

ESTATE PLANNING - What Does it Cost to Keep the Family Farm in the Family?



The following article has been submitted by Todd Silliman, Senior Vice President and Director of Wealth Management Services for Bank Midwest. His office is located in Okoboji, Iowa.

Bank Midwest recently entered in to an agreement with Upper Midwest Management to assist in managing the farms that Bank Midwest Trust Department has responsibility to oversee. Through this affiliation I have found several of the clients of Upper Midwest Management have concerns on what is the best way to implement an Estate Plan.

I want to spend our time together talking about the process of putting together an Estate Plan.

Our First Step:

Bank Midwest and our team of planners work one on one with you to review your existing plan and to assist you in preparing to see your attorney. Our role is not to replace your legal team, it is to organize and compile your net worth statement while educating you on the estate planning process. All of this advance work prepares you to see your attorney. The attorneys we work with appreciate the advance work and have stated that it makes their job in advising you more accurate and much easier.

Our Second Step:

Some of our clients ask us to attend the meeting with their attorney to assist in answering questions, and ultimately to fully understand their plan as it gets implemented.

Our Third Step:

Communicating the Estate Plan to your family/heirs!

Completing this step is probably the most difficult for our clients! Bank Midwest has helped their Estate Planning Clients coordinate a family meeting. We bring together the key financial professionals involved in your Estate Plan and your family/heirs. The purpose of this meeting is to communicate the plan and any changes that have been made to previous plans. This meeting provides a time for the family/heirs to fully understand what will happen when the estate is distributed.

While this is the most difficult step it is probably the most crucial in keeping the family/heirs united during and after the estate settlement. I see all too often upset family members that end up in legal battles to settle misunderstandings of the estate plan. These legal battles end up dividing the family and are very costly to the estate.

“Fair is not always equal”. I often see that when you have one or two of the heirs that have committed their working life to building and supporting the family farm, the estate plan can have an unequal distribution of the assets. If you have this situation in your estate plan, communication of the plan is crucial. Keeping it a secret can be very damaging to the estate.

Final Step:

I would say the number one reason an estate plan fails...“It never gets created or implemented”! If you are feeling like it is time to have your plan reviewed it is probably long over due. My advice is to move on your thoughts and don't drag your feet.

Planning for a time when you will no longer be alive is a very difficult process and can become quite confusing. For example “when do I plan on dying?” The “when” can change the final distribution of your estate. I ask my clients to keep their focus on not being here tomorrow and as tomorrow arrives we keep our eye on the Estate Plan and adjust accordingly.

What does it cost to have Bank Midwest assist? As a reader of the Upper Midwest Management newsletter we are providing the consultation at no cost to you.

Our ultimate goal is to be available to act as a corporate Trustee for your Estate. We have no cost to you for the planning phase and no cost to you

as long as you are living and able to manage your affairs. Upon inability or death Bank Midwest is there as your safety net. The cost of our service depends on what you have us do for you. But the most important point...there is no cost until you need us! We operate in a heavily regulated environment and always have the interest of our client in the forefront of our entire decision making process.

I hope this has been helpful in understanding the Estate Planning process. I look forward to any question you have for our team. You can contact me directly at 712.336.7639 or email tsilliman@bankmidwest.com

New Regulations for Stored Oil Products on the Farm



By: Dennis Schmidt, AFM

Does your farm have storage for diesel fuel, gasoline, lube or hydraulic oil exceeding 1320 gallons? If so, you have a deadline to meet. Farms that have storage exceeding 1320 gallons must have a SPCC plan implemented by May 10, 2013. This is a new regulation from the Environmental Protection Agency (EPA) and is being done to protect our ground water against spills of these products.

So what is an SPCC plan you ask? SPCC stands for Spill Prevention Control and Countermeasures. In other words, you need to install a containment system to control a spill of these products. A picture of a containment system is shown here. If you have questions about how this affects your farm I suggest you contact your local fuel supply company. They will have more information and the details of what has to be done.



Minnesota Chapter ASFMRA Winter Meetings

On January 23-25, Leon Carlson, Denny Schmidt, Scott Nelson, and Michele Schroeder attended the annual winter meetings for their professional organization. The American Society of Farm Managers and Rural Appraisers organization is considered The Most Trusted Rural Property Professionals in the United States.

This is an annual event for our organization as it offers educational sessions designed to give our members current information on topics relating to farm management and the agricultural real estate appraisal business. An annual business meeting is held to get an update on activities in the state as well as a national update. This organization provides the basis for much of our continuing education that is required by us as professionals. In addition there is social time to meet with other managers and appraisers from across the entire state.

Staff members from UMMC are also involved in the leadership of the State Chapter as Leon Carlson is the Past President and Denny Schmidt has recently taken on the Second Vice President and will move up to President in a couple years.

