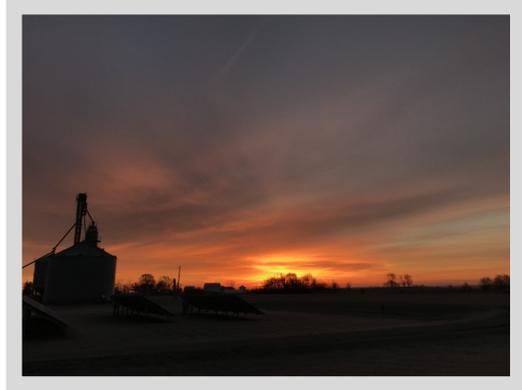




## The Dirt - Spring 2019

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**W**elcome to the Spring Edition of "The Dirt". We may have to change the name of this newsletter to "The Mud" if this weather doesn't change. It doesn't feel much like Spring at the time of this writing. I would have to go back to about 1995 to remember such a late Spring. This appears to be one of the latest ones we have experienced for some time. Compounding this is that we only accomplished about 50 percent of our fall work we intended to do.

In December, our Manager Development Peer Group met in Bloomington, Illinois at the ASMARK Training Center. Time was well spent going over and comparing our operations on things that went well and things that we could improve on our fall harvests. We ultimately find that we all face the same issues, but together we can help each other with these issues.

In January, Julie and I attended the Family Farms Winter Conference in Dallas, Texas. It was very worthwhile and educational. Besides learning, networking and reconnecting with operations with the same vision as ours is priceless. We listened to some great speakers talk on things like Blockchain, organic grain production, and Branding. These things are just part of the constant evolution in agriculture. Danner Family Grain received the "Outstanding Operational Achievement" award at the conference. We are very proud and humbled to be honored with such a prestigious award.

In March, Gracie, my sister Peggy Stucker, and I visited Payton in Vienna, Austria. Payton is there on a Fulbright Scholarship. We had a wonderful trip touring Vienna, Hallstatt, and Budapest. They were very beautiful and rich with history. (more inside this newsletter)

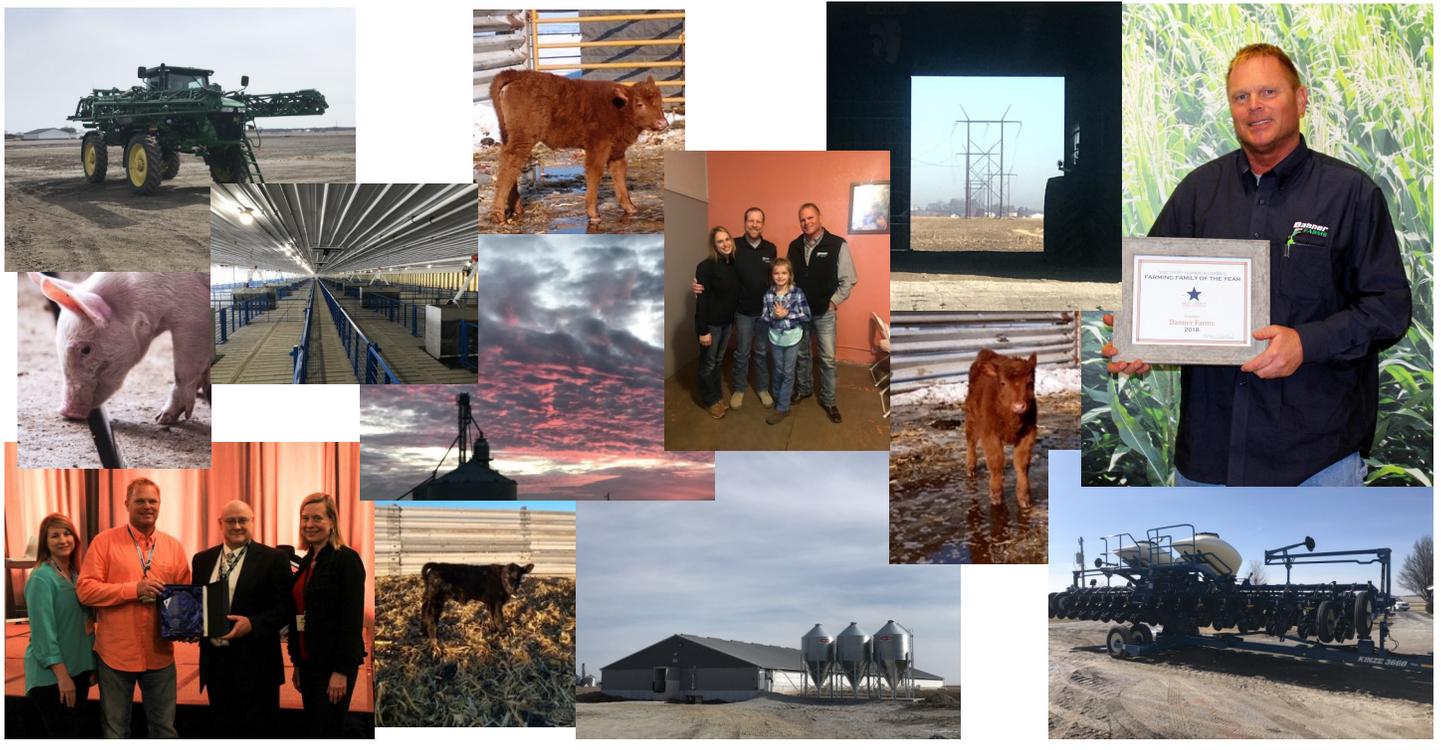
On the farm, we continue to work tirelessly on marketing as commodity prices and input expenses keep us on a very thin if any, margin of profit. The team has been busy getting equipment ready for spring and implementing new technology. We are experimenting with biologicals in the soil for the plants. We continue implementing more practices that are good for the environment with our Conservation Stewardship Program, Conservation planting plots, and Nutrient Management prescriptions for every farm which are a part of this.

