



Summer 2015

from F&M Bank

Message from our bank president

Now that the planting season has concluded, I encourage you to visit with us about your farm operation. Whether you need financing for daily operations or to fund growth and expansion,



F&M Bank can provide expert advice in structuring loan and deposit solutions. When you deal with F&M, you are dealing with the people who actually make the decisions that affect your business and our community.

No matter your age, everyone seeks to organize their financial life. The key issues of estate and succession planning are some of the most important, especially for farmers. The lack of proper planning can be costly if it results in additional taxes, investment losses, or expenses you or your heirs could have avoided. We strongly encourage you to visit with Steve Browning in our Trust Department because there are many factors to consider in creating your financial and estate plan. Our long term goal is to preserve and protect the value of your farm for both current and future generations.

Your feedback is always important to us, so please call or stop in if we can be of assistance. Thank you for your business and we look forward to serving you for years to come.

Sincerely,

Doug Sanders
President & CEO F&M Bank

Working More Effectively with Your Ag Lender

Here are several tips on working more effectively with your ag lender.

1. Cash Flow

Preparation of a cash flow projection is very important. If a farmer thinks through their plans including resources needed for production, marketing, and finance, this builds confidence between the borrower and lender. Knowing when periods of deficit are anticipated and how much operating loan needs will be is critical. On the positive side, times of cash surplus and how you will allocate those dollars will be very important also. The cash flow plan needs to be executed, followed up, and monitored for results.

2. Sensitivity Analysis

Also of importance is a sensitivity analysis related to price, cost, and production changes. The change from \$8 per bushel corn down to \$4 per bushel corn is an example. Effects of replanting crops due to bad weather that impacts costs or a rise in interest rates are both part of scenario and sensitivity planning.

3. Liquidity

While older producers are often stronger in equity, younger individuals with less time in the business or those who are in a growth mode will often not have as much net worth or equity. Financial liquidity, that is, the ability to generate cash by selling short-term assets without disrupting normal operations, will be essential for success. Build liquidity in the positive economic cycle and preserve as much as possible in the downturn.

For further information on cash flow, sensitivity analysis or liquidity, contact any F&M Bank ag lender.

Kohl, David. "Tips to work effectively with your ag lender, part 1." Corn and Soybean Digest – Road Warrior blog. Accessed May 21, 2015. <http://cornandsoybeandigest.com/blog/tips-work-effectively-your-ag-lender-part-1>



Weather advisory favors good 2015 yields

According to the latest update from the National Weather Service, announced on April 9, there is an approximately 70% chance that the current El Niño weather event will continue through the Northern Hemisphere during summer 2015, and a greater than 60% chance it will last through autumn.

El Niño weather conditions occur when surface waters of the Pacific Ocean near the equator become warmer than usual. La Niña, the opposite of El Niño, occurs when the water is cooler. El Niño favors good growing conditions in the U.S. Corn Belt. The current El Niño has been slow in developing and the warmer waters aren't in their usual location. In early March, the National Weather Service announced that this El Niño, although weak, was in place. Now they say it's strong enough to last.

2015 U.S. corn yield forecast is for 170 bu. per acre

Looking at the past 130 years, El Niño events that last into the summer months in the Northern Hemisphere tend to favor U.S. crop yields, especially in the Corn Belt, notes Elwynn Taylor, Iowa State University Extension climatologist. According to Taylor, an El Niño event lasting into summer would boost the probability to 70% that the U.S. national corn yield would be above the 30-year trend line. For 2015, that trend line corn yield is 162.3 bushels per acre. Currently, as of late April, Taylor is predicting a U.S. final corn yield of 170 bushels per acre.

Johnson, Steve. *Wallaces Farmer*. "El Nino weather advisory favors good 2015 yields." Accessed May 20, 2015.

<http://farmprogress.com/story-el-nino-weather-advisory-favors-good-2015-yields-37-126988>



Projected 2015 Corn Revenue

In Illinois, 2015 gross revenues for corn are projected to be lower than 2014 gross revenues. In 2015 for corn, gross revenues are projected in the mid to high \$800 per acre range for farms in Northern and Central Illinois with high-productivity farmland.

Gross revenues in the low \$800 per acre range are projected for farms with lower-productivity farmland in Central Illinois. Gross revenues in the low \$700 range are projected for Southern Illinois farms.

These 2015 levels are about \$200 per acre below average gross revenue levels for 2010-13. As long as prices are below \$4.50, gross revenues in the above ranges are to be expected.

Schmitkey, G. "Projected 2015 Corn Revenue with Comparisons to Revenues from 2010 to 2014." *farmdoc daily* (5):73, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 21, 2015. <http://farmdocdaily.illinois.edu/2015/04/projected-2015-corn-revenue-with-comparisons.html>

Dividing the estate among your children: Is it equal?

