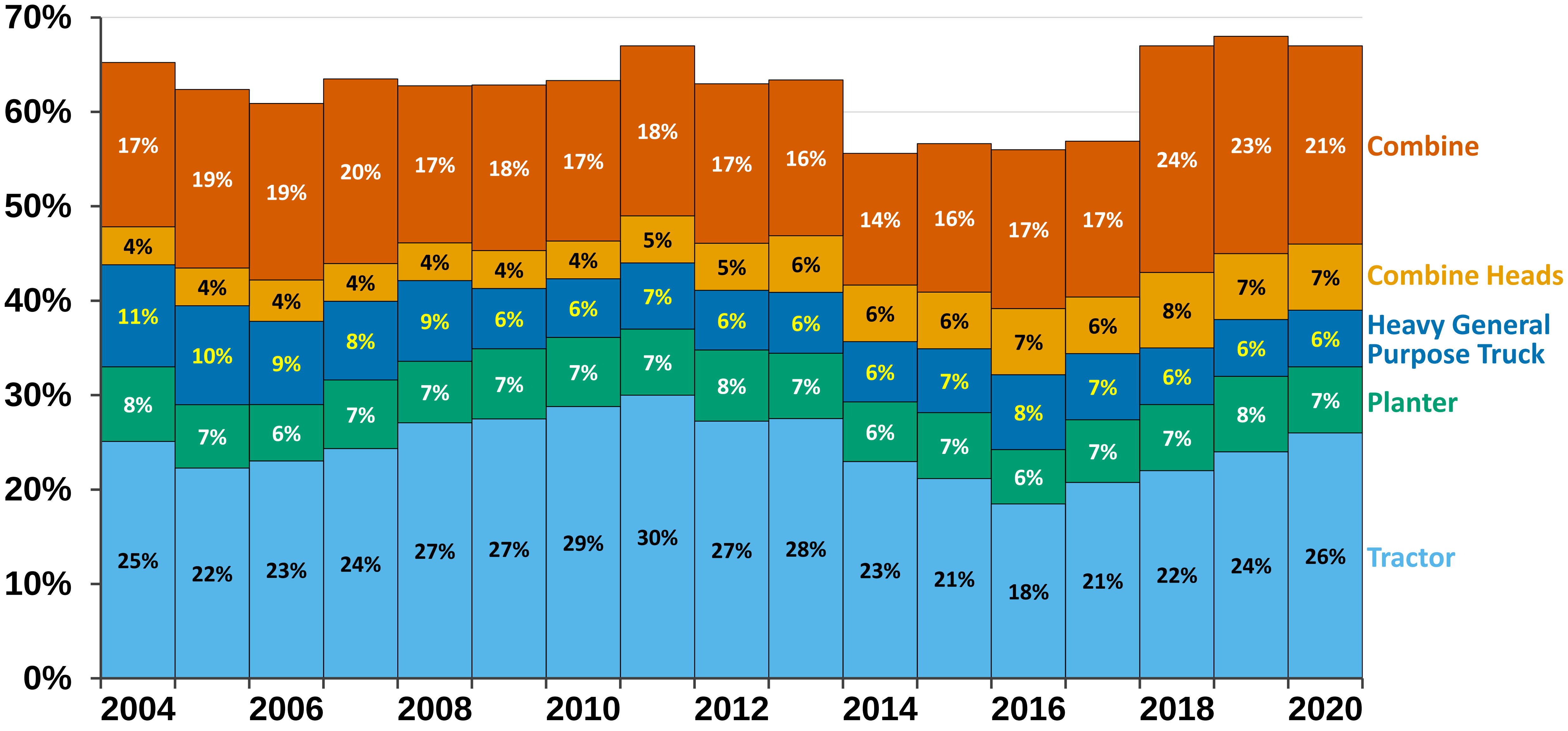
What Capital Items are Farmers Buying and When?

