

THE WISE AG UPDATE



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COMMENTARY by Ken Nofziger



SUCCESSION PLANNING: PLANTING THE SEEDS FOR YOUR FARM'S FUTURE

Most farmers and landowners we work with excel at planning and managing their operations. They spend countless hours every year analyzing their crop rotation, field prep work, planting, pest control, nutrients, equipment maintenance, marketing and endless other details. But when it comes to implementing the most important type of planning, succession planning, many are hopelessly lost.

It's not surprising, because succession planning is something one typically does only once in a lifetime. Most farmers and landowners don't get a lot of practice at it. As you read on, you'll see that many are either overlooking the issue entirely or deferring decisions until it's too late.

Succession planning is easy to avoid and procrastinate, because it's not fun. It calls for hard choices and contemplation of unpleasant realities. It often makes for uncomfortable conversations. Yet, it's the only way to be sure we control

the destiny and future of our companies and assets. That's why Berkshire Hathaway is working on what to do after Warren Buffett is gone. And why we're doing the same here at Murray Wise Associates. But don't think for a moment that succession planning is only for corporations or limited partnerships.

It's more important than ever today, because none of us are getting any younger. The 2012 Census of Agriculture reports that 54 percent of American farmers are 55 or older. More than one in four farmers is 65 or older. Similarly, according to Iowa State University, over one-half (56%) of landowners in Iowa are 65 or older.



After you've spent a lifetime building your asset base, you'd like to have something to say about how it continues

when you retire or die. And this applies to you whether you're a farmland investor, owner operator, or a tenant. It goes far beyond tax planning, though that's an essential part of the process.

Avoiding family conflict

Having a plan for your withdrawal from the scene (whatever the cause) can be of critical importance in maintaining the family peace. About 60% of our farmland auctions are for estate purposes, and you'd be surprised at how many of those result from disputes among heirs. Even if there is only one heir, poor planning can derail plans. In many cases, the heir has to sell the land in order to pay inheritance taxes. A good estate plan, perhaps coupled with a life insurance policy, can usually prevent this.

When you have multiple heirs, things can get complicated very quickly. Most of the conflict comes from heirs with conflicting or differing goals.

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Among the most common issues is the continuation of the farming operation. Typically, you'll have some heirs who have followed non-farm careers while others want to continue farming. The non-farmers often don't want their money tied up in the farmland, thus forcing the farming heir to "buy out" the non-farming heirs.

One possibility in such a case would be a sale-leaseback in which part of the farm is sold to an investor who agrees to keep the farming heir as a tenant.

Finally, we frequently encounter situations in which one or more trusts might play an important role. For example, if the farm has been in the family for generations you may wish to keep it so into the future. In that event the land might be placed in a trust to ensure that it isn't sold for a specified period of time, such as when an heir reaches a certain age. In such cases, it is often a good idea to retain third-party management services for the farm. The trust and other documents serve as important tools to communicate the landowner's intent.

Indeed, communication is at the core of most succession plans. There's no substitute for effective communication with heirs and tenants. This, combined with careful planning and use of the tools we've described, can prevent disputes and provide for an orderly transition that ensures the preservation of assets for heirs. ♦

MY THOUGHTS ON INTEREST RATES by Murray Wise



A few months ago when I was commissioned with the assignment to write a short article on interest rates, we were at an interesting crossroad, one that has never occurred in the lifetime of anyone reading this newsletter. We then had at least six countries who were issuing short-term bonds with negative interest rates, some for as long as five years. Yes, I said **negative**. We will return to this subject in a moment.

We had also reached a crossroad where a number of major money center banks had actually started charging large mega-depositors a fee for holding their money. Yes, **charging a fee** to hold the money rather than paying interest rates, which has been the historical norm.

At the time of this writing, the countries of Denmark, France, Germany, the Netherlands, Portugal and Switzerland were still offering short-term government notes and bonds with negative interest rates.

Stop and think with me for a second. A negative interest rate means that you put on deposit with a government an amount of your money and during the life of the deposit, you receive no interest income. Yes, **no interest income**. When the deposit matures, your final payment

back to you will be an amount slightly less than what you had originally put on deposit, reflecting again the further lack of an interest payment. Or as I mentioned above, in the case of a number of the money center banks, you are actually having to pay them anywhere from 15-35 basis points for the privilege of them holding **YOUR MONEY**.

Many have been speculating for what seems like many years that the Fed would finally raise interest rates here in the USA. There was strong speculation that the Fed would increase rates in June, but it did not happen. Many still believe that the Fed will increase rates in September. The jury is still out on this decision, but it is my speculation that the Fed will not increase interest rates in September, and I am not sure they will increase interest rates later in 2015 and maybe not even immediately in 2016. In fact, let's think what would be the impact of a quarter or half point move?

Again, from an interest rate point of view, we are in interesting and uncharted times that have led us at MWA to share some of our thoughts with you. ♦

MURRAY WISE ASSOCIATES NEWS



Murray Wise Associates is pleased to announce that Brandon Redweik has recently been hired as our newest Senior Associate in the Champaign office.

Brandon has interned with us for the past twelve months while earning

his undergraduate degree from the University of Illinois.

