

CULTIVATIONS



Post-Harvest 2020 Edition

News & Highlights
from Farm Credit Illinois

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FARM CREDIT
ILLINOIS

Helping Farm Families Succeed

Chat with the Chief

Unwavering Commitment in Uncharted Times

Aaron Johnson, President & CEO



While farmers worked to secure the food supply chain earlier this year, Farm Credit Illinois navigated the obstacles brought on by the global pandemic to deliver reliable, consistent credit and crop insurance expertise.

The cooperative adapted work arrangements, implemented innovative strategies, and worked to fulfill the mission of **Helping Farm Families Succeed** while prioritizing the health and safety of farm families, local communities, and our FCI team.

We are grateful to members for the patience, flexibility, and grace they have given us through the pandemic. You can be proud to know FCI is on track for another year of outstanding financial performance.

Membership that Pays

In June, FCI delivered the second annual cash patronage distribution of \$28 million to nearly 8,000 members. Cash patronage is a significant benefit of our cooperative structure that delivers a tangible return to members.

The second FreshRoots Directors Cup recipients were announced and awarded \$5,000 each. These young farmers and

farmer couples truly represent the next generation's determination to develop ground-breaking skills and practices while giving back to their communities.

Passing Another Vision Milestone

Five years ago, we launched Vision 2025 — a 10-year strategic plan. Several ambitious and measurable goals were set to help the cooperative achieve success while delivering significance to members and the marketplace we serve.

One substantial vision goal is to reach \$7 billion owned, managed, and collaborated volume. As of July 31, 2020, we exceeded the \$5 billion mark.

As part of our diverse portfolio holdings, we partner with other Farm Credit Associations in the System through collaborations including AgDirect equipment financing, ProPartners input

financing, Rural 1st lending for rural life, Capital Markets Group agribusiness loans, and Agri-Access secondary market agricultural financing.

Coupled with growth in local farm loans, the income from these collaborations gives us the ability to sustain and grow borrower-owners' value proposition through low upfront pricing and robust member programs.

Despite the unprecedented pandemic challenges faced, FCI is on track for another year of outstanding financial performance.

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LAND VALUES STUDY

Farmland Value Benchmark Study Results

by Kent Reid, Chief Appraiser



For the second consecutive year, farmland values throughout central and southern Illinois were generally stable. Results from the 2020 annual benchmark study

revealed a 2.07% overall increase in values from last year.

The FCI appraisal team annually evaluates the same 20 benchmark farms throughout its 60-county territory based on the land's productivity index (PI) rating, as calculated by the University of Illinois' Bulletin 811. Based on individual PI ratings, farms are broken out into four categories: 1A, 2B, 3C (Central), and 3C (South).

Stable Market Follows Years of Decline

The 2020 study showed an increase of 2.07% – a resilient and generally stable land market. This follows a 0.17% increase in 2019 and four consecutive years of decline from 2015-2018 with decreases in value of 1.51%, 6.34%, 4.17%, and 3.53%, respectively. Results across land classes showed considerable variation, reinforcing the fact that agricultural real estate is a location-specific asset.

When considering the benchmarks individually, the year-over-year percentage changes ranged from –3.93 to +7.20%. Five of 20 benchmark farms decreased in value moderately, 12 slightly increased, and three were unchanged in 2020.

As illustrated in the table below, average changes in the four land classes ranged from +0.01 to +4.95%. Class 1A and 2B benchmark farms are mostly located in central Illinois. Class 3C farms can be found in both central and southern Illinois and are tracked separately.

Factors Impacting Farmland Values

Just as higher commodity prices helped fuel the dramatic increase in land values from 2003-2014, lower commodity prices have softened them. However, the decline in values has not been as rapid as historic trends would suggest primarily due to the limited supply of available land.

Demand for Illinois farmland remains steady. Buyers are primarily a mix of operating and retired farmers and experienced farmland investors with ties to the area.

The number of farmland transactions in the FCI territory moderated in the second quarter of 2020, following the state's

coronavirus stay-at-home order. Even before event restrictions, supply remained limited. Attempting to contain the economic fallout caused by COVID-19, the Federal Reserve reduced the federal funds rate to nearly zero in March. Historic low interest rates should serve as a positive for the coming year.