Presenting at Ag Star Financials Young Farmer Conference

Ag Star Financial hosted its Fifth Annual Groundbreakers Conference on February 8-9 this year in Bloomington with around 300 people in attendance. This is an educational event for young, beginning, and small farmers giving them an opportunity to hear the latest on industry news and trends and learn about tips to improve profitability. This year Denny Schmidt, AFM from our New Ulm office was a presenter on the topic of "Farmland Leasing-Negotiating Land Rents". The presentation was offered twice to approximately 250 people.

Ag Shows

Spring is the season for Ag Shows around the state of Minnesota and the staff of UMMC takes part in two of them. The New Ulm Farm-City Hub Club show has been an annual event for 30 plus years and was held this year on March 8-9 in New Ulm at the Civic Arena. The Willmar Ag Show took place on March 12-13 and is sponsored by the West Central Ag Sales Association. It is held annually at the Willmar Civic Center. We find these shows are a good time to meet and greet people from a large trade area and a wonderful opportunity to offer information about our management, appraisal, and real estate services.

Ag Symposium

South Central College in Mankato has been hosting an Ag Symposium annually, during the last 5 years, and those of us working in agriculture have found it to be a very educational day. The college makes a strong effort to bring in presenters that will educate all those who attend. This year Leon Carlson, Michele Schroeder, Scott Nelson, and Denny Schmidt attended the day long meeting.

One of this year's keynote speakers was Dr. David Kohl, Professor Emeritus from Virginia Tech. Dr. Kohl is an agricultural economist that has spoken all over the world on various topics related to economics. His talk this year was "Managing the Great Supercycle".

The other keynote speaker was another agricultural economist, Dr. Michael Swanson, Chief Ag Economist for Wells Fargo Bank, did a presentation on "The Global Economic Outlook and Ag Risk".

In addition to the keynote speakers, several short breakout sessions were held on a variety of topics. These allowed participants to get additional information on current issues and technology in agriculture.

Real Estate Offerings



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- Easy access to Hwy 55
- Minutes from Downtown Minneapolis

MINNEAPOLIS, MN

Plymouth Avenue II
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\$2,100,000



Benefits/Features:

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- Easy access to Hwy 55
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HAMPTON, MN

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- Outside city limits of New Ulm
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on these listings!

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We have detailed information and brochures on all offerings. To receive information by mail, please contact us at one of the following offices: New Hope (763) 535-4914; New Ulm (507) 359-2004; or Olivia (800) 545-6227. The information you will receive is from sources deemed reliable, but is not guaranteed by agent. Package is subject to prior sale, price change, correction or withdrawal.

This newsletter is intended as general information to our clients and friends on agricultural subjects. It is not intended to render advice; such advice can only be given when related to actual situations. If you have any questions, please contact Jim Thomas, Owner, President of UMMC at 507-359-2004.

2012 Farm and Land Sales

September 1, 2012 – December 31, 2012

P.A. Sale Date	County	Total Acres	Price	Price Per Acre	Buyer & Comments
September	Chippewa	4.17	\$220,000	\$52,757	Business/Building Site
September	McLeod	9.36	\$65,000	\$6,944	Investor - Vacant lots
September	Wright	58.00	\$139,200	\$2,400	Investor
September	Brown	135.77	\$1,232,520	\$9,078	3 tracts - 3 Farmers
September	Renville	136.53	\$1,065,343	\$7,803	Farmer
September	Meeker	192.97	\$1,275,000	\$6,607	Tenant
October	Chippewa	95.00	\$867,225	\$9,129	Farmer
October	Lac qui Parle	380.41	\$2,725,622	\$7,164	5 tracts - 3 Farmers
November	Meeker	99.08	\$594,000	\$5,995	Investor
November	Meeker	284.52	\$1,693,054	\$5,950	Farmer
December	Brown	30.41	\$278,251	\$9,150	Investor

Cleaning Up, Adds Up



By: Greg Thomas, Broker

The first quarter of 2013 has flown by and we are approaching spring. Most farm leases are in place and things are ready

to go for the 2013 crop year.

Limited sales have occurred after the mad rush last year. The properties that have come to the market have held the values that we saw in the last part of 2012. As more activity develops in the market we will be able to see if the bubble has burst or if it is getting more air pumped into it. Minnesota land values saw another 28% increase over 2011.

If you are looking to sell your farm within the next two years there are a few things you can do to help receive top dollar for it. You may be surprised to see how "preparing for a sale" opens the "paying" field.

Are there any projects that should be completed in order to make your property more marketable? Now is a good time to have those treed fence lines and field edges cleaned up.

Are there any intakes that are not functioning properly? Take care of it now and see the results at the time of sale.

Is there an old building site with a small grove that could be cleared to increase your tillable acres? A common trend that has occurred over the last few years is one in which a sale with an older set of buildings on it, in different stages of disrepair, is discounted by the buyer. They look at it and immediately reduce the price they will pay on the affected acres, based on the clean up cost to make it tillable. When a buyer can look at the property and see all tillable land, they are more willing to pay a higher price per tillable acre. With the price of land hitting all time highs and potentially staying there late into 2013, an additional three to ten acres can make a big difference.

Call me today if you are looking to list your farm. I will meet with you personally to view your property and offer suggestions of potential changes that could add value.