In this issue we have a guest editorial by Steve Bohr. We have worked with Steve on our operation for many years as a financial and succession strategist. Please take time to read his article as I feel it provides great insight and planning for everyone's situation and future. Steve welcomes calls from anyone desiring help with transition and planning.

We wish everyone the best for 2019 and pray for a good year. I want to take this opportunity to thank our landlords and partners for entrusting us to care for their land.

Have a great Spring,

*Billie*



**Congratulations**

**Brian Nollman—5 year Anniversary**



Our Operations Supervisor, Brian Nollman, celebrated 5 years with Danner Farms in February. We truly appreciate the hard-work and dedication to the company he has shown over the years. We are blessed to have Brian and his family as a part of our team. We look forward to many more years with Brian as one of our family and a strong team members.

Thank you, Brian, for all you do!

**Welcome**

**Ben Harner—Hog Barn Supervisor**



Benjamin grew up on a family farm in Central Pennsylvania. He helped out on the farm, raising hogs and farming several hundred acres. He rented his own finishing hog barn at age 16 and rented the barn for nine years. He also owned a truck and trailer, hauling livestock for four years. In May of 2018, he and his wife, Bryanna, were married. They moved to Iowa in December 2018. Ben utilizes his knowledge and passion for agriculture at Danner Farms and hopes to be part of their continued success in the future.

# Perfect Storm by Steve Bohr

## Perfect Storm Looms in Agriculture

In 1992, I had the good fortune to meet my business mentor at my very first college interview. He told me that 10 years in the future, I would be the same person that I was that day with the exception of the books I would read and the people I would align with.

As a 22-year-old kid, I'm not sure I understood the significance of his message. Not being a voracious reader, I figured that I'd better align myself with the right people.

After 26 years in Agriculture, I now understand the importance of surrounding yourself with quality. It isn't difficult if you put yourself out there with a genuine effort to build relationships based on trust and honesty.

Shortly after we first met, my mentor introduced me to the publisher of the Iowa Farmer Today. 16 years later, I sent my first editorial column to him concerning the perfect storm that had been brewing in agriculture. The elements prevalent at that time still exist (and maybe, even more, today than ever).



## Perfect Storm Elements

It's significant to recognize these elements that could combine to cause discord for some and opportunity for others in agriculture's near future.

**Age of the landowner**--60% of real estate in Iowa is owned by people who are 65 years and older. 33% is owned by people 75 years of age or older. This age group has accumulated land and consequently economies of scale.

Although this age group can afford to subsidize land purchases that may not cash flow on their own merits (82% of Iowa land is debt free), this age group will also distribute their estates in an unprecedented transfer of wealth in the next 10-15 years.

**Land Values**--Although we have set back in four out of the last five years, the average price of agricultural land is still at historical levels. The cash flow required to acquire new land through purchase or rent is outside the range of profitability.

**Growth requires subsidization** and it is disheartening for young producers to realize their cash flow limit for land acquisition could be more than 50% under what the open market currently demands for land sales.

**The Farm is a Legacy Asset**--Farming is a way of life and farm families are passionate about keeping it that way. Continuing the legacy is a fundamental desire that a vast majority of families want to achieve even though they may not have a specific plan to succeed.

**Control**--For an entire lifetime, a farmer works diligently on their farm. They have scrimped, saved and sacrificed more than conceivable to get to their current position. Giving that up is not easy.

**Advice is Limited**--There is an on-going struggle in rural communities for farm families to seek out specialized advice. In medicine, general practitioners refer health issues to specialists. This doesn't seem to happen as much in estate planning in a rural community.



**Interest Rate Changes**--Interest rates have been at all-time lows. The current government Applicable Federal Rate (AFR) for a long-term loan (9 years +) is 2.91%. It is only a matter of time that this turns on those who are not properly positioned.

**Longevity**--People are living longer. If a land owner lives into their 80's and 90's with farming heirs in their 60's and 70's, there may be a generation who wants to own the farm but may not have an opportunity to own the land until they are beyond their "land buying" years.

**Farmers are Deferrers by Nature**--It is human nature for a farmer to defer Income tax, grain marketing decisions and estate planning. This brings emotion into the decision-making process. "Kicking the can down the road" may cause more long-term grief than short-term relief for an estate plan that has deferred too long.