Most Dollars Spent by Type of Machinery



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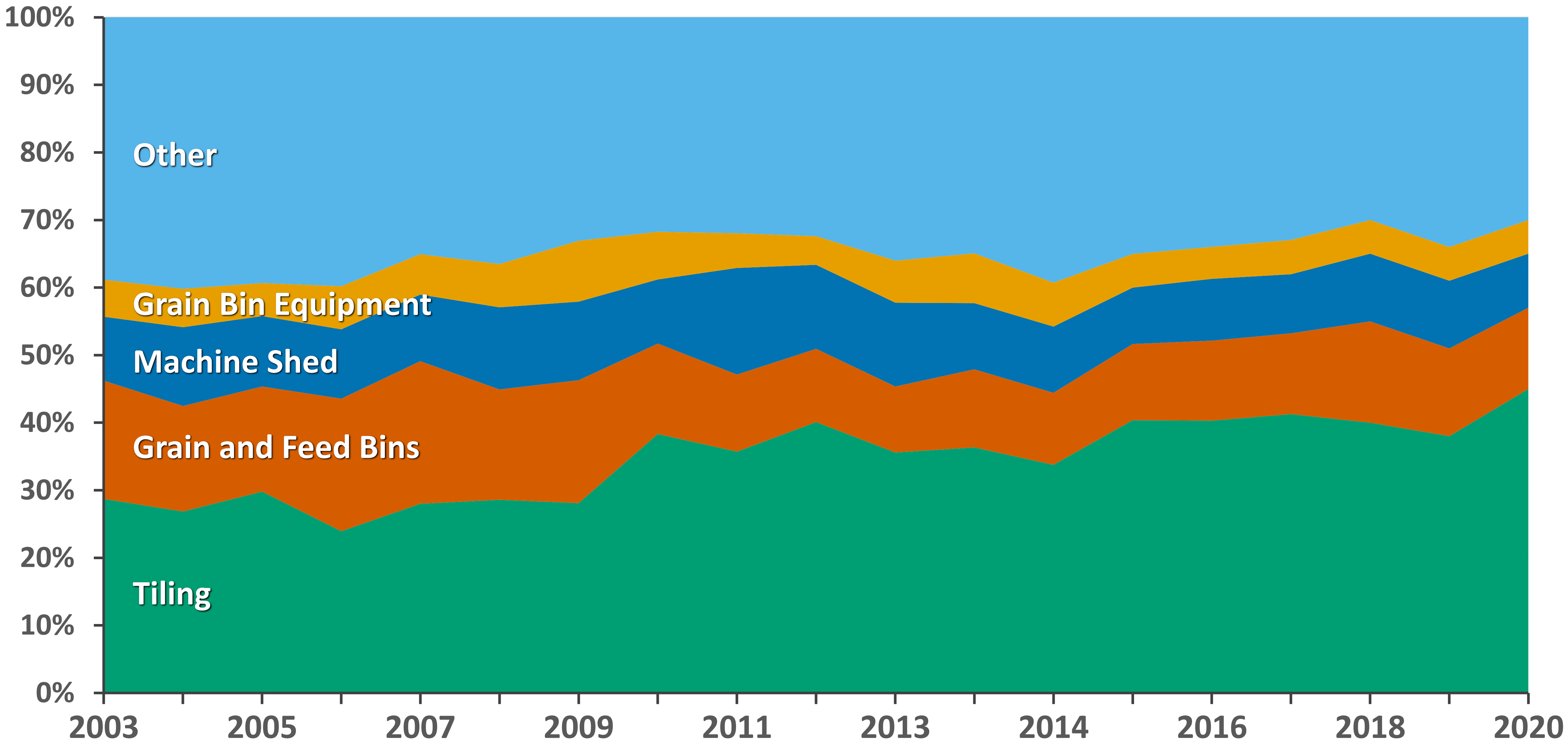
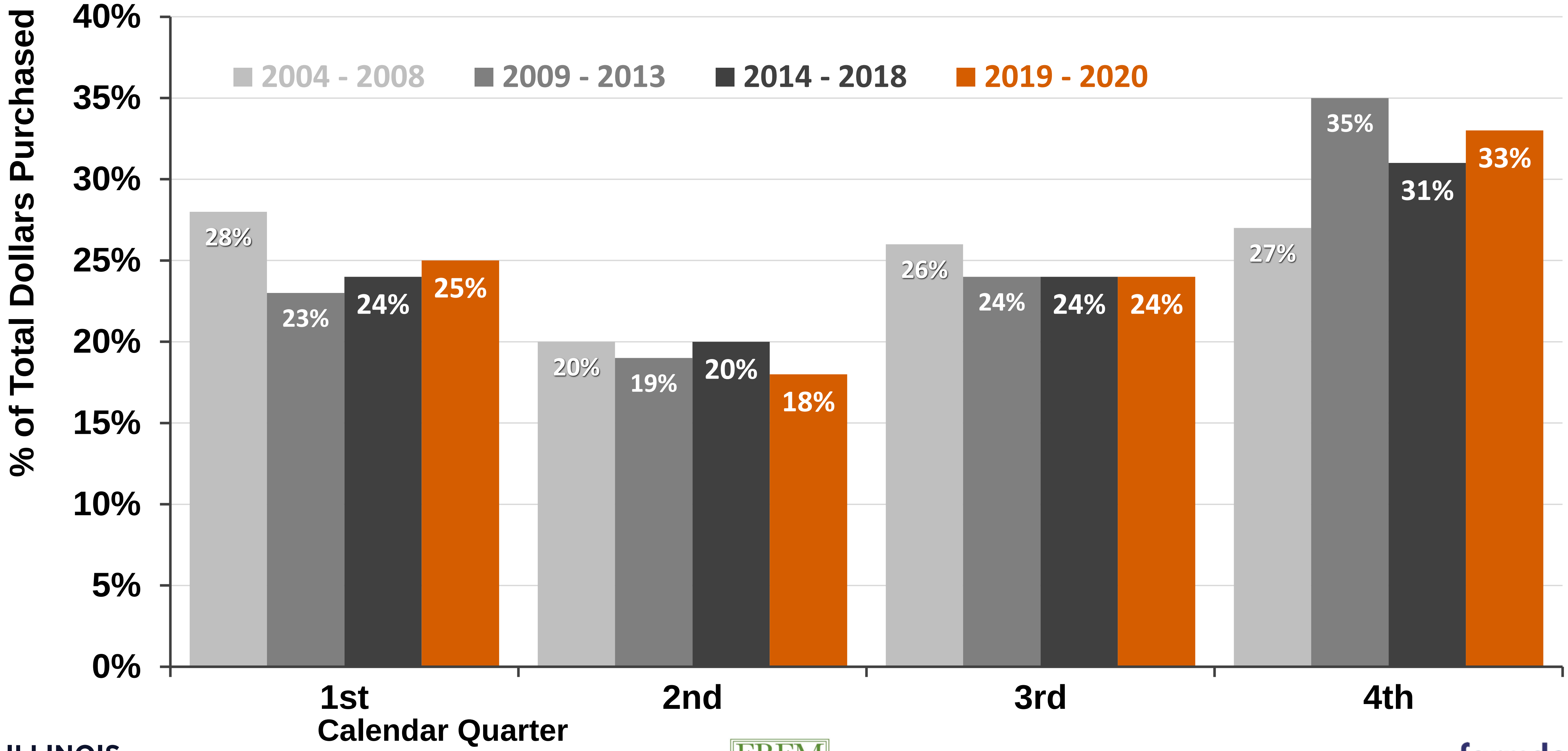
Most Purchased Farm Buildings

