

Farmland Insights

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WHAT THE NEW FEDERAL BILL MEANS FOR ILLINOIS FARMLAND OWNERS

The One Big Beautiful Bill Act, signed into law in July 2025, brings sweeping changes to agriculture policy, estate planning, and land valuation—many of which directly affect Illinois farmland owners. While the bill doesn't alter property taxes directly, its ripple effects are already being felt across the state.

Boosts to Farm Income and Land Value

At the heart of the bill is a major expansion of federal farm support. Programs like Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) now offer higher reference prices for key crops. Corn's benchmark price rose from \$3.70 to \$4.10 per bushel, while soybeans jumped from \$8.40 to \$10.00. These increases mean larger federal payments for eligible farms, improving cash flow and potentially raising the market value of productive farmland.

Additionally, disaster relief and trade promotion funding have been expanded, and livestock producers now receive full reimbursement for predator losses—including unborn animals. These changes strengthen the farm safety net and make rural operations more financially resilient.

Estate Planning Opportunities—and Cautions

One of the most impactful provisions for landowners is the increase in the federal estate tax exemption to \$15 million per person. This opens the door for more families to transfer farmland to the next generation without triggering federal estate taxes. However, Illinois still imposes its own estate tax with a \$4 million exemption, so careful planning is essential.

Many landowners are now exploring lifetime gifting strategies and fractional interest transfers to reduce future tax burdens. These moves can trigger reassessments, potentially increasing property taxes if not managed properly.

Property Tax Implications

While property taxes are set locally, rising land values and ownership changes can lead to higher assessments. Counties like McLean, Champaign, and Sangamon—where farmland is highly productive—may see increased valuations. If local governments face budget pressures due to federal program cuts (such as Medicaid or SNAP), they may respond by adjusting levies or reducing exemptions.

In southern counties like Pope or Alexander, where federal aid plays a larger role in local services, the pressure to raise property taxes could be more acute. Conversely, wealthier counties like DuPage and Lake may benefit from federal income tax relief, reducing the need for local tax hikes.

Energy and Conservation Trade-Offs

The bill also accelerates energy development by streamlining permitting on public lands. While this may increase lease income for landowners in energy-rich regions, it could also disrupt conservation efforts and recreational land use. Cuts to federal conservation programs may prompt some landowners to reconsider participation in easements or ecological initiatives.

What You Should Do

Now is the time to review your land's valuation, reassess your estate plan, and consult with local officials about upcoming changes. Whether you're planning a transfer, investing in infrastructure, or simply trying to understand your tax exposure, the OBBBA creates both opportunity and complexity.

For Illinois farmland owners, the landscape is shifting—and those who plan ahead will be best positioned to thrive.

WHAT IS THE PRODUCTIVITY INDEX (PI)?

The Productivity Index is a numerical rating that measures the agricultural capability of soil—specifically, how well a particular soil type can grow crops under average farming conditions. It's a scientific way to compare soils based on their expected performance.

How It Works:

PI scores are assigned to soil types based on factors like:

- Crop yield potential (especially corn and soybeans)
- Drainage and water retention
- Slope and erosion risk
- Organic matter and fertility

Scores typically range from:

- Below 100 → Fair productivity (e.g., poorly drained, shallow, or sandy)
- 100–116 → Average productivity
- 117 - 132 → Good productivity
- 133 - 147 (highest) → Excellent productivity (e.g., deep, well-drained loam)

These ratings are published in Bulletin 810 by the University of Illinois and are used statewide.

Why It Matters:

In Illinois, farmland isn't taxed based on market value. Instead, it's taxed based on use-value, which is calculated using the PI. The higher the PI, the more income the soil is expected to generate—and the higher its assessed value for property tax purposes.

So, PI is the foundation for:

- Farmland property tax assessments
- Land appraisals and valuations
- Estate planning and land transfers
- Conservation and zoning decisions

Real-World Use:

If you own farmland in Illinois, your local assessor uses the PI of your soil types to estimate the land's productivity and assign a tax value. It's a system designed to reflect the economic potential of the land, not its sale price.

