

Machinery Investments & Farm Financial Trends

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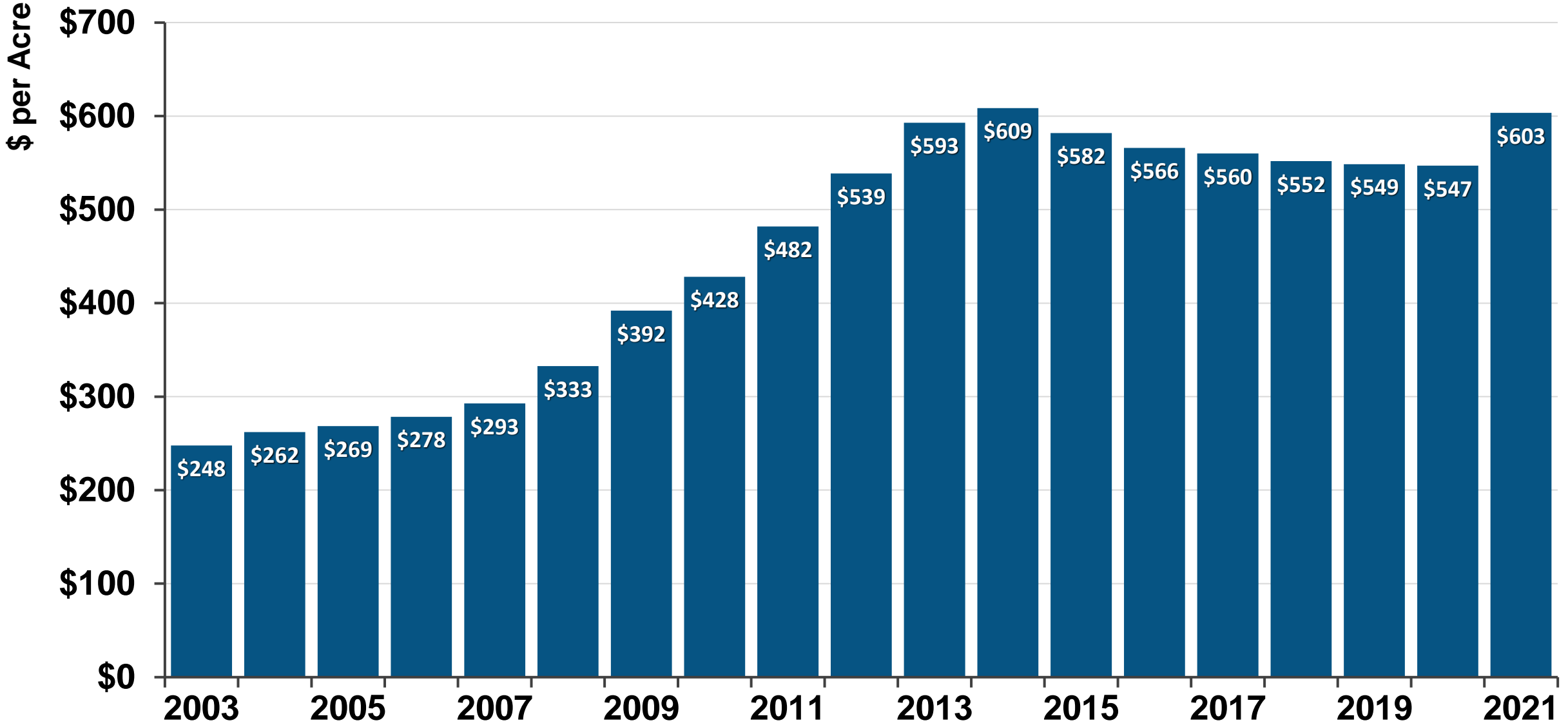
Brad Zwilling