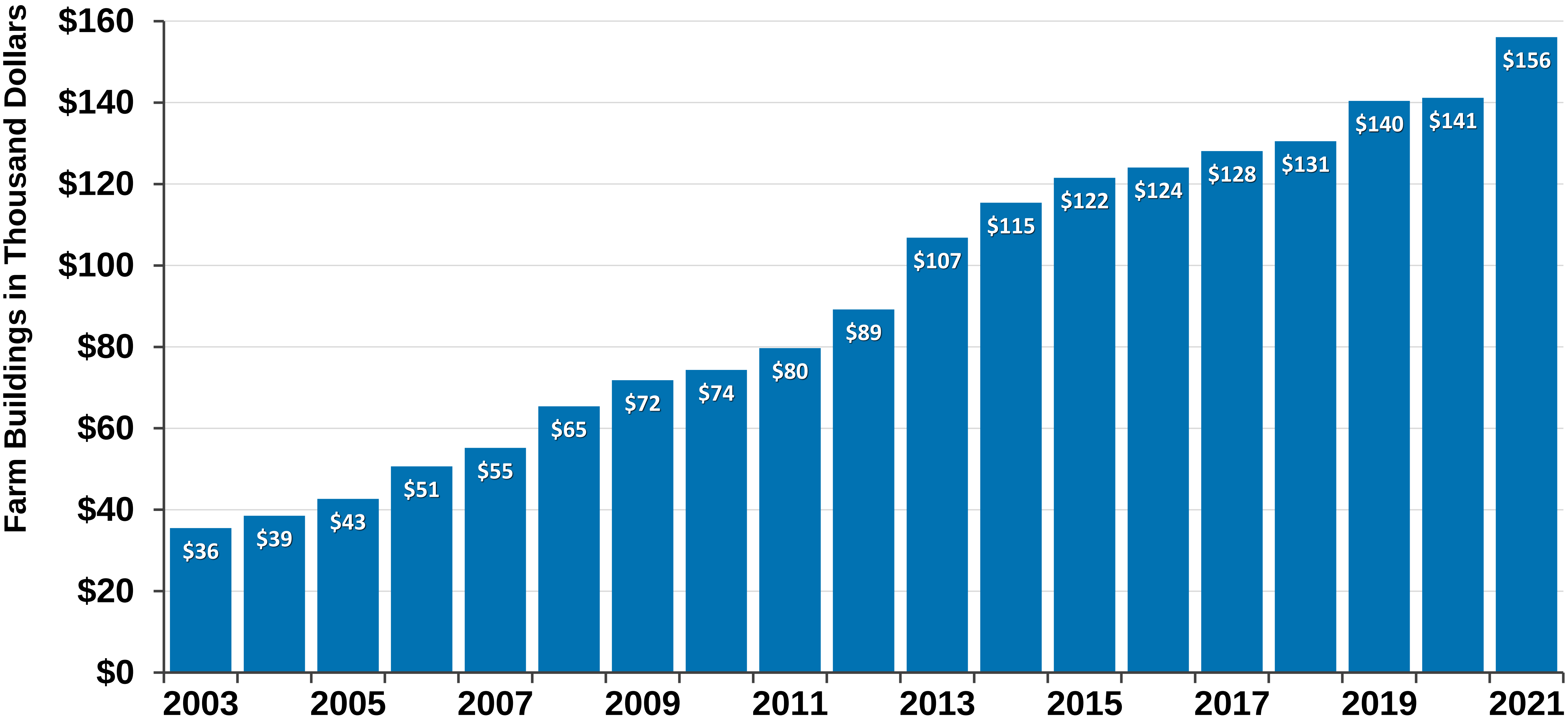


When Are Most Capital Purchases Made?