We are looking forward to the many contributions that Brandon will bring to our company – assisting in marketing efforts for auctions, researching market conditions, and reporting with our farm management team in Iowa.

Welcome aboard Brandon! ♦

CONGRATULATIONS AG STUDENTS



RECENT AWARDS



MWA Foundation Announces 2015 Scholarship Winners



Over twenty years ago, founder Murray R. Wise was determined

to establish a foundation for the purpose of recognizing outstanding students who intended to pursue degrees in agriculture or agribusiness. Murray felt that any encouragement to keep top students in agriculture would help ensure a high-quality supply of talented young people interested in shaping the future of the industry. In this regard, he has been quite successful. Over the years, we've been gratified to hear from students and their families expressing appreciation for the recognition and support. We've also seen scholarship winners rise to positions of responsibility in agribusinesses, agricultural organizations, and (of course) family farms.

Three incoming freshmen, a junior and a senior were winners of this year's Murray Wise Foundation scholarships. These successful applicants for 2015 include two who will study agricultural engineering; one who will study crop science; one food industry management; and another agricultural education.

These students were chosen from a rich field of over 300 applicants. This year's applicants came from 39 states and are headed off to over 95 different schools across the country this fall. Approximately 55% of the applicants will be incoming freshman, with the balance comprised of students returning for their sophomore, junior, or senior year. The talents, majors, and backgrounds of our applicants were diverse and their career aspirations are ambitious -- a great sign for the future of our industry.

The \$1,000 cash stipends were awarded to the five students who stood out among their peers, demonstrating outstanding scholarship and community involvement in their applications. In addition to the newly named students, 13 previously named winners have had their scholarship renewed for the 2015/2016 school year.

Applications for the 2016/2017 year can be obtained by visiting app.MurrayWiseAssociates.com. A complete explanation of the program is available on this website, but in brief, the applications are open to high school seniors or college students who are or who will be studying in an agriculture related curriculum. ♦



Murray Wise Associates Garners NAA Awards

The National Auctioneers Association just announced the results of their annual auction marketing contest and we're pleased to announce that Murray Wise Associates won awards in two categories. Our newsletter and auction radio advertising each tied for first place in their respective categories.

We take great pride in what we do. From the moment a contract is signed until the sale is complete our objective is excellence in every area. Of course, we appreciate recognition when we do the job well so the awards are appreciated. However, to be honest, our clients' satisfaction is the feedback we value to be our highest form of motivation. After all, getting the job done for our clients is the reason we exist and the motivation for our commitment.

We're pleased to be recognized by our peers, but even more gratified by the handshake of another successful seller. ♦

Recent Sales

\$ 2,080,000	224± Acres	MARCH	Mower County	MN
\$ 5,930,000	593± Acres	MARCH	Calhoun County	IA
\$ 2,193,000	201± Acres	APRIL	Douglas County	IL
\$ 1,938,800	262± Acres	MAY	Pocahontas County	IA
\$ 3,835,000	334± Acres	JUNE	McDonough County	IL
\$ 2,078,826	233± Acres	JUNE	Pocahontas County	IA
\$ 720,960	80± Acres	JUNE	Pocahontas County	IA
\$ 1,092,000	120± Acres	JUNE	Calhoun County	IA
\$ 732,000	80± Acres	JUNE	Calhoun County	IA



Kenny Schum, CAI (center) accepts award on behalf of Murray Wise Associates at the 66th Annual International Auctioneers Conference & Show.



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Visit www.MurrayWiseAssociates.com for more information on these properties.

For a list of additional available properties ranging from 40± to 1,500± acres in Iowa, contact John Kirkpatrick in our Clarion, IA office at (515) 532-2878 or john@mwallc.com.

Private Listings

Palo Alto Co., IA – BOOTH TWP - 83.1 CSR2 rated farm with 235± acres of which 229.71 are tillable. – Asking price: \$8,250/acre.
FALL 2015, DATE TBD – 190± acres in McDonough County, IL - Offered in 2 tracts ranging in size from 81 acres to 109 acres.
FALL 2015, DATE TBD – 258± acres in Marshall & LaSalle Counties, IL - Offered in 3 tracts ranging in size from 80 acres to 98 acres.
WED, OCT 14 at 4PM – 143± acres in Franklin County, VA - Offered in 24 tracts ranging in size from 2 acres to 18 acres.
THU, SEPT 26 at 10AM – Approx. 2,600± acres in Muskingum, Athens, Meigs and Gallia Counties, OH - Offered in 73 tracts ranging in size from 2 acres to 125 acres.
FRI, SEPT 18 at 9AM – Equipment from Hendry & Collier Counties, FL property to be auctioned onsite. Includes numerous well-maintained tractors, sprayers, irrigation pumps and motors, and miscellaneous farm equipment.
THU, SEPT 17 at 1PM – 1,151± acres in Hendry & Collier Counties, FL - Offered in 6 farmland tracts ranging in size from 80 acres to 300 acres. High quality soils make it suitable for a wide variety of row crop fruits and vegetables as well as citrus. 5 acre radio tower tract.

Upcoming Auctions

UPCOMING AUCTIONS & CURRENT LISTINGS

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