VP of Data Analysis

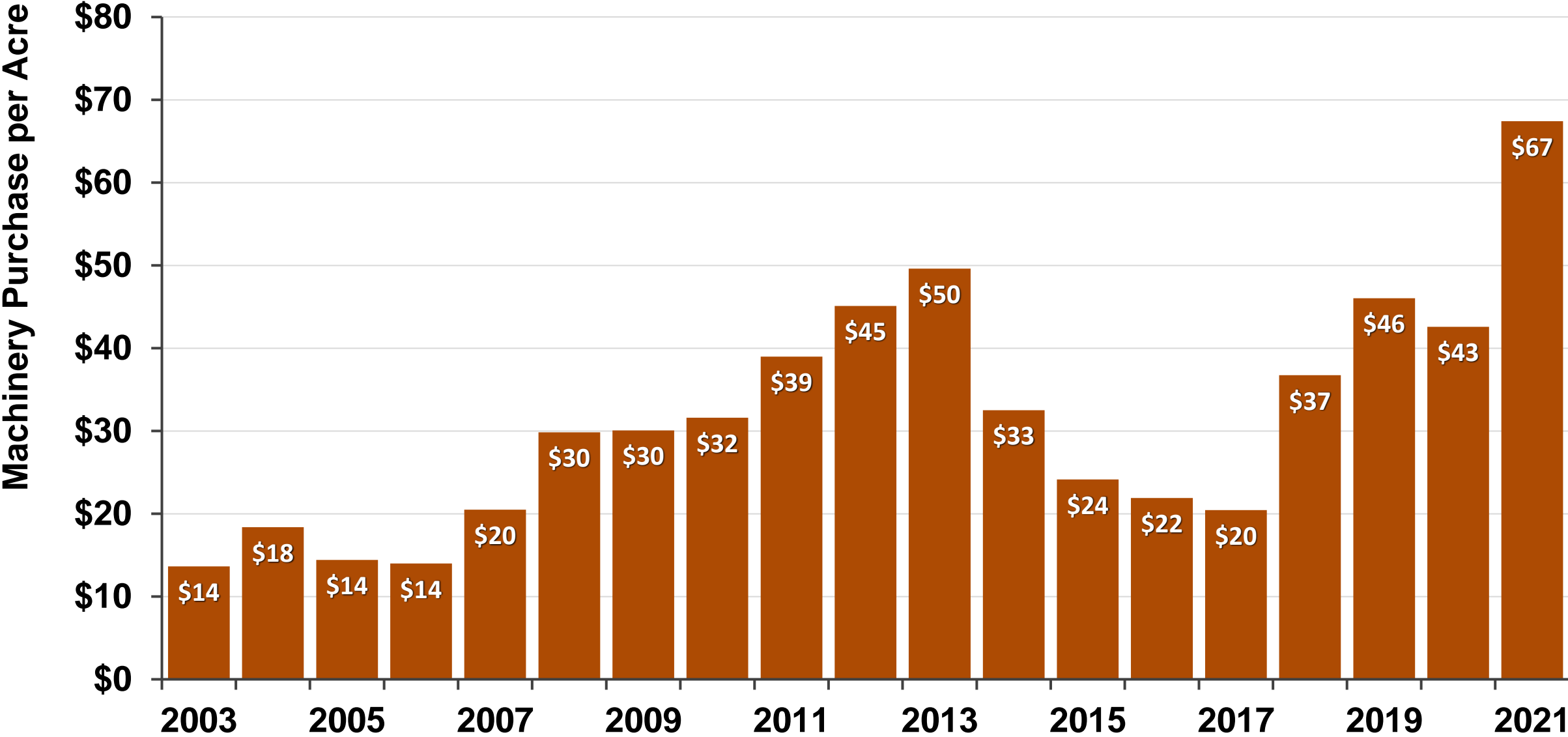
Illinois FBFM



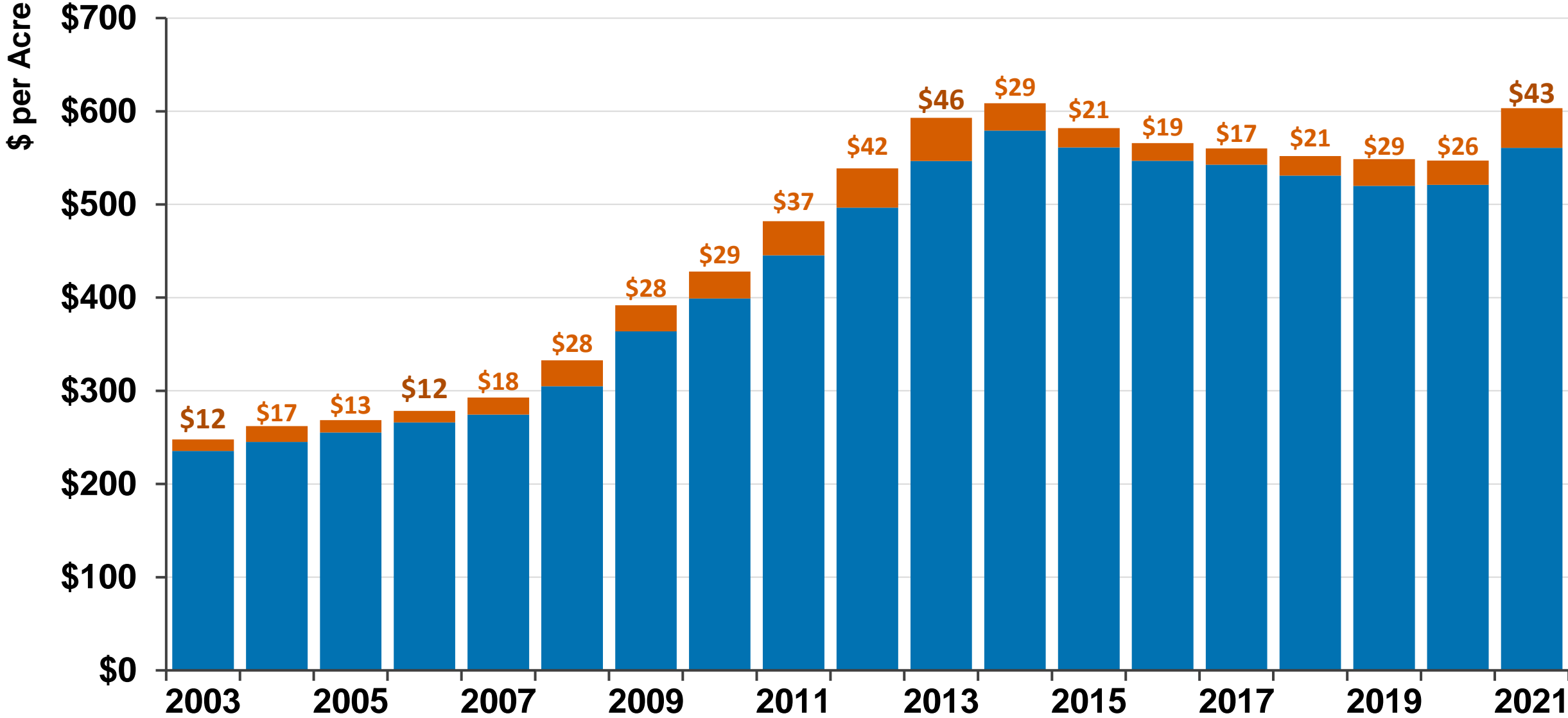
Average Machinery Values per Acre Doubled in 7 Years



Machinery Purchases Increase Almost 400%



Purchase Impact on Machinery Values

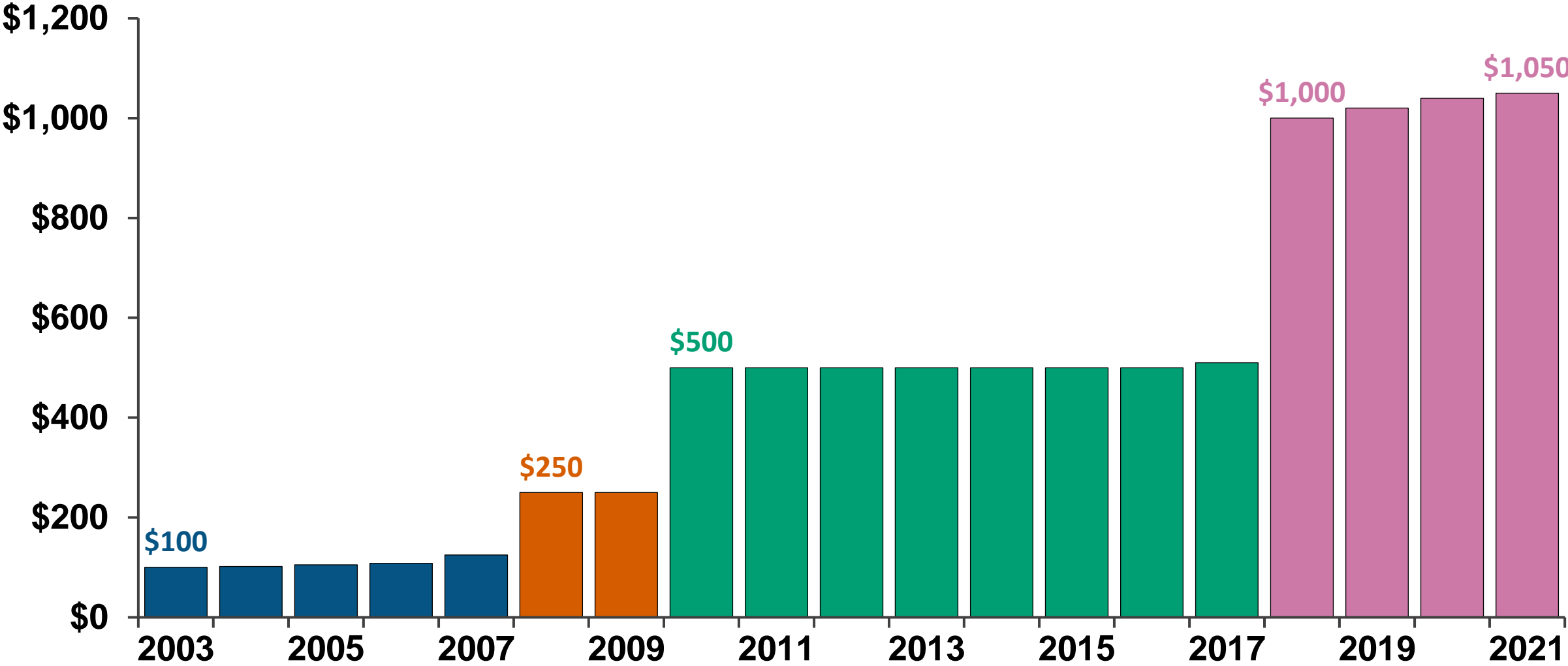


Tax Effects on Purchases

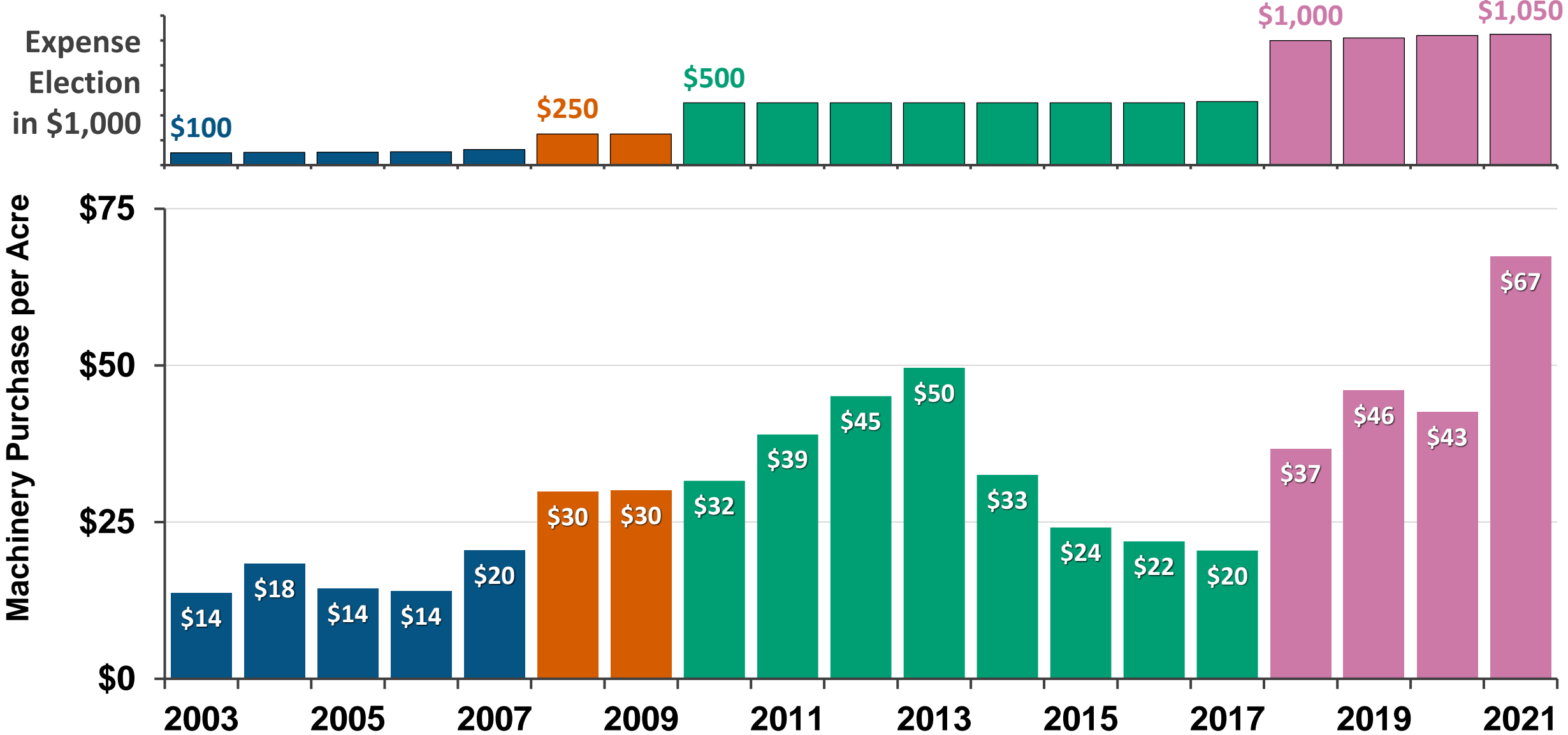
- Expense Election or 179 Election
- Bonus Depreciation (None, 30%, 50% or 100%)
- Purchases used as cash expense
- Machinery Like-Kind Exchange
no longer after 12/31/2017
Tax Cut and Jobs Act (Sec. 1031 change)