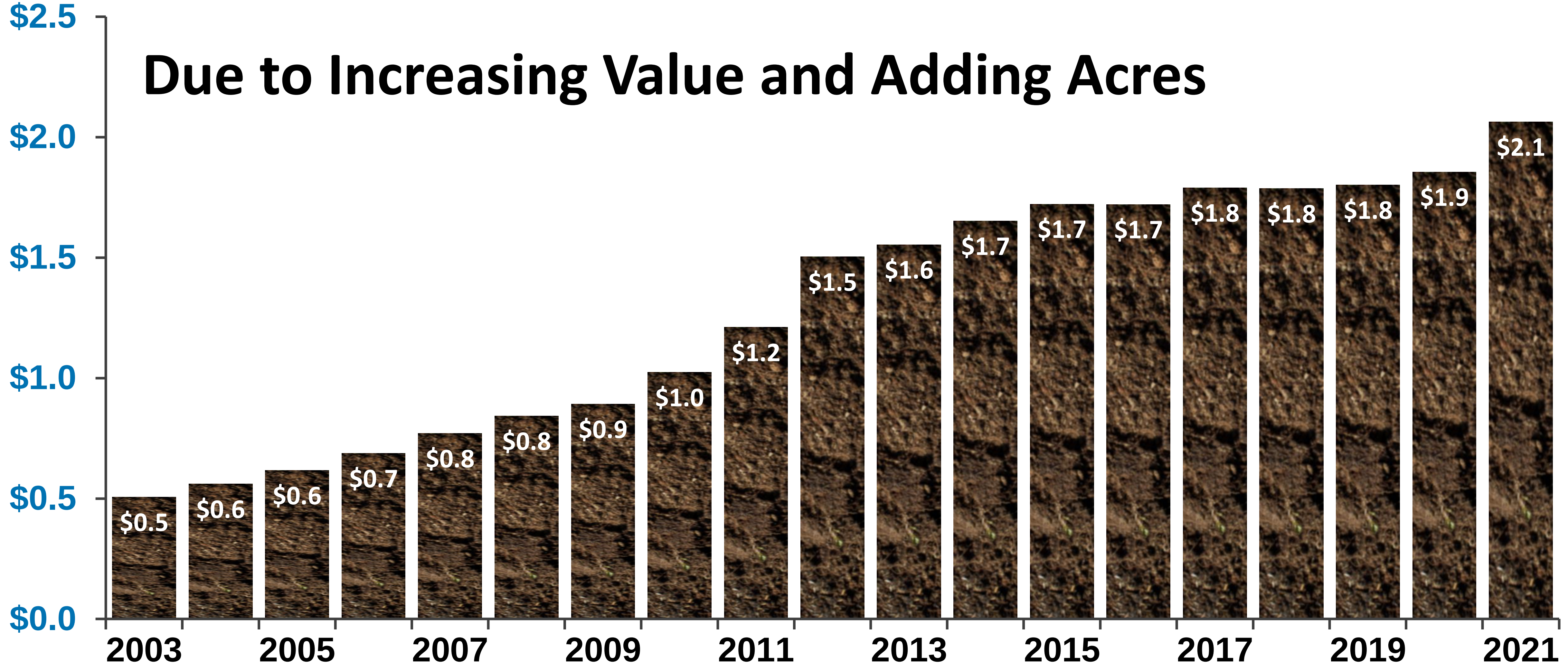
Financial Trends

Ave. Farm Buildings Increased $7,000 per Year



Average Value of Land Owned Increased

in Million Dollars



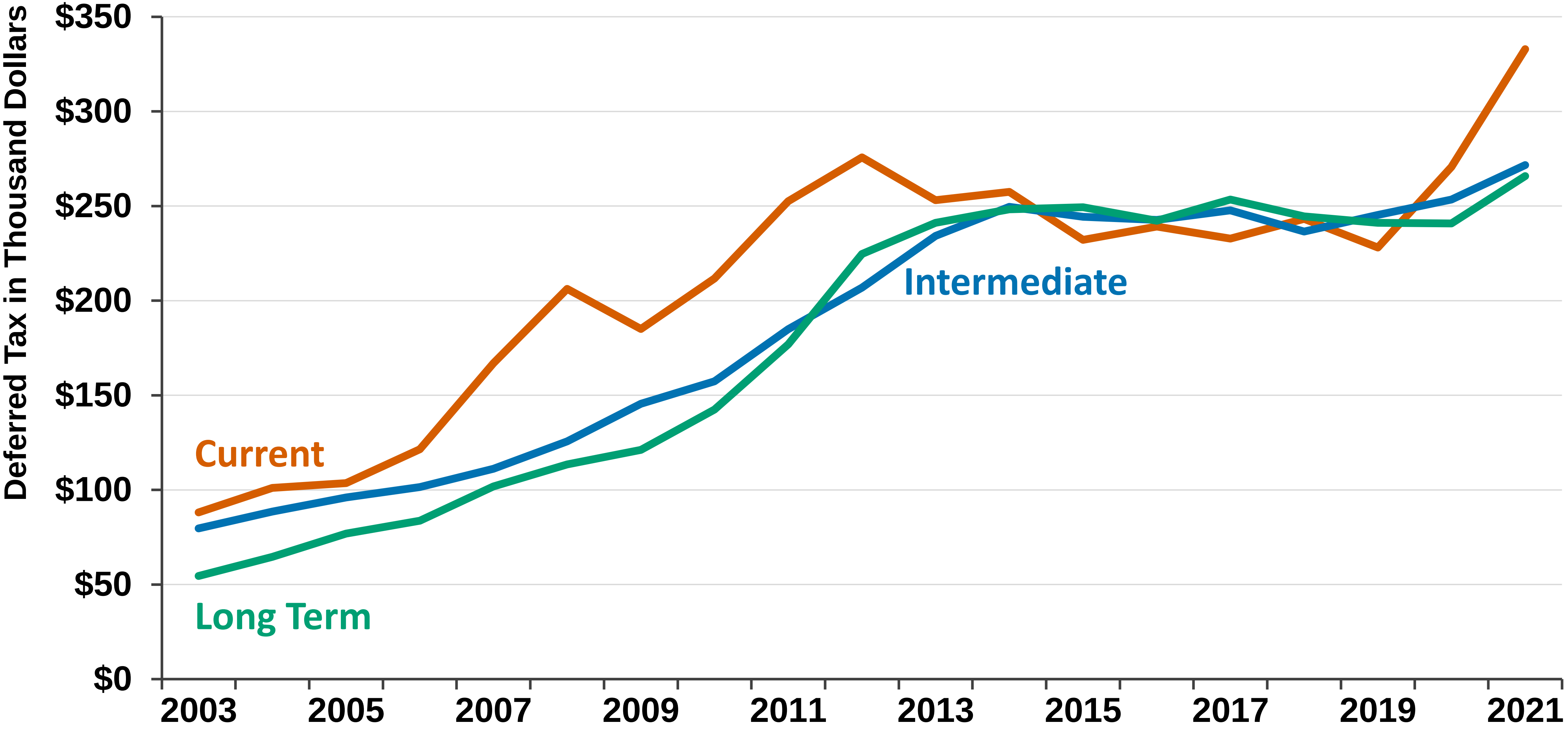
What is Deferred Tax?