**Fair vs. Equal Estate Distributions**--Nothing tests the metal of a family more than a shared inheritance. This statement has never been more accurate than in a current farm estate trying to decide what a "fair" distribution of an over-valued and illiquid farm estate.

Continued...

## New Elements

For the first 26 years of my career, we have focused on transition planning with families who have a farm heir.

After a recent discussion with a friend and client about agriculture's perfect transition storm, we identified a new element in the transition storm that may well be more telling than any of the others.

The 2017 ISU Extension Ownership and Tenure survey tells us that 53% of Iowa farms are rented (approximately 16,000,000 acres) and 34% of Iowa land (approximately 10,000,000 acres) is owned by people with no farm experience.

The real macro-economic issue in farm transition may not be transition within the family, but a transition plan for families who do not have a farm heir to transition to.

In each county in Iowa, there are approximately 700 farmers and approximately 300,000 acres. For every farmer under the age of 35, there are six who are over age 65.

In the next decade, the real concern for our rural communities is the dwindling number of farmers due to retirement or death without replacement while the number of acres to farm remains constant.



## Perfect Storm

These factors individually could mean serious issues for a farm's next generation. My concern is that there may be a combination of multiple factors all occurring at once which could result in an unusual magnitude of issues—a "perfect storm".

As an industry, we need to be increasingly conscious of transitions of land that will be operated by those outside of the family. This puts a greater emphasis on the landlord/tenant relationship. Solid long-term rental relationships are going to be an important factor for survival for the next generation of producers.

The future of production agriculture will favor producers who have a plan and the ability to effectively communicate a business process with the next generation of landowners.

A producer will need to be a conservationist who can negotiate multiple lease strategies with multiple landowners in multiple states with multiple levels of experience.

A producer will need to be transparent with landowners regarding income and expenses while exhibiting honest and forthcoming farming practices that include fertility and land improvements.

In hindsight, my mentor could have said that a farmer will be the same person 10 years in the future except for the books you will read and the landowners you will align with.

My hope is that the next generation of producers and the next generation of landowners will prepare for the coming storm of land transition while being mindful of personal well-being as well as leaving a mark in your community that might accumulate in a positive manner for the future of our industry.



*For 26 years, Steve Bohr has been a partner in the farm continuation firm of Farm Financial Strategies, Inc. For additional information on farm continuation issues or if you have a question please contact Steve via email at [Bohr@FarmEstate.com](mailto:Bohr@FarmEstate.com) or by phone at 1-800-375-4180.*

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## Family Matters

In March, over my spring break from college, we traveled to Vienna, Austria to visit Payton. After graduating from Cambridge last summer with his master's degree, Payton moved to Vienna. Payton is a Fulbright scholar and is spending this year assisting in teaching English at a local school while also completing guest research at the University of Vienna.



Hallstatt, Austria



Vienna



St. Charles Ceiling Frescoes



St. Stephen's Cathedral in Vienna

During our trip, we explored local markets, cafes, churches, museums and restaurants around Vienna. We visited some very impressive churches including St. Stephen's Cathedral and St. Charles church. There is a huge café culture in Vienna, many of the café's have been open for hundreds of years and serve great pastries and espresso. We tried some of the traditional Austrian cuisine while we were there including wiener schnitzel, kaiserschmarren, horse meat (which is very common to eat), and sachertorte. We also took a day trip out to the countryside of Austria. We made stops in Altenberg near the Atter Lake, Mondsee where we visited a church filmed in *The Sound of Music*, St. Gilgen which was Mozart's childhood home, and finally Hallstatt a beautiful small village nestled in the Alps along Lake Hallstatt. We also made a day trip to Budapest, Hungary. In Budapest, we saw many beautiful churches, monuments, and buildings of a city with a rich and volatile history. Cities like Vienna and Budapest were all impacted by World War II and the evidence still remains to this day. Our final day in Vienna was spent seeing the final sights in Vienna including the Belvedere palace and museum and the Schönbrunn Palace. The Belvedere museum had many amazing pieces from Klimt, Monet, and Jacques-Louis David. We had a great trip to Austria and getting to see where Payton has been calling home this year. - *Gracie Danner*



By the Attersee



Matthias Church in Budapest



Hallstatt, Austria



Heroes Square in Budapest

## Looking for Land to Lease

We are looking to rent farm ground for 2019 and beyond. If you are aware of property owners who might want to lease their land to us, please pass our information along. Please visit our website.

Thank You!

Phone: (319) 430-9525

Email: [billie@dannerfarmsinc.com](mailto:billie@dannerfarmsinc.com)  
or [jalbaugh@dannerfarmsinc.com](mailto:jalbaugh@dannerfarmsinc.com)

Website: [dannerfarmsinc.com](http://dannerfarmsinc.com)

If you know of anyone who may want to receive our newsletter, please let us know.



**Billie Danner**

## In Memory of



### Gary Mills

1951 – 2018

Our good friend, Gary Mills, passed away on October 27, 2018. We worked with him for many years as our landlord and at Liqui-Grow.

We miss our visits with you, Gary!

We hope the fishing is good!

West Liberty, IA 52776

1719 155th Street

