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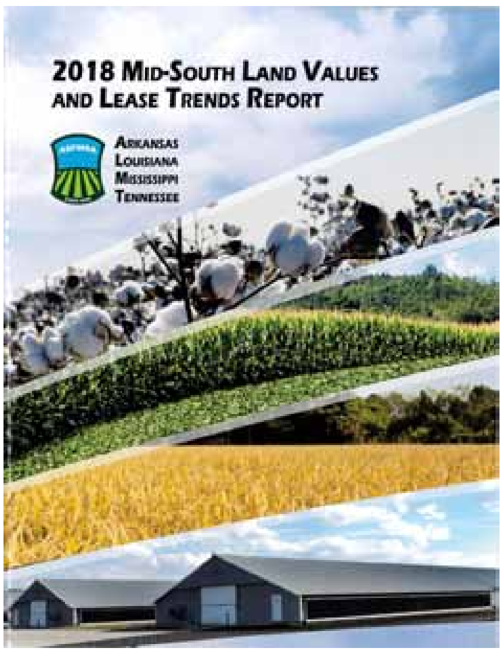
MidSouth Viewpoints

SPRING 2018

Mid-South ASFMRA Chapter Releases Land Value Book



A brand-new publication, *Mid-South Land Values and Lease Trends Report,* was recently released by the Mid-South Chapter of the American Society of Farm Managers and Rural Appraisers. The report focuses on trends in farmland values and provides a general overview of Mid-South agriculture.

"This is a critical report for anyone wanting information on trends in land values and lease trends," says Jon Plafcan, ARA, AgHeritage Farm Credit Services, Lonoke, Ark. and current president of the Mid-South Chapter. "The information in the report has been compiled by our members from Arkansas, Louisiana, Mississippi and Tennessee and put into this 72-page, full color book.

"We have also included information from universities and other organizations within this four-state region," Plafcan says.

The information in the report is organized by the four states and includes land classifications by state, geographic breakdowns, summary articles on land values and lease trends and information on the poultry industry and recreational properties. A roster of Mid-South Chapter members is also included.

Mid-South Chapter members plan to distribute the majority of first-edition copies to local agricultural related businesses within the four-state region to ensure this valuable information is widely available. Copies are also being provided to the media, and later this year, the information will be placed on the Mid-South Chapter's website.

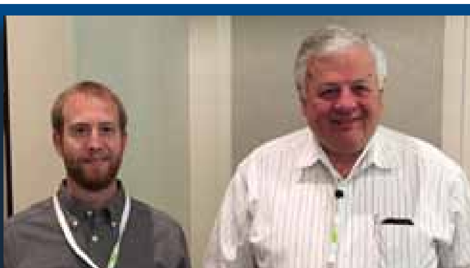
"This is our inaugural issue," Plafcan explains. "Our hope is to get copies into FSA offices, banks and Farm Credit offices as well as auction houses, CPAs and others dealing with land sales and farm management issues."

He adds that plans include compiling historical data on trends in the Mid-South's land values, rents and changes in the agricultural industry and publishing this information as an annual report, with the Chapter debating whether to charge for individual copies in the future. For now, they are being provided free of charge.

"It is our hope that all our members in each of the states will distribute these to their clients," he says.

Please contact Glaub Farm Management for a copy of the new *Mid-South Land Values and Lease Trends Report.*

HIGNIGHT AND GLAUB ATTEND NLC18



GFM's Jeffrey Hignight and Ted Glaub recently attended the National Land Conference 18 (NLC18) held on Mar. 12-14 in Nashville, Tenn. Hosted by the Realtors Land Institute (RLI), the annual National Land Conference is for land professionals who are dedicated to improving business and confidently serving clients. The conference provides land professionals with the opportunity to network, share ideas, review the latest innovations and gain expertise from conference speakers.

NCL18 featured speakers covering a broad range of topics—from closing tips, transitional land issues, environmental factors and due diligence to government policy, investing in land real estate, conservation easements and subdivision developments. Other presentations focused on hunting and recreational land, mineral rights and timberland and institutional land investments as well as economic impacts on residential and land markets.

Both Hignight and Glaub are Accredited Land Consultants through RLI.

CONGRESS UPDATES FARM BILL

Goodbye, generic base. Congress recently passed changes to the farm bill via a disaster bill that adds seed cotton to Title I commodity programs. The 2014 Farm Bill excluded cotton from Title I due to lawsuits filed by Brazil through the World Trade Organization (WTO); now, Congress hopes to avoid future WTO challenges by using seed cotton instead of cotton lint.

The changes are only effective for one year, though, so landowners and operators must act quickly—within 90 days of Feb. 9.

In addition to updating cotton yields, owners and operators must choose between two base update options. The first allows for the conversion of the generic base to the higher of 2009-2012 cotton acres, not exceeding the generic base or 80% of the generic base to seed cotton. The remaining 20% will be unassigned and no longer eligible for Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC) programs.

For example, if a farm has 100 acres of generic base and has planted on average 120 acres of cotton, the farm would qualify for 100 acres of seed cotton. Otherwise, 80 acres would qualify for seed cotton and the remaining 20 acres would be unassigned and disqualified from PLC/ARC programs.

The second option is to allocate the generic base proportionally to the average planting of cotton and other covered commodities from 2009-2012. For example, if a farm with 100 acres of generic base planted on average 50 acres of rice and 50 acres of soybeans during the 2009-2012 seasons, the owner/operator could change the 100 acres of generic base to 50 acres of rice base and 50 acres of soybean base.