Summary

The overall stability of the farmland market – even with sustained lower commodity prices and farm income – is attributed to low interest rates and limited supply of farmland available. These factors combined with volatility of the stock market and lack of alternative investments appear to be stabilizing values.

The economic health of farmers and farm owners is mostly stable, but there still is pressure on farmers' financial positions. Even as the territory deals with moderate commodity prices, trade issues, and the unknown future effects of COVID-19, expectations are for farmland values to remain stable.

For more details on the farmland values study visit our website.

www.farmcreditIL.com/benchmark2020

| Land Class | Productive Index Rating | Average Value Range per Acre | Average % Change from 2019 |
|------------|-------------------------|------------------------------|----------------------------|
| 1A | 133 - 147 | \$10,800 - \$13,400 | +2.44% |
| 2B | 117 - 132 | \$7,892 - \$12,000 | +4.95% |
| 3C Central | 100 - 116 | \$5,400 - \$8,500 | +1.32% |
| 3C South | 100 - 116 | \$4,101 - \$8,000 | +0.01% |



Beginning Farmers Honored with \$5,000 Directors Cup Award

Get to know the Directors Cup honorees at www.farmcreditIL.com/freshroots

Young and beginning farmers getting a fresh start in their careers bring a resilient business mind and commitment to innovation. The 2020 FreshRoots Directors Cup recipients demonstrate the importance of intentional living and continuous learning to any successful operation.

The following beginning farmers were selected as 2020 Directors Cup honorees:



Alex Head
Blue Mound
Macon County



Evan Marr
Jacksonville
Morgan County



Mike Nelson
Paxton
Ford County



Matthew and Melanie Schmitz, Valmeyer
Monroe County



Andy and Monica Schumacher, Sigel
Cumberland County



Jill and Chad Vonder Haar, Saint Rose
Clinton County

SAY GOODBYE TO LENDER FEES AT CLOSING

SAY HELLO to borrowing money for less



www.farmcreditIL.com/nofees



Post-Harvest Action Plan

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



This year has certainly been one for the record books! The black swan pandemic – with all its economic, financial, consumer, and social implications – has accelerated many changes. Let's focus on

big picture variables and their implications on business action plans for 2021 and beyond.

Economic & Financial Volatility

The global macroeconomic radar screen will lead to extreme volatility, requiring businesses to be financially agile with an emphasis on working capital and quick access to cash. Within this context of management, resiliency will be measured by one's competitors and the cost of production compared to domestic and international peers. The next generation must build business resiliency and financial IQ – the profitability gap between the top and bottom third of agricultural producers' business performance will widen in the long-run.

Global Macroeconomic Risks

The number one risk will be agricultural trade negotiations and progression. One in five dollars of net farm income is generated through the export markets. For some commodities – like soybeans – the percentage is much higher. The COVID-19 pandemic has accelerated the deglobalization movement. Global supply and marketing chains will be evaluated between countries and regions of the world driven by business, consumer, government, and political agendas. Agriculture will be front and center in these actions, resulting in extremes in volatility influenced by daily headlines.

Domestic Supply & Marketing Chains

The economic status of processing plants and the ethanol industry will drive the financial bottom line. A lesson learned from spring 2020 was that concentration and efficiency can be fragile and sometimes fatal. Whether it is a supply or marketing chain, diversification brings agility and resilience.

Income Inspection

Examine your income statement in the context of government support payments as a percent of net farm income. A plan for 2021 and beyond needs financial sensitivity testing ranging from 25, 50, and 75% of cutbacks in government support payments. What is going to be the post-pandemic government support plan? Will this support plan come with a steep price in the form of higher taxes and a possible wealth tax, which would significantly impact the agriculture industry?

Post-Harvest Plans

Develop a written cash flow with revenue and cost sensitivities based on your production, marketing, and risk management programs. Remember: cash flow is 80% of a business plan.

- ▶ Take time to develop a personal family living budget. This is just as important as the farm budget.
- ▶ Reevaluate your business, family, and personal goals and objectives. Do not forget yourself in the goal setting process and be sure to evaluate your physical, mental, and spiritual balance.
- ▶ Develop a formal or informal advisory team. This could include a lender, accountant, or industry consultant. Collaborations and sounding boards are great ways to maintain both business and emotional balance.