One of your children decided to become a kindergarten teacher and earns \$50,000 a year. Another child decided to be a stock broker, earning \$150,000 a year plus a bonus. Your third child decided to stay on the farm. You love them equally, but what would be the fairest way to distribute your estate given the disparity in their incomes?

The child who's a stock broker has never asked you for any money; you paid the down payment for your kindergarten teacher child's first home. Your on-farm child wants to stay on the farm. Now, how should you proceed?

Not an Easy Task

Dividing assets equally among children in a will might be a popular aspiration for parents, but it's rarely an easy one. Estate planning decisions are often fraught with family dynamics that breed anxiety, jealousy and resentment and can sometimes have lasting detrimental effects on sibling relationships. That investment banker child might think, "My sibling could have chosen a more lucrative career. Why should I suffer because he didn't prioritize financial security?" The kindergarten teacher might respond with, "I will never make the salary my sibling does. Why shouldn't that be acknowledged in the inheritance?"

The primary goal for parents is usually to foster a cohesive and happy family unit. While dividing an estate among more than one child can trigger some unpleasant emotions, parents should take comfort in knowing there are a number of approaches and precautions to consider that will help ensure all parties remain satisfied and conflict free.

Expectation of Fairness

The first step to drafting a conflict-free estate plan is understanding that children expect to be treated fairly. Parents who want their children to maintain an amicable relationship should think about crafting a will in a way that will be understandable to everyone and will encourage siblings to stay together as a family. The end result is different in every case, but the decisions parents make should be centered on this goal.

Parents may have provided for one child's immediate financial needs, such as a down payment on a home, additional schooling or a debt pay-off. Should these lifetime gifts be deducted from that child's share in the inheritance and "made up" to



the other children who didn't receive similar gifts?

Unfortunately, there's no right answer here. If parents and siblings believe the gifts were necessary, they may not think it's appropriate to compensate the other children accordingly. However, if the gifts were discretionary or part of a plan to, for example, give each child a down payment on a house, there could be equalizing bequests.

Parents might opt to exclude a child who's well off financially. Problems can arise if children are treated differently based on their current situation, and that situation changes. For example, divorce, job loss, health issues and other life events may have unexpected adverse effects on that child.

Use of Trusts

There are options for smoothing out these fairness issues. If one child is needy, not financially sophisticated or under pressure from a "bad" spouse, instead of leaving assets to that child outright, leave both bequests in trust, but give the more sophisticated child more control. That additional control could come in the form of a right to withdraw assets, a co-trustee position, or a right to direct assets on death.

Some parents may wonder if it's wise to include grandchildren in a will, a decision that has become increasingly popular as people live longer lives. Grandparents can take advantage of the generation-skipping transfer (GST) tax exemption, which allows assets to pass tax free to grandchildren.

We invite you to visit us regarding your estate plan. Call Steve Browning at (309) 343-0002, extension 20605 and he will be happy to set aside some time to visit with you.

Cohen, Gail E. "Divvying up the estate among children doesn't have to get ugly." *Wealth Management*. Accessed May 20, 2015. <http://wealthmanagement.com/estate-planning/s-not-fair?page=1>

Schedule a meeting with Steve

Steve Browning is Vice President and Senior Trust Officer at F&M Bank. Steve has a very strong trust and investment background as well as managerial experience. He was most recently employed as the Trust Investment Officer at First Financial Bank in Terre Haute, Indiana. Steve's background also includes



Stephen Browning, CFP®, CPA, CRSP
Vice President & Senior Trust Officer

Controller for Western Indiana Workforce Investment Board, Inc., Senior Staff Accountant for Kemper CPA Group, Investment Advisor for Edward D. Jones & Co. and a Revenue Agent for the Internal Revenue Service.

Contact Steve at 343-0002, ext. 20605 or by email at: Stephen.Browning@thefmbank.com

Farmers Choice Checking

When it comes to deposit services for agri-business, consider these great features in the value-added Farmers Choice Checking package of banking services:

- Free basic checks
- Free debit cards
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- Deposits are credited the same business day
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- Privilege Checking and Savings accounts for family and employees
- 200 free items (debits, credits and deposited items)

For further information on any of our ag lending products and services, contact Dave Walter at (309) 343-0002, extension 20654.

Our Ag Lending Team

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J. Michael Holloway

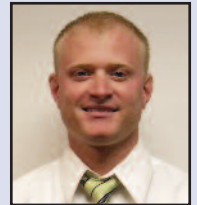
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Additional team members include (L to R, top to bottom) Trent Cox, Annette Pickrel, Lisa Shafer and Shawn Hedden.



Your community, your money, your hometown bank...F&M



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