Finally, owners and operators must choose to elect either the PLC or ARC program. PLC is based solely on price while the ARC program is a function of revenue (price and yield). A farm without an election will be placed into PLC.

To recap, landowners and operators need to 1) update cotton yields, 2) select a base update option and 3) choose between PLC and ARC. Such decisions require yield records from 2008-2012 and planting records for 2009-2012.

With the above information, you or a consultant like Glaub Farm Management can analyze the data to determine the optimal option for your farm. Once a decision is made, immediately contact your local Farm Service Agency to sign up as the deadline is quickly approaching.

AGRICULTURE AND THE NEW TAX LAW

HR 1, known as the 2017 Tax Cuts and Jobs Act, was passed into law on December 22, 2017, with the majority of provisions taking effect on January 1, 2018. Christmas came early to many, although it may take all year for the IRS to establish rules and decipher the law.

The following summarizes the main changes that will have an effect on landowners and agriculture. Consult with your tax advisor for further information and guidance on how the entire tax law will directly impact you.

1. While the number of tax brackets stays the same, the marginal rates have been lowered for individuals. The top rate falls from 39.6% to 37%, and income covered by each of the lower brackets has been adjusted upward. One concern is that the new law permanently changes the indexing method for adjusting brackets to account for inflation. This change could potentially lower tax savings on a real income level over time.
2. Personal exemption has been eliminated; however, the standard deduction has increased from $6,500 to $12,000 for single taxpayers and from $12,700 to $24,000 for married taxpayers filing jointly.
3. Maximum tax rates for capital gains and qualified dividends remain unchanged.
4. State and local taxes incurred in a trade or business can still be fully deducted, although there are limits on the amount of property taxes that can be itemized from personal use.
5. Non-corporate tax payers working as a sole proprietorship, partnership, and LLC should be able to deduct 20% of their taxable income. For example, if your income is $100,000 only $80,000 would be subject to federal taxes.
6. Section 199a would have allowed some taxpayers to deduct 20% of their gross sales to cooperatives instead of 20% of their taxable income if they sell to a private company but on March 23, 2018 Congress amended Section 199a to balance the playing field for co-ops and private grain businesses. Producers who sell to a co-op will be allowed to claim any pass-through deductions from a co-op while net income from grain sales to either a co-op or private business will have a 20% reduction of federal taxable income.

AGRICULTURE AND THE NEW TAX LAW (CONTINUED)

7. Corporate tax rates have permanently been reduced from a maximum of 35% to 21%.
8. Section 179 expense will be increased to provide a $1 million deduction in 2018, which is up from $510,000 in 2017.
9. Bonus depreciation is now allowed on new and used property. Beginning in 2023, the percent will decrease by 20% per year.
10. Farm equipment can be depreciated in five years instead of seven years.
11. Alternative minimum tax has been eliminated for corporations but retained for individuals, trusts and estates, although the exemptions have been increased by almost 30%.
12. 1031 like-kind exchanges stay in place for real property but have been eliminated for personal property such as farm equipment and machinery.
13. Estate tax exclusions have been doubled to $11.2 million per person; however, this provision expires on 12/31/2025. Basis adjustment for property will continue. A qualified real estate appraiser can value the farm in order to "step up" the basis for heirs of an estate. Additionally, current annual gift tax exclusions are retained.

Most of the tax provisions will sunset in 2025. Despite the intention to "simplify" the tax code, the 1,097 pages of the new law seem complex. Working with your tax advisor can help you determine if any adjustments are needed in your business structure or operation to fully maximize the new tax code.

FEBRUARY AUCTION RESULTS

Twenty bidders from three states gathered on Feb. 1 to participate in GFM's auction of 169.71 +/- acres in Dunklin County, Mo. Three local landowners purchased the acreage, which was divided into four tracts with varying characteristics.

Tracts 1 and 2 were purchased by a single buyer. Tract 1 contained 60 acres of which 54 acres are cultivable and irrigated by one well. The high bid for this tract was $6,400/acre or $7,111 per cultivable acre. Tract 2 contained 26.29 acres of which 19.29 acres are cultivable and irrigated by one well. The high bid was $4,700/acre or $6,405 per cultivable acre.

Tract 3 contained 78.82 acres of which 47.95 are in dryland cultivation. The remaining acreage is wetlands, timber, and riverfront. Tract 3 is not protected by the St. Francis Levee and is prone to flooding. The high bid was $2,000/acre.

The high bid on Tract 4 was $70,000. It consisted of 4.6 acres with a well maintained 4,800 +/- square foot plantation-style home built in 1912 and a 4,200 +/- square-foot wood-framed barn. The home has had several updates over the past few years and is currently being rented.

For more information about this sale or upcoming auctions, contact us or visit our website.

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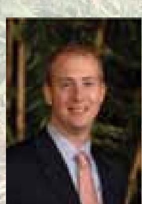

Jeffrey Hignight
Manager/Broker

Houston M. Matthews
Real Estate Appraiser

FEATURED PROPERTY FOR SALE

527.5 +/- ACRES IN CROSS COUNTY, ARKANSAS

This farm investment is a total of 527.5 +/- acres located west of Wynne, AR in Cross County. The farm has approximately 409 irrigated cropland acres, a 40-acre reservoir, 20.81 acres of CRP, and the remaining acreage is in timber and Caney Creek. Visit our website or contact us for more information.

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