IRS Expense Election (Sec. 179)

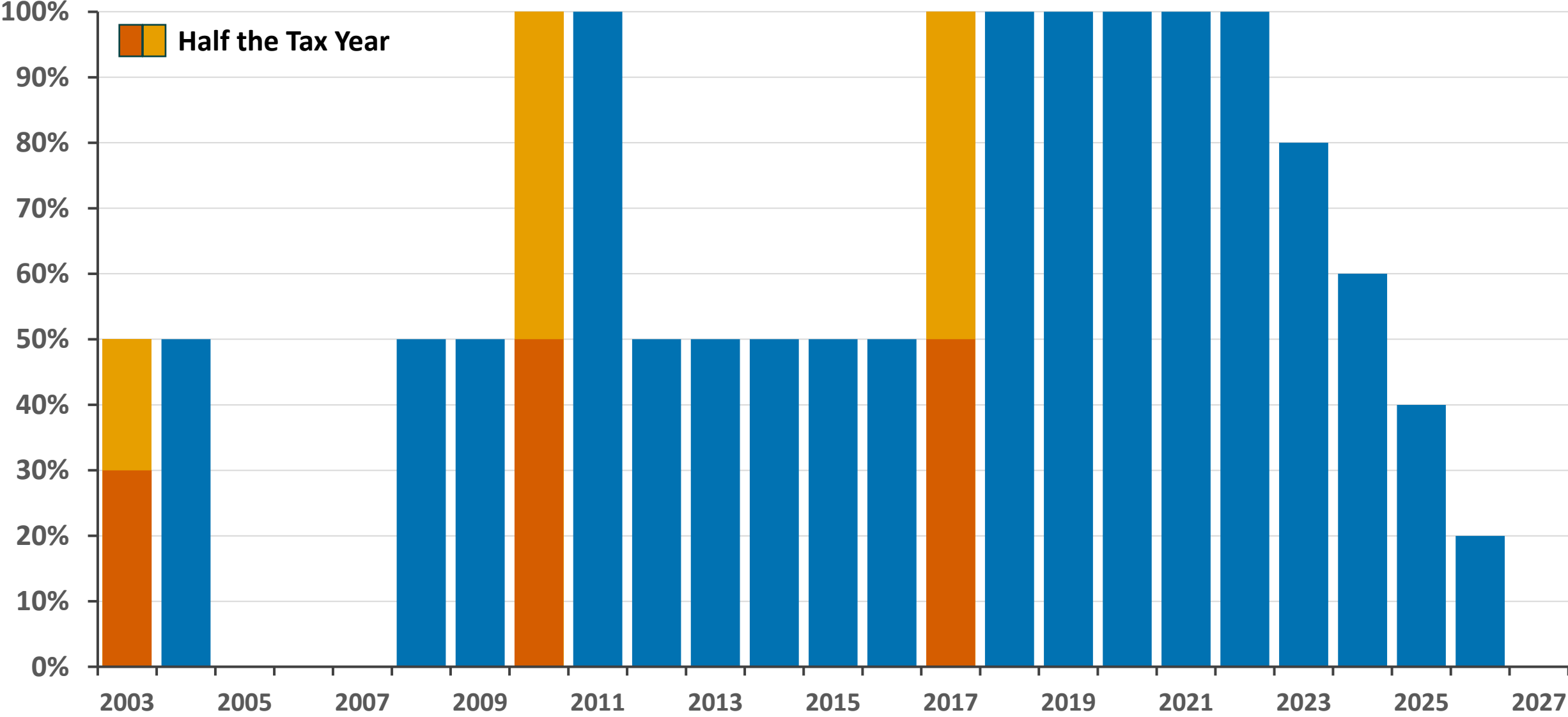
Now \$1 Million Adjusted for Inflation in Thousand Dollars



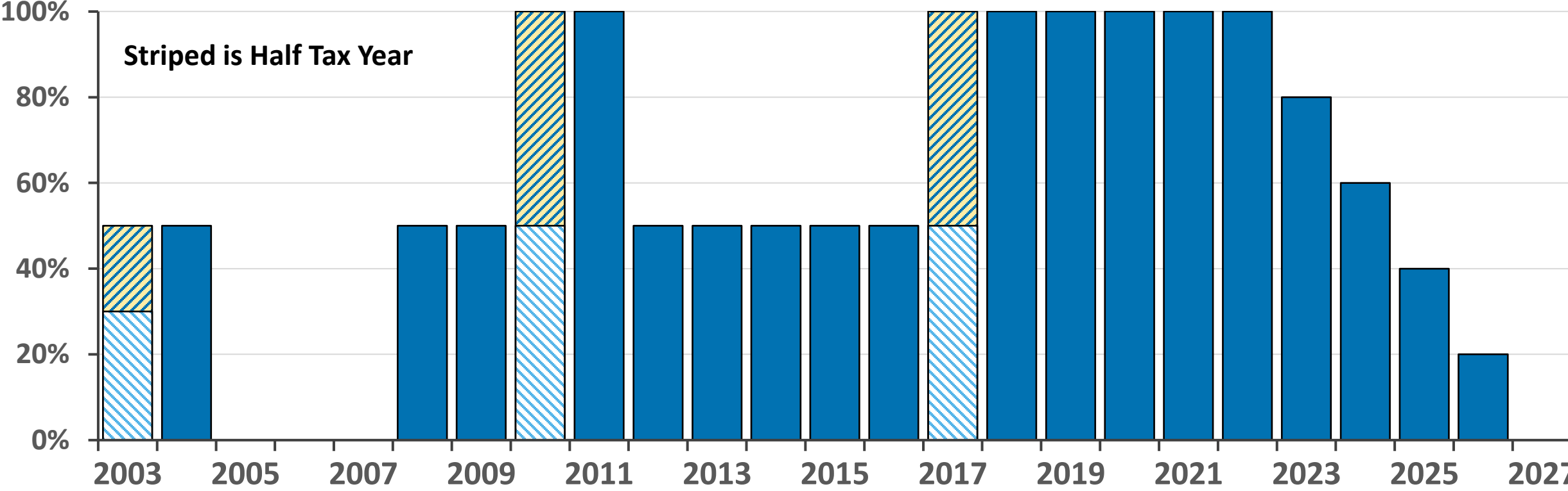
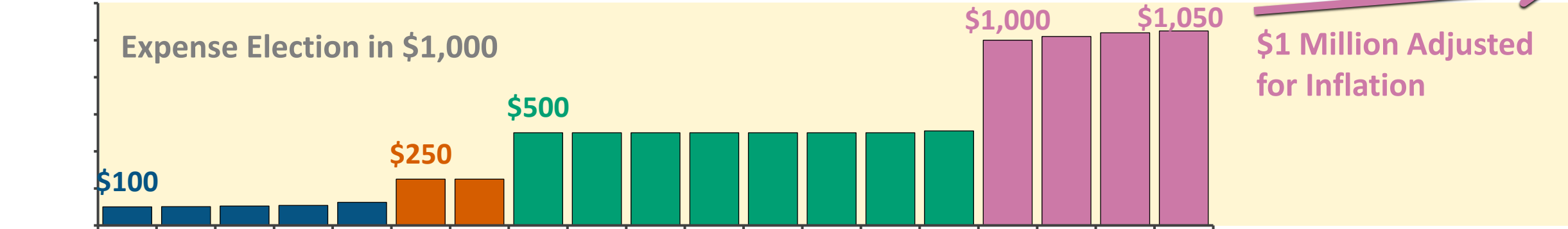
Machinery Purchase Changes with IRS Sec. 179?