Give me a call or email if you'd like help looking up the PI for your farm or interpreting how it affects your taxes.

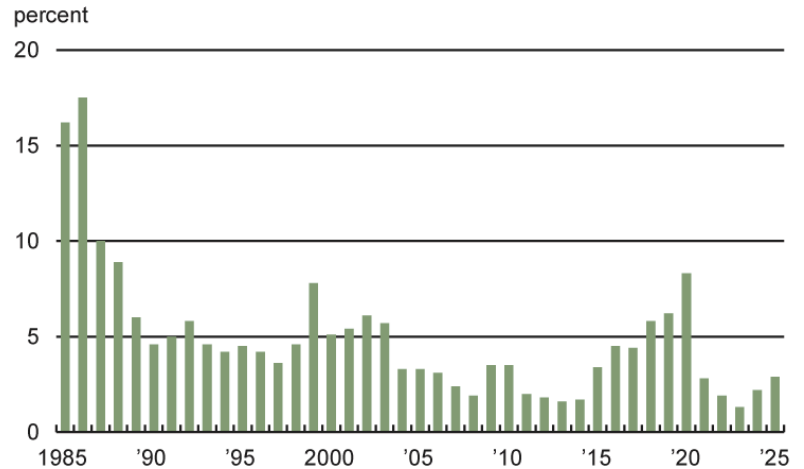
Federal Reserve Bank of Chicago AgLetter August 2025 Written by David Oppedahl & Elizabeth Kepner

The August 2025 edition of the Chicago Fed's AgLetter focuses on insights into Seventh District farmland values and agricultural credit conditions. Key points include:

- Farmland values for the District rose 3% in Q2 2025, the largest annual gain since Q1 2024.
- Credit conditions for the District were slightly weaker in Q2 2025 than a year ago.
- The share of loans with “major” or “severe” repayment problems was 2.9% in 2025, up from 2.2% in 2024 and the highest reading since 2020.
- “If the commodity market doesn't significantly improve, our farmers in this area are going to have a tough time making any profit for the second year in a row.”

For detailed insights visit:
[Chicago Fed's August 2025 AgLetter.](#)

Percentage of Seventh District farm loan portfolio with “major” or “severe” repayment problems



Source: Authors' calculations based on data from Federal Reserve Bank of Chicago surveys of farmland values (for the second quarter of each year).

Illinois Department of Agriculture Facts About Illinois Agriculture:

The average size of an Illinois farm, including hobby farms, is 375 acres. Most farm acreage is devoted to grain, mainly corn and soybeans. About 3 percent of Illinois farms have swine. Beef cows are found on about 22 percent of farms, while about 1 percent have dairy cows. Some farms produce specialty crops and livestock, including alfalfa, canola, nursery products, emus and fish. Many farming operations also support recreational activities such as hunting and fishing..

Goodwin & Associates New Listings

- 27 Acres Monee with Tree Nursery Stock
- 20 Ac Buckingham
- 63 Ac New Lenox for Residential Development
- 35 Ac New Lenox for Commercial Development
- 72 Ac LaSalle Farm with Timber and Creek
- 80 Ac New Lenox for Residential Development (under contract)

Featured Goodwin & Associates Active Listing Opportunities

- 152 Acres Manhattan Township Development Potential
- 151 Acres New Lenox for Residential Development
- 340 Acres Cass County, Class A Farmland - Call for details

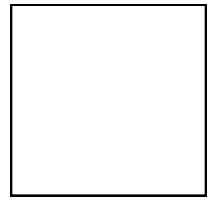
Recent Goodwin & Associates Successful Closed Transactions

- 75 Acres Manhattan Township Industrial Development
- 70 Ac New Lenox Residential Development Farm
- 151 Ac Leland Class A Farm
- 53 Ac Manhattan Township
- 32 & 10 Ac Farmland Parcels Manhattan Township

For a Full List of Active and Closed Listings Visit WWW.BIGFARMS.COM

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Inside you'll find:

What the New Federal Bill Means for Illinois Farmland Owners
What Is the Productivity Index (PI)?

25+ years of experience and counting



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