Contingent Liability

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

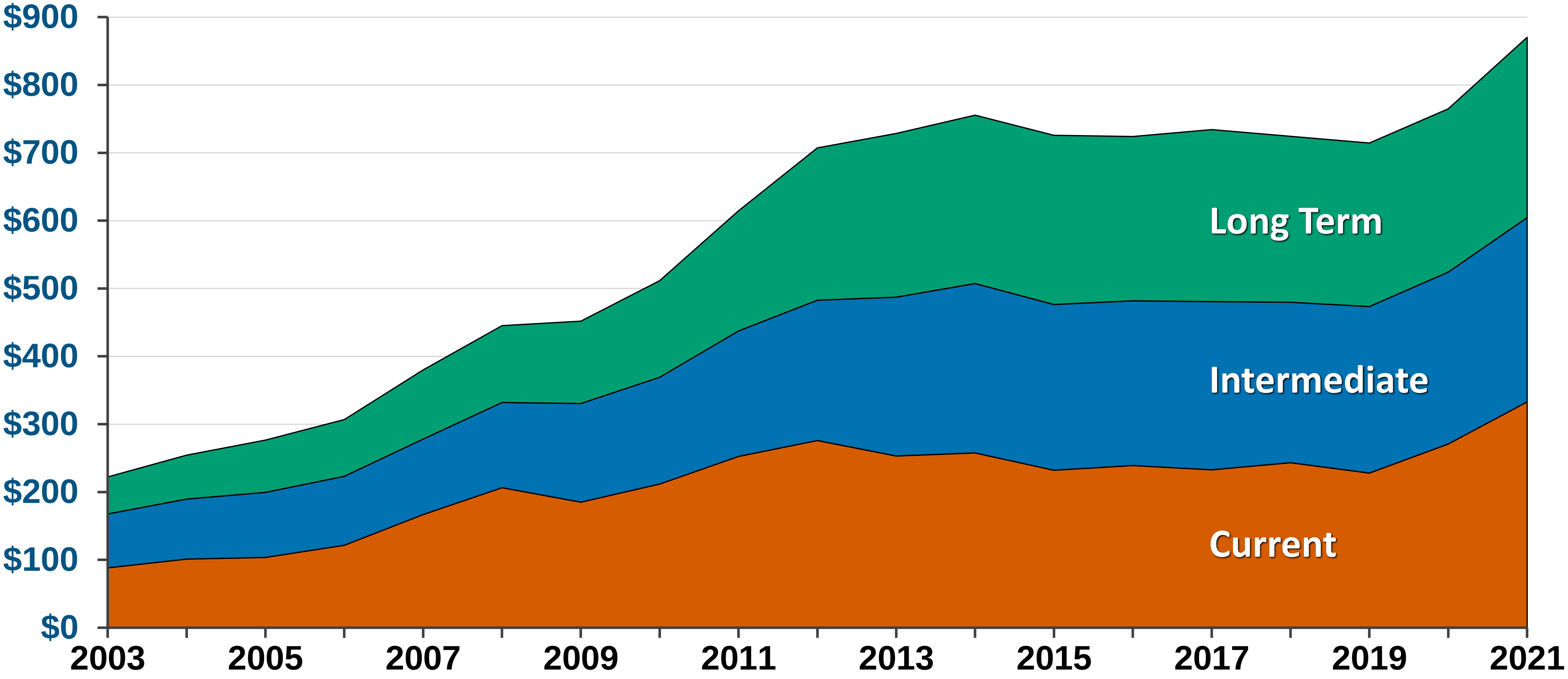
Estimated over time with baseline rates for Average IL FBFM Cooperator