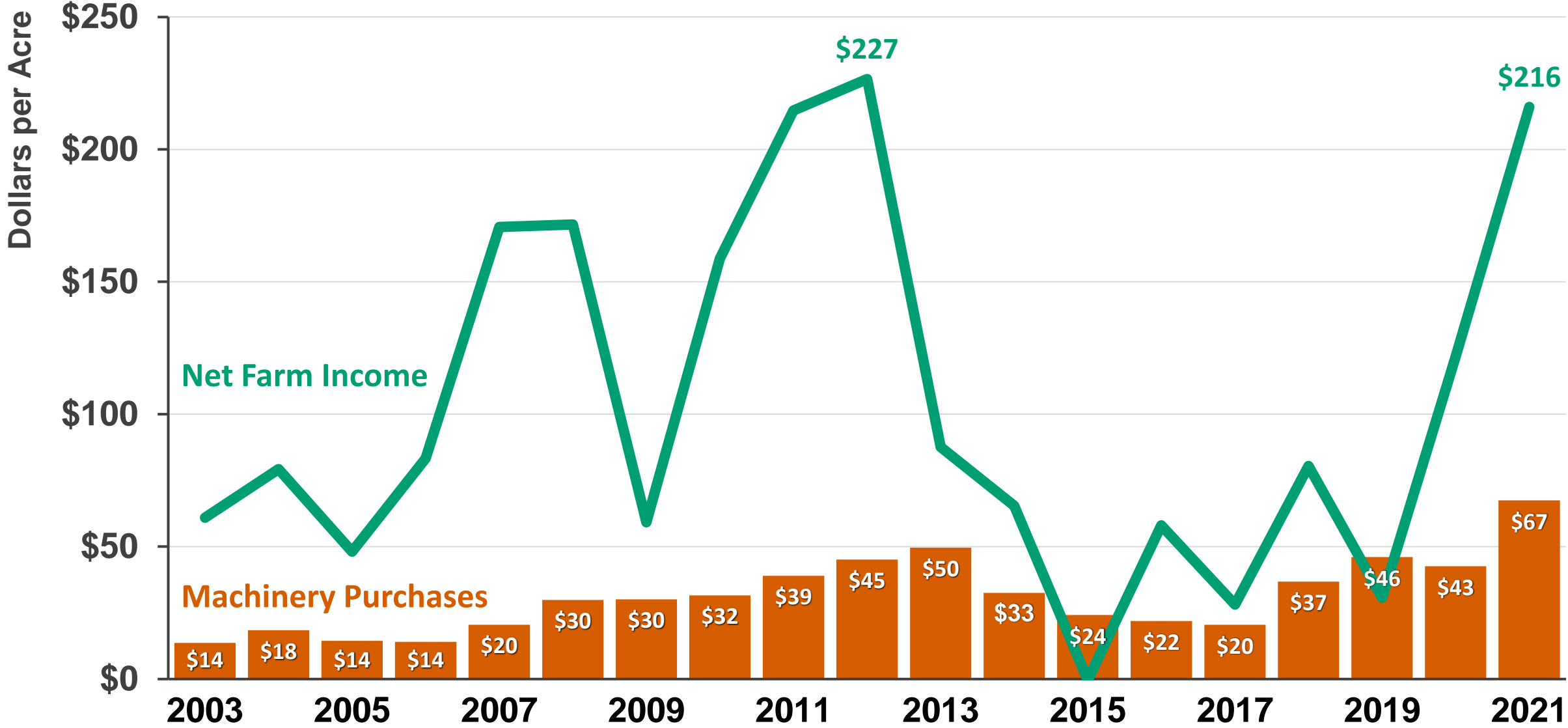
Bonus Depreciation Set to Phase Out by 2027



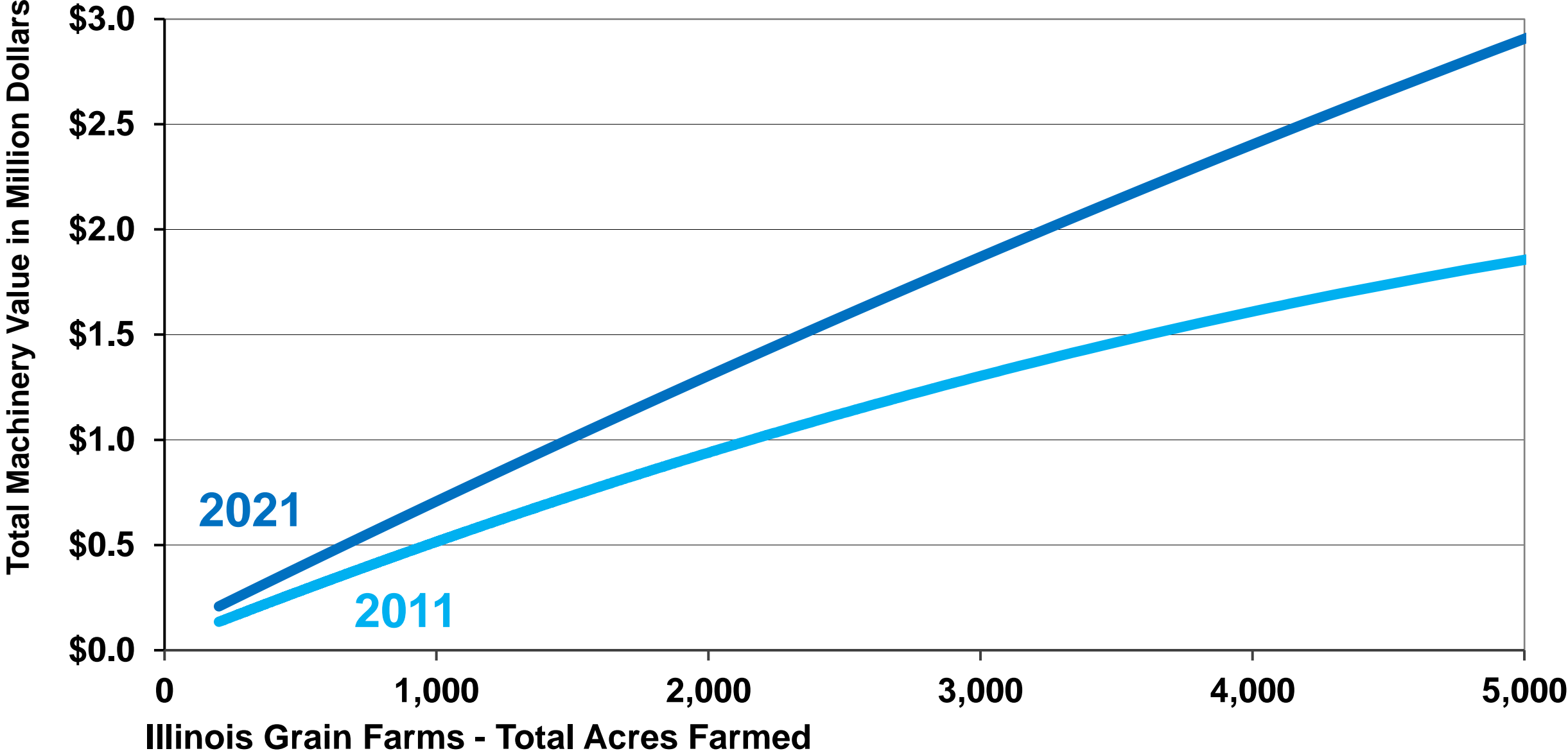
Bonus Depreciation Set to Phase Out by 2027



