

Farmland

IN PERSPECTIVE

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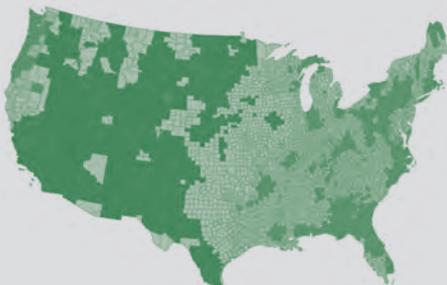
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Drought risk generally increases from East to West

Drought risk is a measure of the tendency for a given location or region to experience severe or extreme drought. Meteorologists have established many measures of drought severity that reflect various aspects of water shortage. One of the most widely used measures of drought is the Palmer Modified Drought Index (PMDI), which focuses on soil moisture as it is accumulated or depleted over time.

Drought risk, as measured by variation in the PMDI, generally increases from East to West



Note: Drought risk is calculated as the standard deviation in natural soil moisture over the past century as captured in the modified Palmer Drought Severity Index (PMDI) in June of each year. Drought risk is calculated at weather stations and then interpolated to count centroids using the seven nearest weather stations to each centroid. The variance categories can be converted into ranges of the expected number of severe or extreme droughts per century as follows:

■ Highest risk: 12.2-19.3 per century	■ Low risk: 6.6-7.3
■ Moderate risk: 9.0-12.1	■ Lowest risk: 1.8-6.5
■ Average risk: 7.5-8.9	

Source: USDA, Economic Research Service using station-level data from U.S. Department of Commerce, National Oceanic and Atmospheric Administration. Spatial patterns are reflective of the underlying spatial patterns in temperature and precipitation.

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Effective Estate Planning for Landowners

By Roger McEowen, J.D.

Estate planning is an important process. It concerns the disposition of one's property by gift (or sale) to specified individuals and organizations during life as well as at death. It's an important process to engage in, but can be a difficult process to get started and execute properly once started.

Complicating matters is that estate planning is unique to the individuals involved; there is no such thing as a "one size fits all" estate plan. Proper estate planning is tied to the goals and objectives of the parties involved. To be effective, an estate plan will accomplish those goals and objectives. While estate planning can be complicated, in many instances the effectiveness of an estate plan depends upon doing the little things right and avoiding common mistakes.

For most people, the core planning of how property and such will be disposed or distributed is the most important aspect of estate planning. This is particularly true because of the \$5.34 million estate tax exemption per person for 2014 and the ability to carry over the unused estate tax exemption to the surviving spouse at the death of the first spouse.

What are the essentials to estate planning for an effective plan? Here's a list of basic elements to keep in mind:

- Ensure that an appropriate amount of property is owned in joint tenancy, based on the overall estate planning objectives. Related to this point is the proper understanding of how to create a joint tenancy. Specific language must be used in a document to create a joint tenancy. Those magic words are "with rights of survivorship." Absent those words, the presumption is that a tenancy in common is created. Whether property is owned in joint tenancy or tenancy in common results in different tax treatment as well as ownership of the property after a tenant's death.
- Verify how property is titled.
- Don't make a plan more complex than it needs to be.
- Make sure the life insurance is owned properly.
- If parents make gifts or loans to children, the parents' wills should clarify whether the transfers are, in reality, gifts or loans.
- Always maintain good records.

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- Make sure to revise the plan whenever goals and/or objectives change.
- Double-check beneficiary designations on all documents that list beneficiaries.
- Have a financial power of attorney and health-care power of attorney prepared.
- If a business is involved, consider the need for a buy-sell agreement.
- Make sure key persons know where the will is stored.
- Try to stay as informed as possible about changes in the law that could impact the estate plan. This can include meeting regularly with advisors.
- If a revocable trust is part of the estate plan, make sure that the trust is funded.
- Give careful thought to the persons who you could name as fiduciaries: trustee, executor, etc.
- For higher value estates, consider the use of annual exclusion gifts.

These are just some of the basic considerations that are essential to making an estate plan effective. Many of these points are very basic and use common sense. But, they shouldn't be overlooked.

Sometimes, many people struggle in getting started in putting an estate plan together. That is perhaps because of uncertainty over how to start the process. Where is a good place to start? Because the estate planning process turns on goals and objectives, carefully thinking those through is always a helpful beginning point. From there, other components of the estate plan can fall into place. Don't be intimidated by the technicalities of the law that surround estate planning. The details are for the experts on the estate planning team to deal with. But, clearly thinking through the end result desired of an estate plan and conveying those thoughts to the "estate planning team" is a key step in putting together an effective estate plan.

Ultimately, effectiveness of an estate plan is determined by how the plan carries out the goals and objectives of the person (or family) involved. The "proof is in the pudding" so to speak. There is no need to be another casualty of a poorly conceived plan or a plan that was non-existent.