Put 2020 in the rearview mirror while considering how big picture variables impact your future business plans.

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Chat with the Chief

Say Goodbye to Lender Fees at Closing

The newest example of a member-driven benefit became effective Oct. 1, 2020, when we stopped charging agricultural loan borrowers* the following:

- ▶ **Origination fees** – FCI members do not pay for processing or underwriting.
- ▶ **Traditional loan appraisals** – FCI's in-house appraisal team delivers complimentary services.
- ▶ **UCC filings** – FCI covers the cost of submitting UCC financing statements with the state.

By waiving these fees, cooperative member-borrowers save up to 1.5% of the loan amount. With low upfront interest rates and no lender fees at closing – plus free repricing options – FCI members spend less on agricultural loans. And when cash patronage is returned the following year, the low cost of borrowing money from FCI delivers a significant cooperative advantage.

Through these volatile economic and social times, you can rely on Farm Credit Illinois to stay committed to our mission and put members' needs first today and tomorrow.

*does not apply to leases or AgDirect equipment or Rural 1st® country life loans

Contact your local FCI office
www.farmcreditIL.com/nofees

YOUTH INVESTMENTS

\$2,000 SCHOLARSHIPS

HIGH SCHOOL SENIORS

FCI is awarding 30 scholarships to students with a passion for agriculture.

Apply by **March 12** at
www.farmcreditIL.com/scholarships



2020 Farm Credit Scholars

\$500 COMMUNITY IMPROVEMENT GRANTS

4-H CLUBS AND FFA CHAPTERS



Make a positive impact in your community by coordinating an improvement program.

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

Apply by **March 12** at
www.farmcreditIL.com/community

FCI Drop Box Now Available

For member and business use during or after hours



NOVEMBER 26-27

Thanksgiving Holiday
Office Closed

DECEMBER 24-25

Christmas Holiday
Office Closed

DECEMBER 31

New Year's Eve
Office Closes at Noon

JANUARY 1

New Year's Day
Office Closed

Farm Credit College Virtual Programs

Farm Financial Analysis Workshops

This hands-on virtual workshop 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.

Presenters:

Shaun Gress and Andy Canning
FCI team members

3 THURSDAY
DECEMBER

1:00 – 3:00 pm

7 MONDAY
DECEMBER

5:30 – 7:30 pm

10 THURSDAY
DECEMBER

9:00 – 11:00 am

Farm Estate Planning Series

Put your own estate plans in motion after one or both sessions, which will provide clarity on the complex topics of farm business succession. Bring questions and equip yourself with a clear set of next steps.

Presenter:

Brooke Didier Starks
Attorney, Meyer Capel

Cut Through The Jargon

26 TUESDAY
JANUARY

9:00 – 11:00 am

Action Planning

9 TUESDAY
FEBRUARY

9:00 – 11:00 am

Fielding Forward Crop Insurance Learning Series

Prepare for the next growing season with timely updates from industry experts, plus get the latest on federal crop insurance as you consider coverage options. Facilitated by **Jeff Nalley**, Cromwell Ag Radio.

21 THURSDAY
JANUARY

10:00 – 11:00 am

Crop Marketing & Federal Crop Insurance Updates

Speaker: **Dr. Steve Johnson**
Iowa State Extension

28 THURSDAY
JANUARY

10:00 – 11:00 am

Managing Weather Risk

Speaker: **Eric Snodgrass**
Nutrien Ag Solutions

4 THURSDAY
FEBRUARY

10:00 – 11:00 am

FCI Crop Insurance Update & Crop Marketing Panel

Speakers: FCI crop insurance team members

Steve Johnson
Iowa State Extension

Matt Bennett
Channel Grain and Marketing

REGISTER for virtual learning programs at www.farmcreditIL.com/learning

Registered participants will be emailed a direct link to access the respective workshop several days before the program.

FreshRoots farmers may be eligible for a learning incentive voucher by participating in these programs.

www.farmcreditIL.com/freshroots