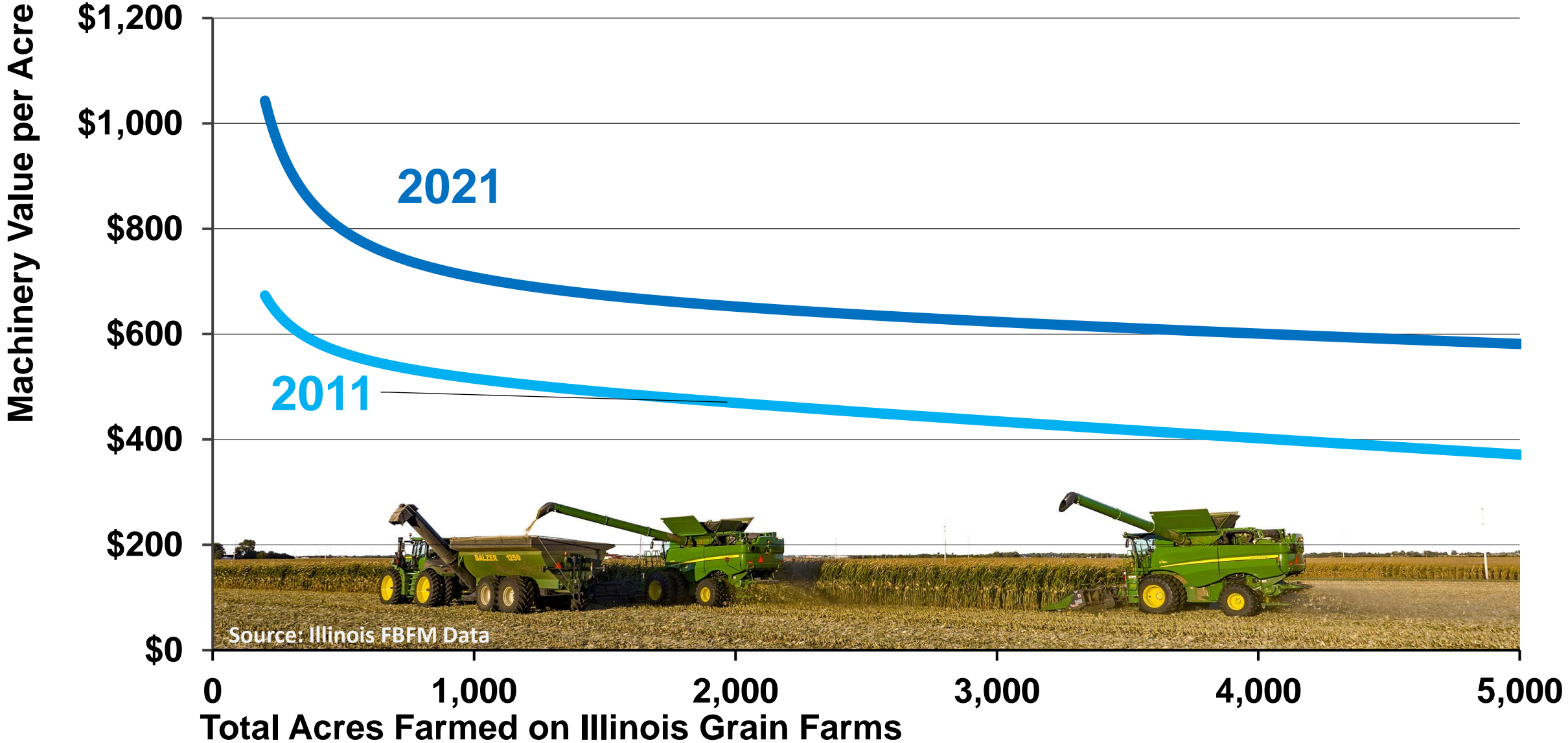
Farm Income Effect on Machinery Purchases



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



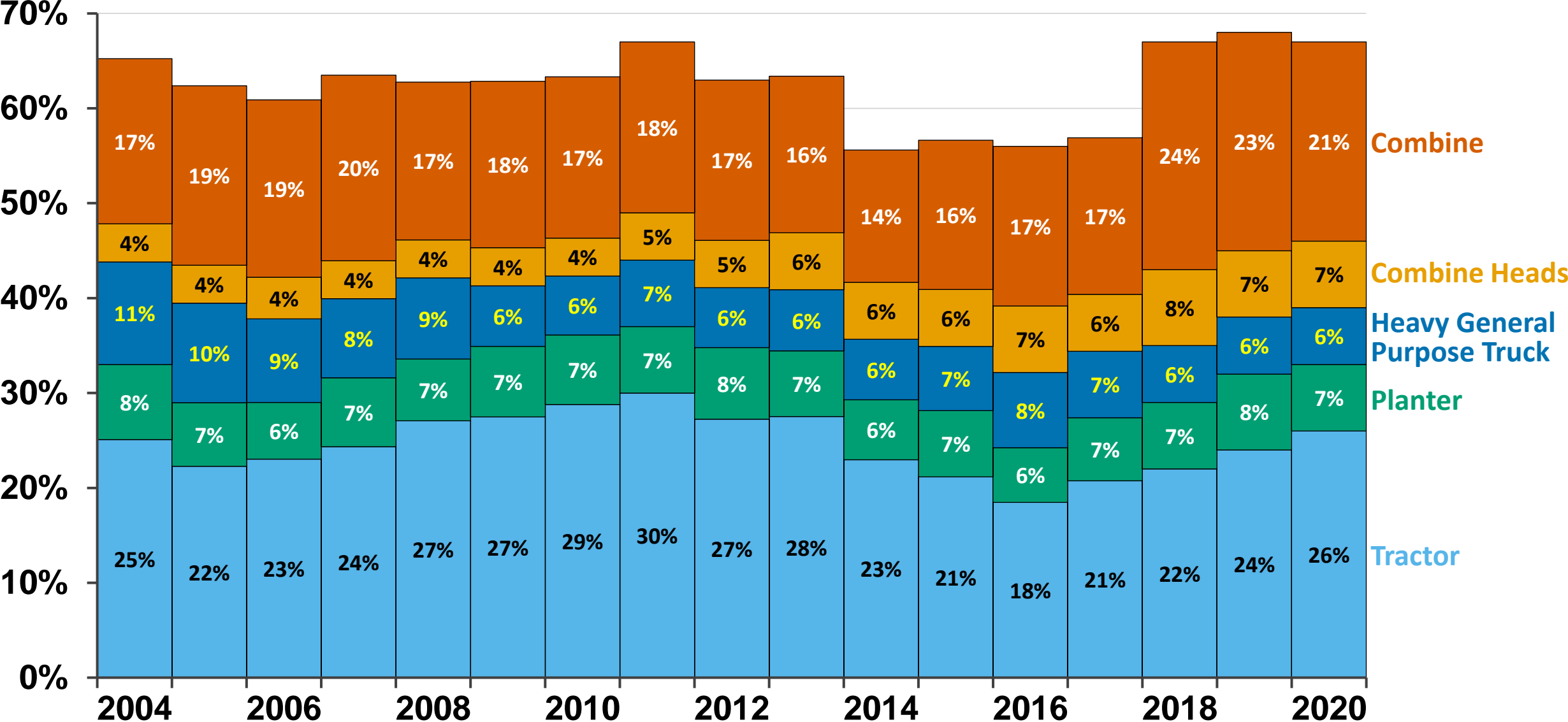
Per Acre Values Shift Up 40% to 60% on Grain Farms 2011 vs. 2021