New Farm Purchase: Depreciating Tile and Fertilizer



By: Michele Schroeder, Appraiser Trainee

It's tax time. As we work to prepare for our annual tax appointment, we reflect on the fact that 2012 was a year filled with record commodity prices, high inputs, the "fiscal cliff's" impact on gifting land, and all-time highs in farmland prices!

As appraisers, we are able to help people who have acquired farmland. Naturally, an appraiser may have been involved to help secure a loan for the land or to settle the estate in which the land was involved. But, appraisers may also help with your tax preparations of your new purchase to show depreciation. When farmland is acquired (whether by purchase, gift, or inheritance) the new owners are able to allocate a value to depreciate items such as drainage tile, gravel roads, residual or carryover soil fertility, fences, etc. This allows the new owner to convert a portion of the purchase price (or value of the transferred land) into valuable tax deductions. This is done by working with an appraiser who knows and understands farmland and can determine a fair market value of the items in your purchase that can be depreciated.

First of all, the presence of what can be depreciated needs to be established and documented. For those of us in the Corn Belt area of the United States, drainage tile can be depreciated. Tile maps should be acquired from the prior owner or the local NRCS or FSA office. This will assist in ID'ing where the tile is, the size, and how many feet are in the tract.

Above average residual or carryover soil fertility is another item that can be depreciated, so long as the new owner did not farm the land the previous year. To account for this, the new owner will need to have a grid soil sample done before any fertilizer is applied under their new ownership. Or, a grid soil sample might be obtained from the previous owner. This valuation will typically be done for excess Potassium and Phosphorous levels in the soil. All in all; a willing buyer would pay more for well-fertilized farm land.

Once information is gathered on the improvements in the property, replacement costs need to be gathered for the tile, fencing, etc. Plus, the current pricing of Potassium and Phosphorous fertilizer will need to be obtained. Likewise, agronomists have established guidelines for determining average or base soil fertility of various soils types and this information will also need to be obtained.

Overall, making sure that you have accurate and complete records for the farmland and determining the valuation is a must. Furthermore, making sure that you work with an appraiser and an accountant who understand the agriculture industry and farmland market is also important when forming a valuation of your newly purchased farmland. As farmland values continue to rise, depreciating the values of improvements, such as drainage tile and residual fertilizer, in the farmland may become more commonplace.

The appraisers at Upper Midwest Management know and understand the agriculture market and its trends. As knowledgeable appraisers, we can assist you in preparing a valuation of your tile, residual fertility, and/or other improvements that contributed to the purchase price of your new farmland which will help you complete your 2012 tax returns.

The staff at UMMC are NOT Certified Public Accountants. However, we can provide valuation services to help establish a basis for depreciating tangible assets for farmland purchases. This article serves as an overview for the valuation of improvements in farmland for tax purposes. Contact us for more information.

This article was submitted by Michele Schroeder, an Appraiser Trainee with UMMC, who is working toward becoming a Certified General Appraiser. She holds a Bachelor of Science Degree from the University of Minnesota and has a strong agriculture background. Michele and her husband, Jason, live on the family dairy farm with their two young sons.

Who's Minding Your Farm?



By: Dennis Schmidt, AFM

There was a publication put out by our national office of the American Society of Farm Managers and Rural Appraisers entitled- "Who's Minding Your Farm?"

The title of this brochure has come back to me numerous times these past several years as I watch the rapid changes that have taken place in agriculture. I have worked in agriculture since 1974, after graduating from the University of Minnesota with an Ag Education Degree. I taught high school agriculture for 8 years before starting as a professional farm manager for Upper Midwest Management 30 plus years ago.

There have been many changes in agriculture as I look back to our financial ag crisis of the early to mid 1980's. After those tough times farmers saw more highs and lows through the next couple decades. I recently did a presentation at Ag Star Financial's Groundbreaker Conference, which is an educational event for young and beginning farmers. The room was filled with young farmers, many of which were my own children's age and I made the comment that "they are farming in the best of times", as they have not seen the farm crisis as many older generation agriculturists have.

These past years have been the best of times, especially for crop farmers as they have seen good yields and record crop prices giving them record returns. So these thoughts bring me back to you as an absentee land owner. With land prices hitting record levels and rental rates also coming in at the highest levels ever, are you getting the returns that you deserve on the farm assets that you own? Who's Minding YOUR Farm?

The farm managers at Upper Midwest Management are up to date with the trends in agriculture and are here to assist you. If you are not constantly in touch with agriculture during these changing times you are probably missing out on capturing a respectable return on your investment. It is a good idea to have a third party, such as us, assist you in reviewing your goals, evaluating your property and then serving as your representative in those rent negotiations with an operator. Remember, both the operator and the owner are looking to make a profit. We can assist in making sure that the rent contract is fair to both sides.

Are you minding your farm? Would you like us to? Give us a call and see how we can assist you. Scott Nelson and I can be reached at our New Ulm office and Leon Carlson at our Olivia office.

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