Roger McEowen, J.D., is the Leonard Dolezal Professor in Agricultural Law at Iowa State University and Director of the Center for Agricultural Law and Taxation (www.calt.iastate.edu). Professor McEowen provides law and



policy expertise to the citizens of Iowa and the nation. A few of the topics that are addressed in his extensive extension programs include: charitable tax planning, farm lease law, contract hog production and anti-corporate farming law, civil liabilities, water and environmental law, private property rights, farm income tax and farm estate and business planning. Professor McEowen is widely published in scholarly journals and agricultural law reviews.

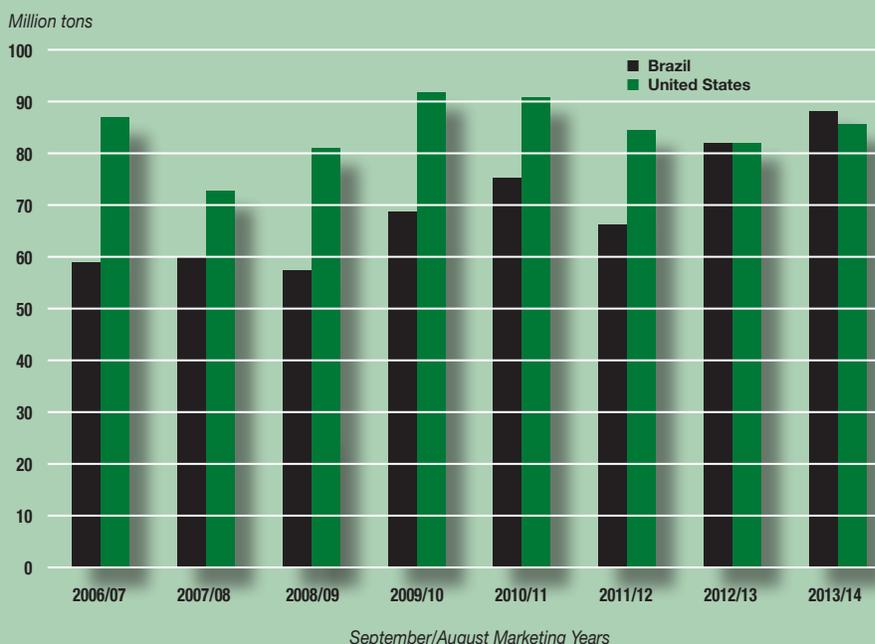
Brazil may surpass U.S. soybean production in 2013/14

Brazil is forecast to surpass the United States as the world's largest soybean producer for the first time in 2013/14 (September/August), according to the Economic Research Service of the U.S. Department of Agriculture, as a result of dry U.S. weather and prospects for continued price-driven expansion in Brazilian plantings.

During the 2013/14 growing season, dry weather in the Midwest led the USDA to reduce soybean yield forecasts for 13 states, with the largest reductions in Missouri, Iowa, North Dakota, and Minnesota.

In Brazil, prices faced by producers have been reinforced by currency depreciation versus the U.S. dollar. Brazil's farmers will plant the 2013/14 soybean crop with funds on hand from a bumper harvest. Brazil's 2013/14 soybean area is forecast to rise 4% percent to 28.9 million hectares, with production growing to a record 88 million tons—up 6 million from the 2012/13 crop of 82 million tons.

Soybean production in the United States and Brazil



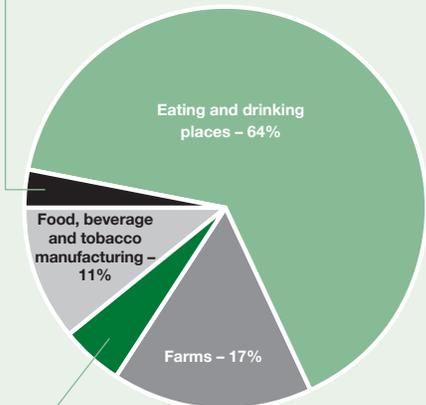
Note: 2013/14 data are forecasts.
Source: USDA, Economic Research Service using USDA, Foreign Agricultural Service, PS&D Online Database.

Agriculture and related industries provide 9.1% of U.S. employment

In 2011, more than 16 million full- and part-time jobs were related to agriculture, approximately 9.1% of total U.S. employment. Direct on-farm employment provided more than 2.6 million of these jobs. Employment in the related industries supported another 13.5 million jobs. Of this number, eating and drinking places accounted for the largest share—10.4 million jobs—and food manufacturing supported 1.5 million jobs. The remaining agriculture-related industries together supported 1.6 million jobs.

Employment* in agriculture and related industries, 2008-11 average

Textile, apparel and leather manufacturing – 3%



* Full- and part-time jobs.

Source: USDA, Economic Research Service using data from U.S. Department of Commerce, Bureau of Economic Analysis.