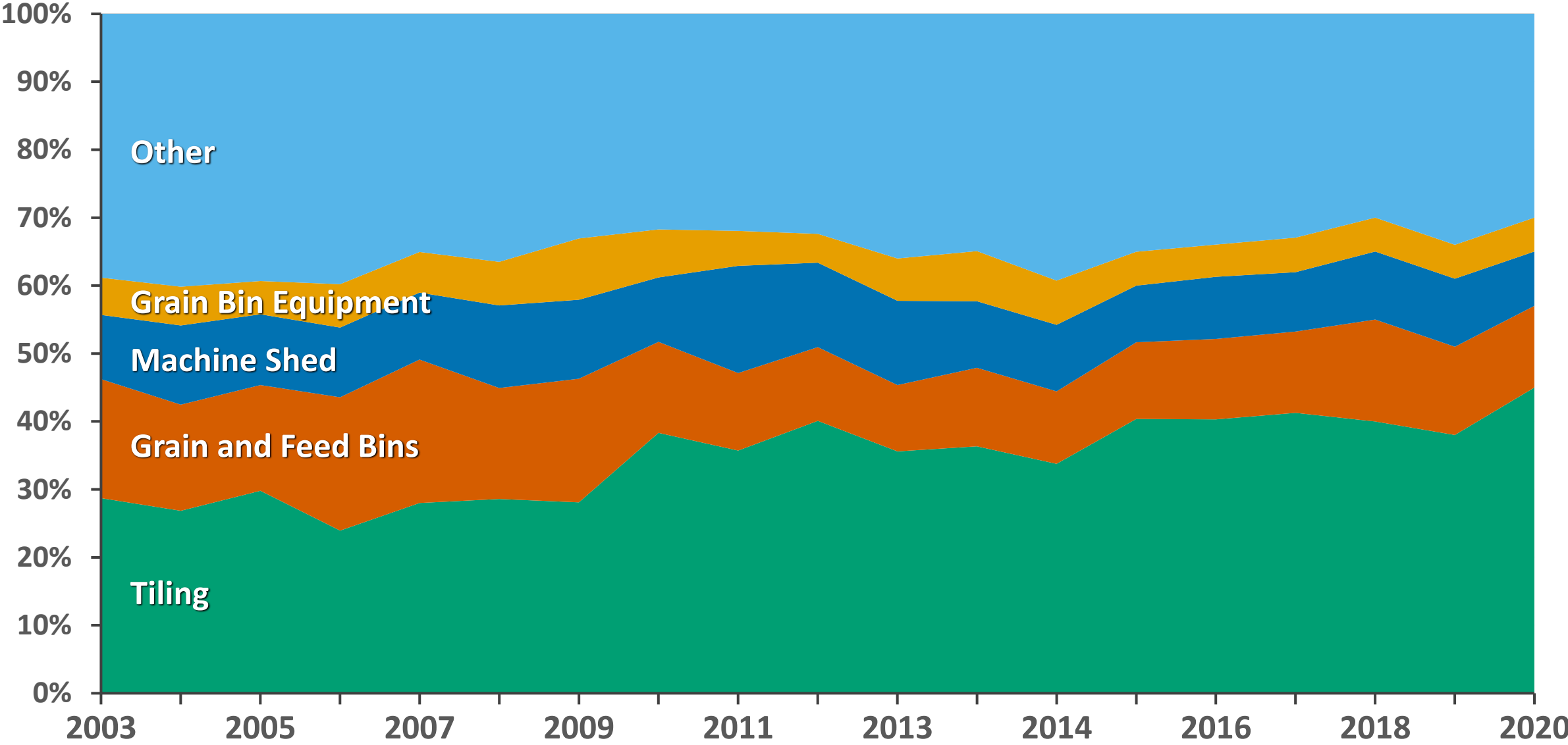
What Capital Items are Farmers Buying and When?



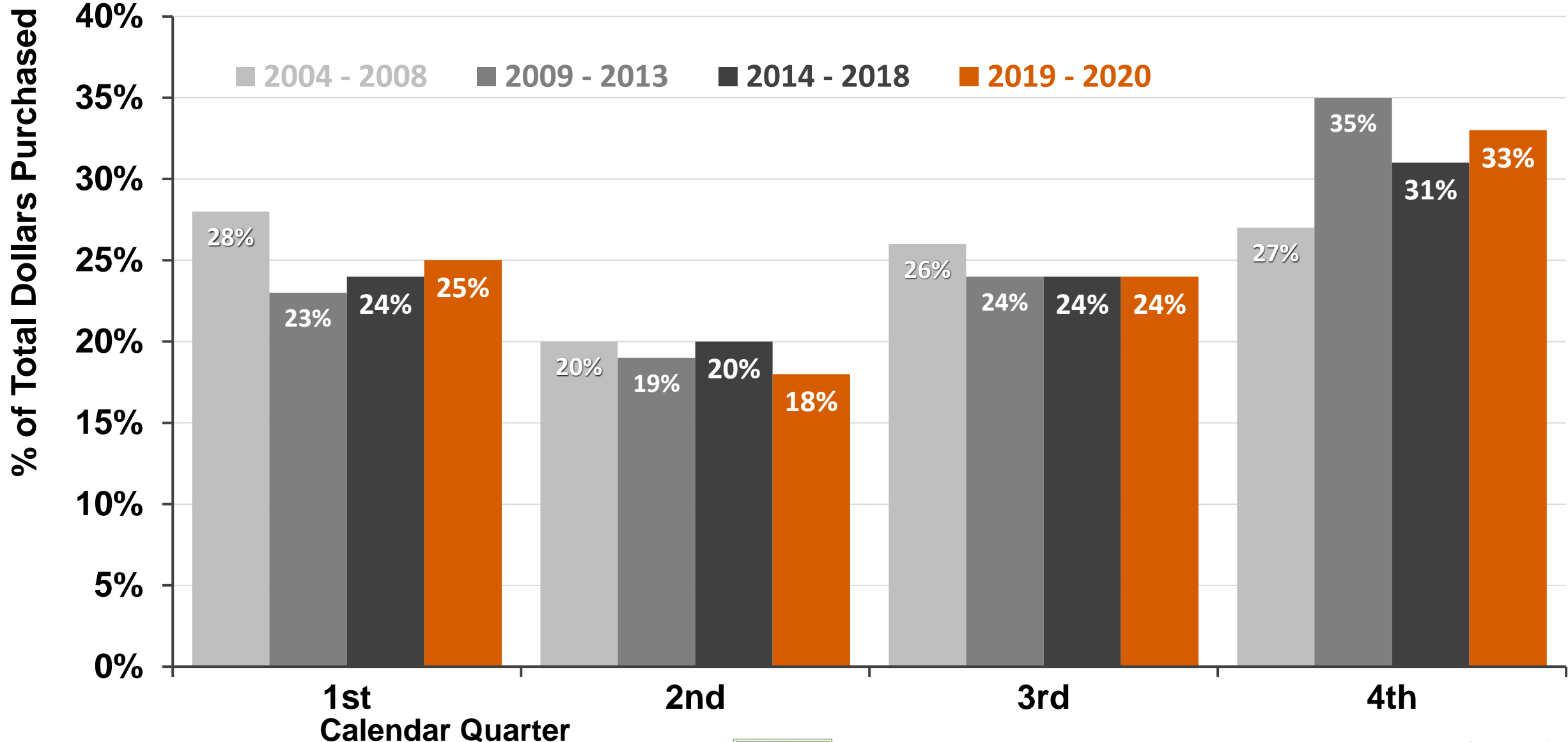
Most Dollars Spent by Type of Machinery



Most Purchased Farm Buildings



When Are Most Capital Purchases Made?