Estimated Deferred Tax by Asset Type



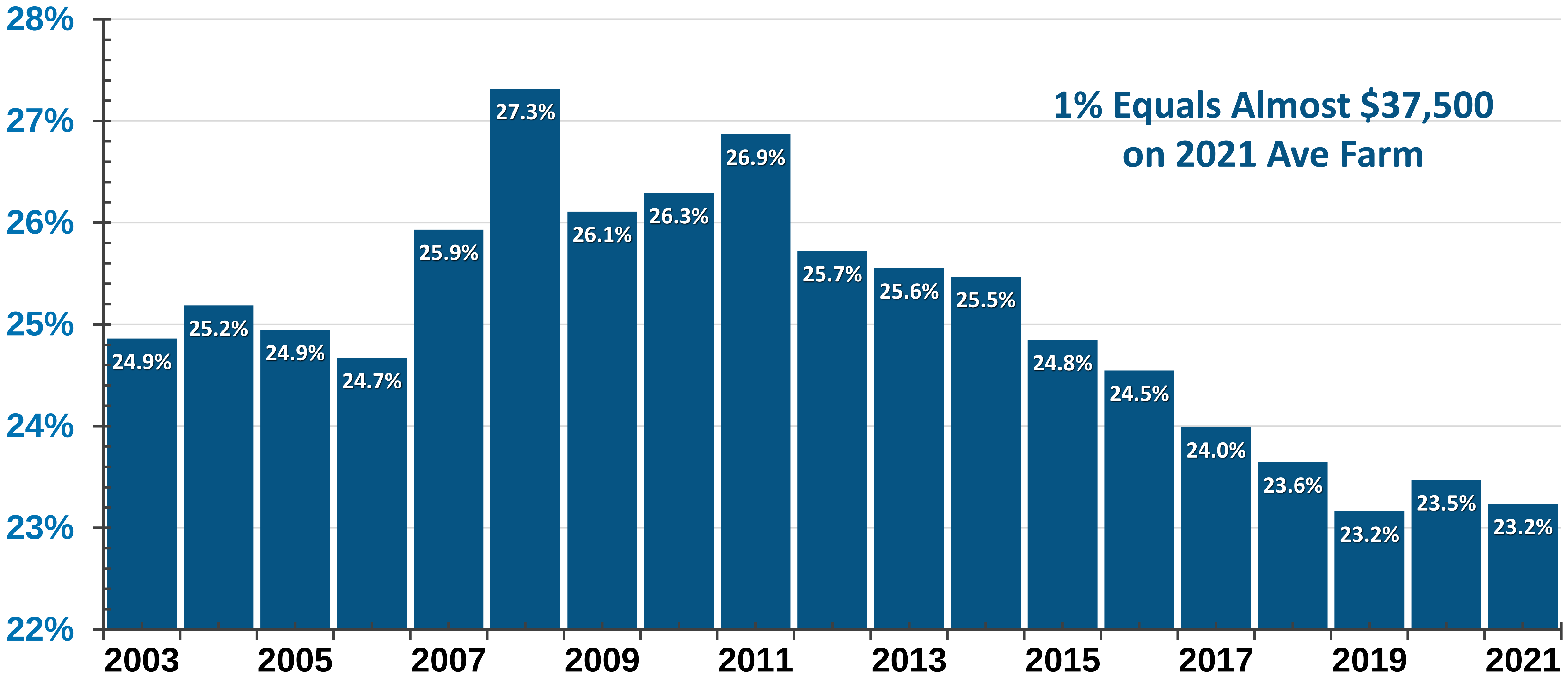
Estimated Deferred Tax by Asset Type

in Thousand Dollars



Percent of Net Worth Needed for Deferred Tax

Estimated Deferred Tax as % of Net Worth



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5,000 farms representing
12,000 Farm Families

70 Professional Field Staff

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.

