

## SUCCESSION PLANNING 101

START PLANNING EARLY FOR A SUCCESSFUL FAMILY FARM



**A family farm can be a wonderful legacy.**

If you are fortunate enough to have a son or daughter who is interested in following in your footsteps, there are things you can do now to ensure success for generations to come.

The first step is to have an open, honest discussion with the whole family, including children who don't actively work on the farm and their spouses. It's their family farm, too, even if their talents take them to jobs not associated with farming.

In a March 2017 story in the organization's national magazine, *Illinois Field & Bean*, the Illinois Soybean Association lists six questions to ask yourself before you talk with your family about succession planning:

- What is my end goal?
- Am I ready to let go of day-to-day management?
- When will I transfer management?
- Do my kids have the right skills to be successful managers of the operation?
- How will I ensure fairness to my off-farm children?
- Who is going to help me make these decisions?

One of the most difficult aspects of this decision – now and for the foreseeable future – is separating the business aspect of farming from the “family farm.” Your non-farming children need to know they're valued as much as the sibling who is looking to take over the family farm. And you'll all need to come to an agreement as to what is “fair” for all family members.

You'll also need to look at your child as an employee and future manager/owner. *What does he or she need to learn yet on the road to becoming a farm owner?* As a parent, you're probably used to praising your child's efforts – as a boss, you'll need to have a critical eye to help your employee learn the necessary skills.

**When you're ready, come in to your local CSB branch to talk to one of our Ag specialists. We can help you plan a bright future for your family farm.**

### I N S I D E

- ▶ Look to the South for **Corn Export Competition**
- ▶ **Big Ag Consolidation:** Good for Small Farmers?
- ▶ Stephenson County **Beef Association Banquet**
- ▶ 2017 **Farm Income Forecast**

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# MARKET UPDATE

## LOOK TO THE SOUTH FOR CORN EXPORT COMPETITION



**Next to the United States, the world's biggest corn-producing nation is China.** So why are commodities experts watching South America?

China, despite producing 220 million metric tons of corn in 2016 (second only to the U.S., which produced 385 million tons), uses the majority of its corn, selling to the export market only occasionally.

That makes U.S. corn farmers' biggest export competitor the nation of Brazil, followed closely by Argentina. These South American nations have been investing in infrastructure and aren't far away from U.S.-level transportation capabilities.

Both countries also are making gains in crop yields – and in some areas, farmers are able to grow two crops in a single year.

USDA economist **Thomas Capehart**, in an article in the March 18 issue of *Illinois Farmer Today*, says that he sees a glut of corn in the market soon, thanks to early-season harvesting in Brazil and Argentina. *"In the coming months, we're seeing U.S. sales and shipments slow down ... mainly due to increased competition."*

**Read more about South American exporting in *Illinois Farmer Today*:** [http://www.illinoisfarmertoday.com/news/crop/south-america-muscles-in-on-u-s-corn-dominance/article\\_8fc6e8e6-09b0-11e7-8ecf-436d535fa0f6.html](http://www.illinoisfarmertoday.com/news/crop/south-america-muscles-in-on-u-s-corn-dominance/article_8fc6e8e6-09b0-11e7-8ecf-436d535fa0f6.html)

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Set up our new **Text Alert feature** to send a text message to your phone when your account balance falls above or below a specified amount, when an item clears, or to set up a personal notification! **It's a free, easy way to keep track of your finances.**

Add alerts by logging onto your **Netteller online banking account**, click on the *Options* tab, then the *Personal* tab, and then enter your email address and mobile phone number. Then, click on the *Alerts* tab and choose which alerts to add and select the delivery method: email, text message, *or both!* **Changes can be made easily, and at any time!**

# BIG AG CONSOLIDATION

## GOOD FOR SMALL FARMERS?

When Big Ag companies like **Monsanto** and **Bayer** merge, what happens to “the little guy” – the small American farmer?

We may find out soon, as both the **Monsanto-Bayer merger** and a **Dow-DuPont** deal are currently in the works. Economics 101 says that fewer competitors make for higher prices, but some see a different story.

*American Soybean Association* CEO **Steve Censky**, in a recent *Illinois Farmer Today* article, noted that Monsanto’s and Bayer’s strengths are complimentary, which could mean more innovation to help farmers:

*“Bayer (is) strong in the herbicides and fungicides area, and Monsanto on seeds and traits. Having those two together to offer farmers a complete package seems*

*to hold some appeal for a company. But I think it could offer opportunities to farmers as well.”*

There’s plenty to worry about, as well: Another agri-businessman quoted in the article (**Bruce Rastetter**, president of Iowa’s Board of Regents) says the mergers “*will limit competition, stifle innovative research, and stunt job growth – and will eventually lead to increased costs for farmers.*”

Chances are, both sides are at least a little bit right. Time – and the market – will tell.

**Read more about consolidation in *Illinois Farmer Today*.** [http://www.illinoisfarmertoday.com/news/regional/ag-advocates-ponder-effect-of-consolidation-at-the-farm-level/article\\_71665faa-043b-11e7-a165-83aee1c1eaa9.html](http://www.illinoisfarmertoday.com/news/regional/ag-advocates-ponder-effect-of-consolidation-at-the-farm-level/article_71665faa-043b-11e7-a165-83aee1c1eaa9.html)

# BEEF ASSOCIATION BANQUET



CSB Ag Lenders **Dennis Groezinger** and **Joel Kempel** were honored to be a part of the **Stephenson County Beef Association’s annual banquet**. Everyone enjoyed a great meal and an inspiring, informative presentation from **Kim Bremmer**, who speaks across the country about connecting everyday consumers with the farmers who produce their food. President of the Illinois Beef Association **Mike Martz** also attended the event.

# FARMING FORECAST

## PROJECTED PRICING FOR 2017

The **University of Illinois Department of Agriculture and Consumer Economics** is forecasting very low farm income for 2017 based on strong corn and soybean yields and weak pricing. **Projected 2017 prices** are **\$3.60/bu** for corn and **\$8.75/bu** for soybeans, with no ARC-CO payments projected.

**Read more on *FarmDocDaily*.** <http://farmdocdaily.illinois.edu/2016/12/if-es-2016-farm-financial-management.html>

	Year						
	2009	2010	2011	2012	2013	2014	2015
<b>Efficiency</b>							
Operating expense ratio	71%	57%	55%	55%	60%	72%	81%
Depreciation expense ratio	7%	7%	7%	7%	10%	11%	13%
Interest expense ratio	3%	3%	2%	2%	2%	2%	3%
<b>Profitability</b>							
Net income from operations	18%	33%	35%	35%	18%	14%	3%
Return on farm assets	3.4%	8.4%	9.6%	3.8%	2.6%	1.6%	-0.6%
<b>Repayment Capacity</b>							
Term debt and capital lease ratio	1.64	3.67	4.67	4.57	1.57	1.38	0.44
<b>Liquidity</b>							
Current ratio	2.31	2.56	2.73	3.08	2.50	2.32	2.05
<b>Solvency</b>							
Debt-to-asset ratio	0.22	0.21	0.20	0.18	0.18	0.18	0.20

Source: Illinois Farm Business Farm Management as reported in Financial Benchmarks tool on farmdoc, See farmdocDaily, October 4, 2016

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**CSB Ag Lenders**



*Left to right: Dennis Groezinger, Joel Kempel, Brock Musser*



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