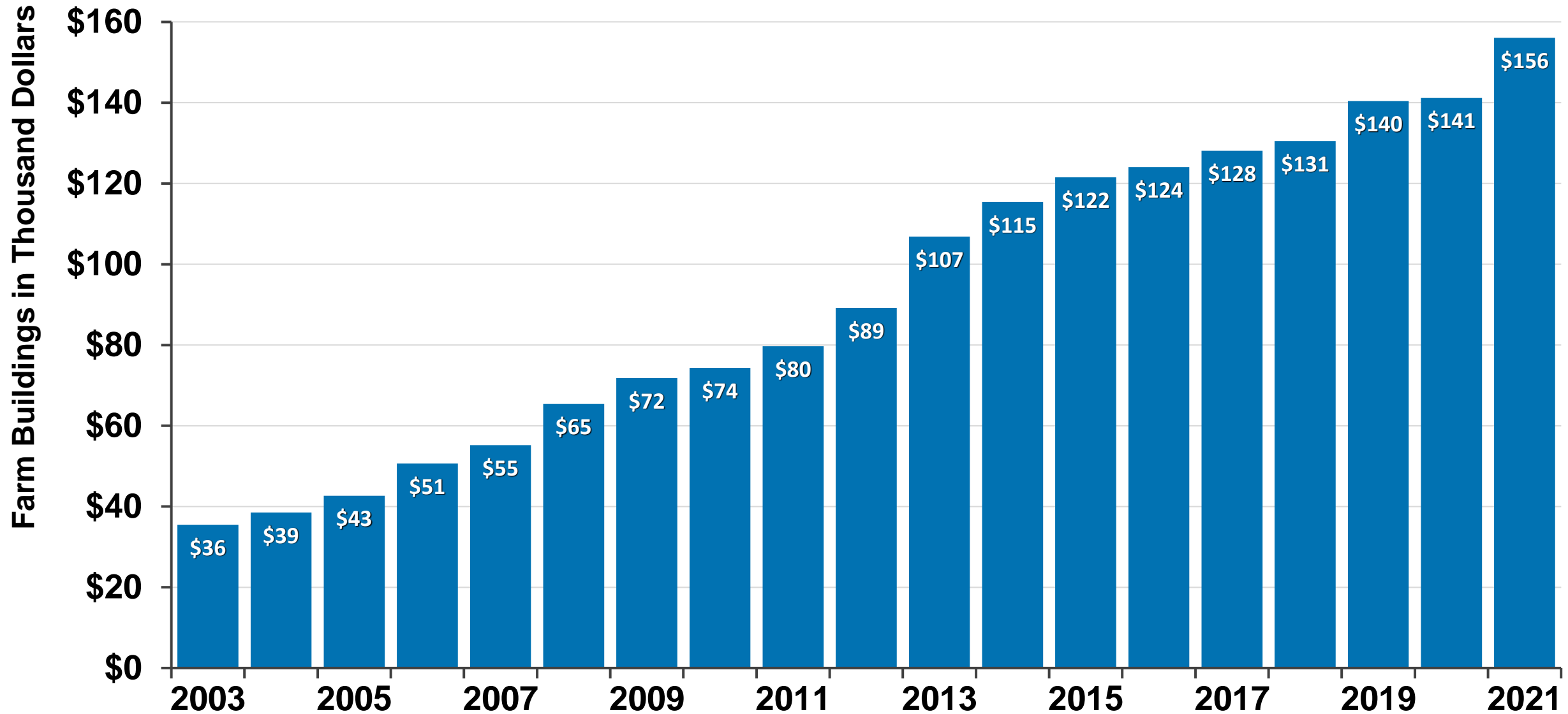
Financial Trends

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

	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%
Other Assets	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%

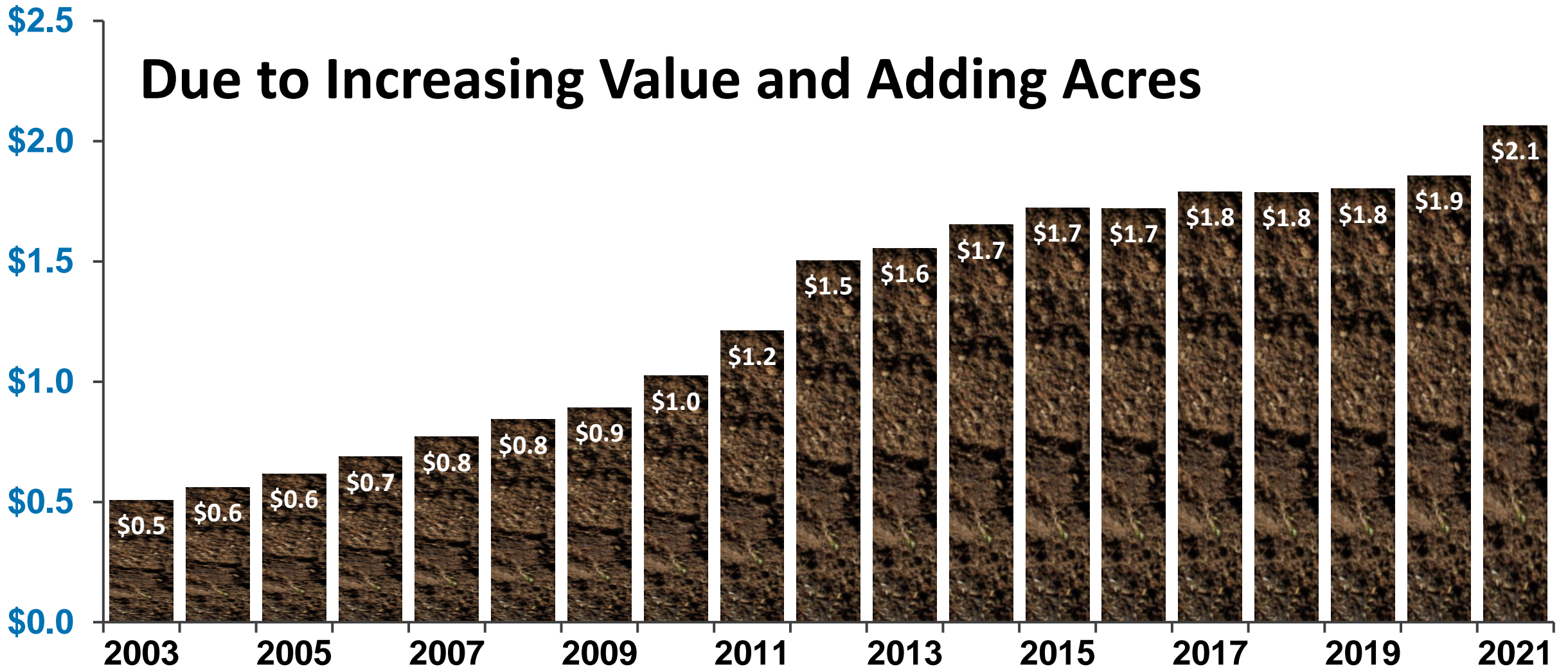
Ave. Farm Buildings Increased \$7,000 per Year



Average Value of Land Owned Increased

in Million Dollars

Due to Increasing Value and Adding Acres



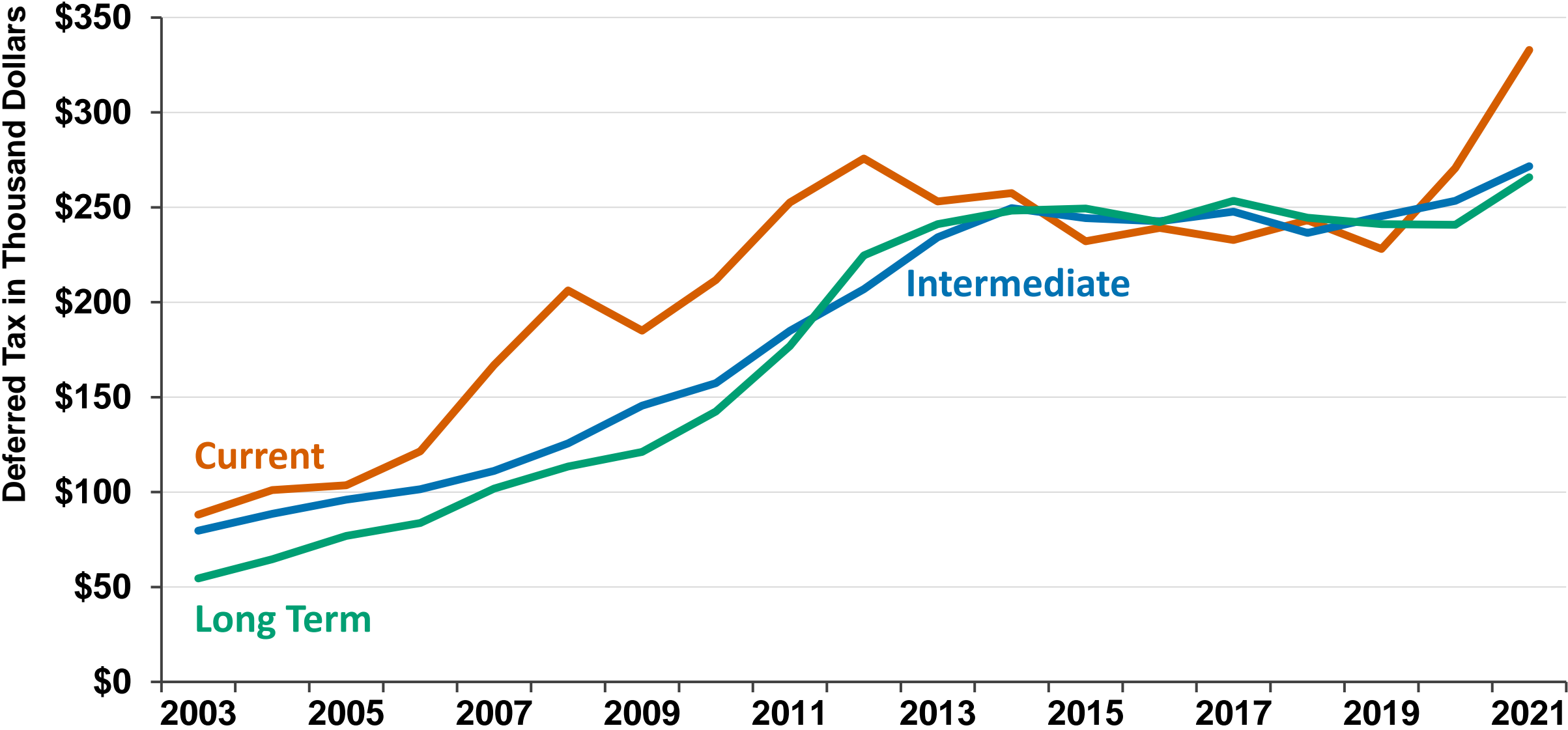
What is Deferred Tax?