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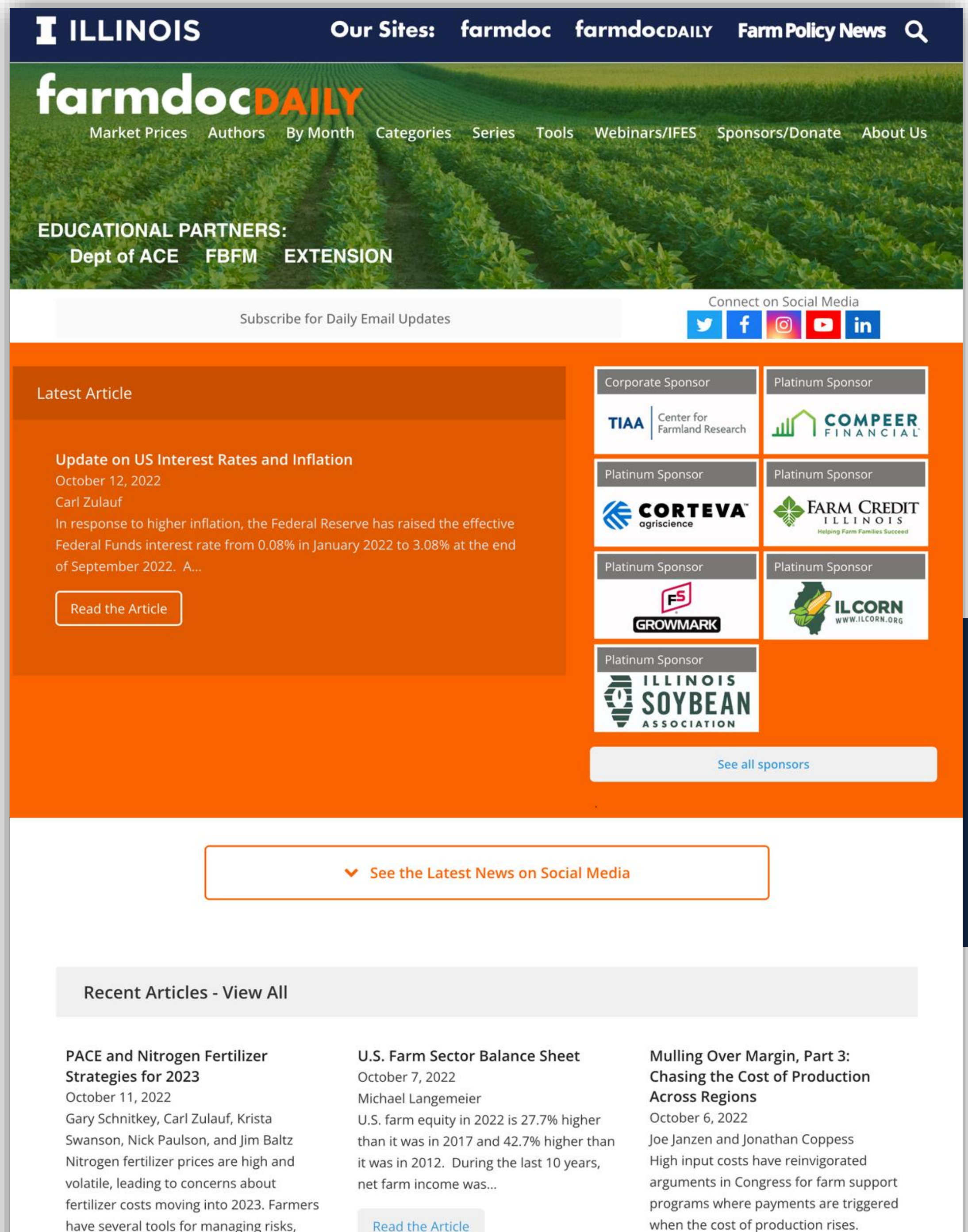

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