Drought Risk

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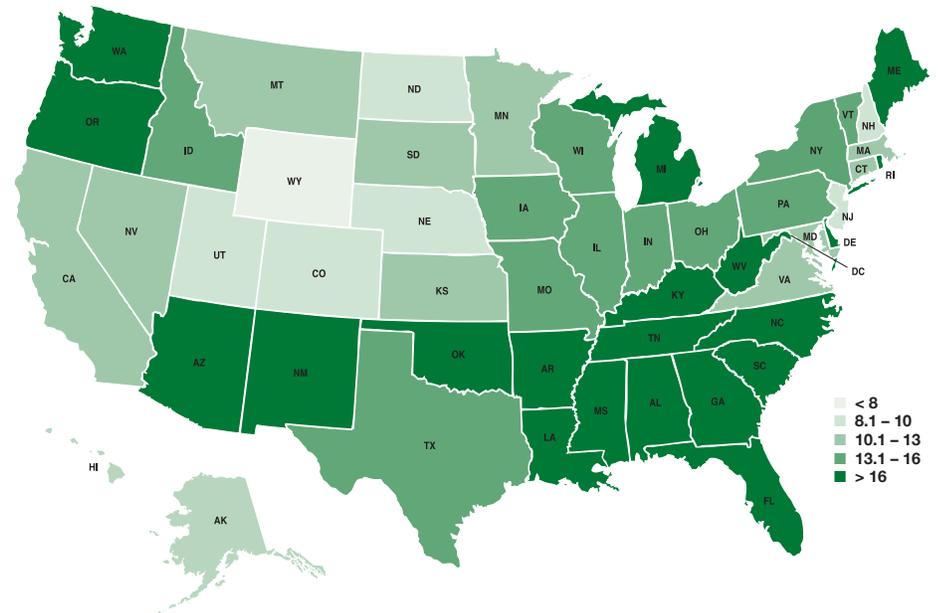
Because early to midsummer is a critical period for crop development for most major crops, this research uses the standard deviation in the local weather station's PMDI in June of each year to measure a county's drought risk. Due to how the PMDI is constructed, this drought-risk measure can be directly converted into the expected frequency of severe or extreme drought.

In general, this measure follows the intuition that low-rainfall areas of the arid Western States are more drought prone than other areas, although drought risk is not the same as aridity.

SNAP participation varies across states

In fiscal 2012, the Supplemental Nutrition Assistance Program (SNAP), the former food stamp program, served an average of 44.6 million people per month, approximately 15% of Americans. Southeastern States have a particularly high share of residents receiving SNAP benefits, with participation rates of 17% to 22%. In 2012, 6% of Wyoming's population received SNAP benefits, the only state with less than 8% of the population receiving SNAP benefits.

Percent of population receiving SNAP benefits in FY2012

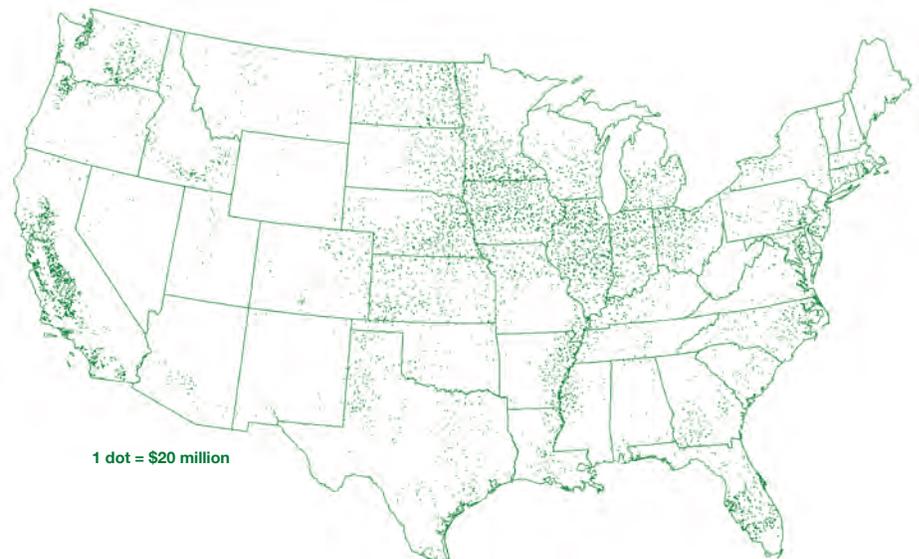


Source: USDA, Economic Research Service using data from USDA, Food and Nutrition Service.

Crop production is concentrated in California & the Midwest

California, Illinois, Iowa, Minnesota, and Nebraska are the five leading states in terms of the value of crop sales. California's overall crop value, with its large horticultural sector, is more than double that of Illinois, the second-ranked state. In contrast to California, crop value in the next four leading states is based on grains and oilseeds, particularly corn and soybeans.

Market value of crops sold in 2007



Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, 2007 Census of Agriculture.

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Estate planning is an essential part of business and family planning. More often than not, farmland is forced into liquidation due to poor estate planning. An estate plan is necessary so your hard earned assets go to whom you want, when you want, handled by the person you want, and at the least cost.

As professional farm asset managers, we can facilitate succession planning and connect you with legal counsel to develop a comprehensive estate plan to protect your assets. Contact us for a no obligation discussion about how we can facilitate your estate planning.

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