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



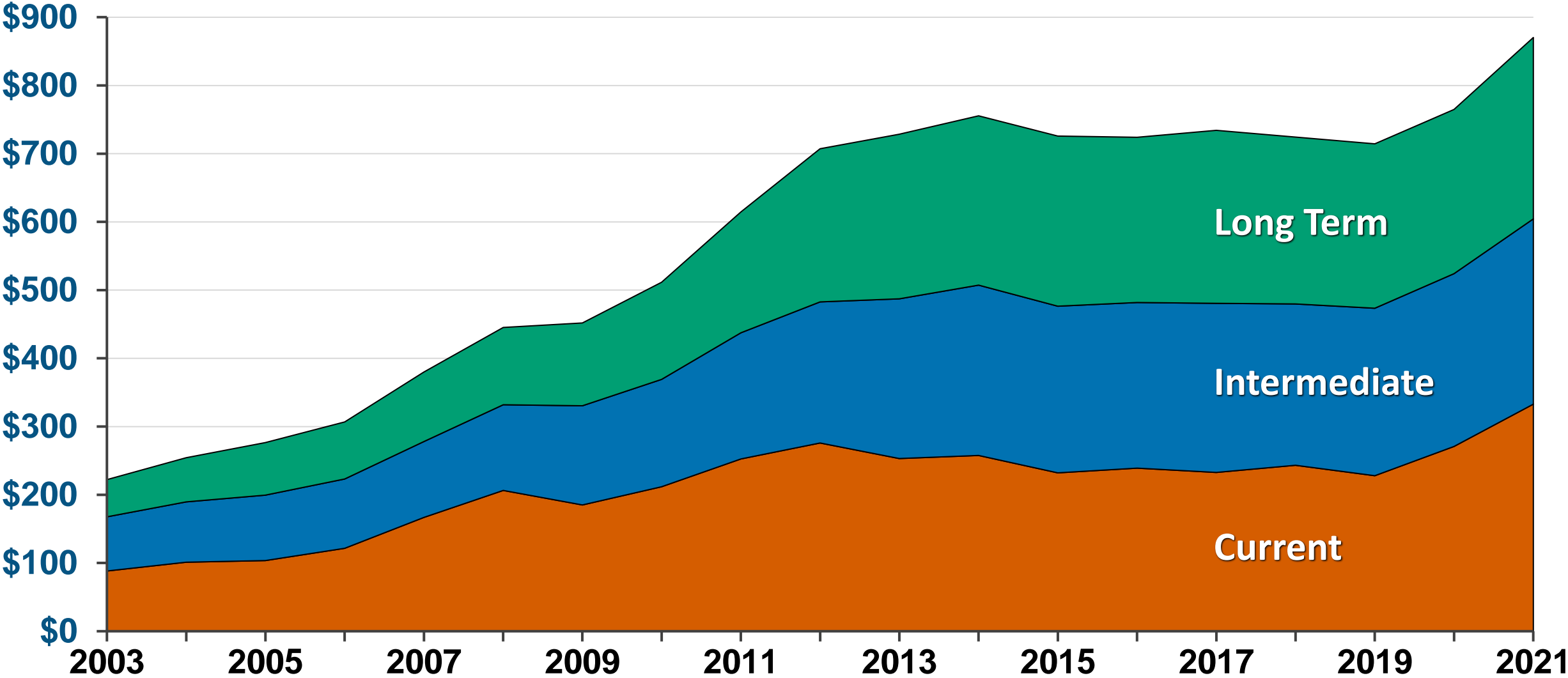
Current

Intermediate

Long Term

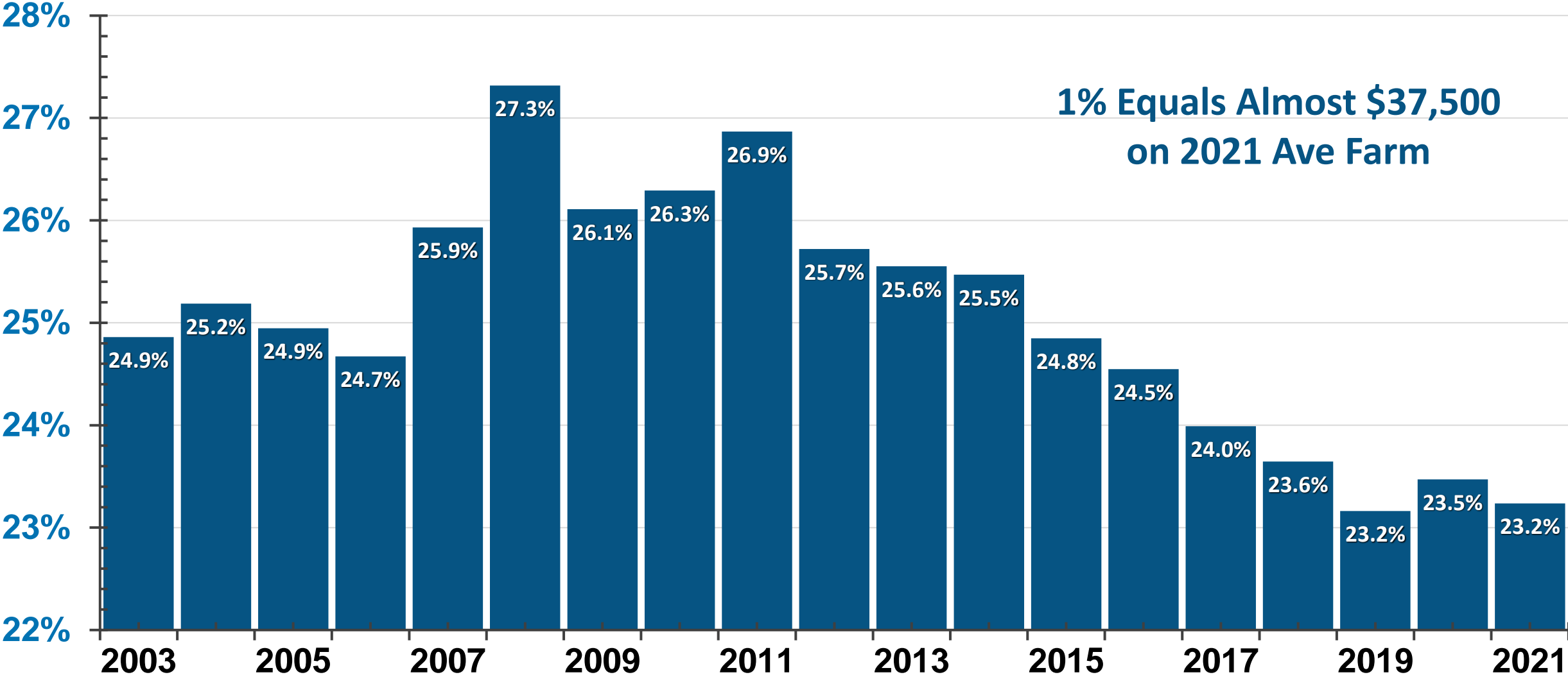
Estimated Deferred Tax by Asset Type

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

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Business Results Management Info Publications Resources Who 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](#)

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In Cooperation With
University of Illinois
Department of Agricultural and Consumer Economics
University of Illinois Extension
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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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