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ISPFMRA President's Message



Bob. G. Swires, AFM
President
Illinois Society of Professional
Farm Managers and
Rural Appraisers

The Illinois Society of Farm Managers and Rural Appraisers is pleased to present the 11th annual survey of Illinois farmland values and lease trends. I certainly want to thank the Illinois Chapter members who contributed all of their time and more critically, the data, to give you the most up-to-date information as well as the University of Illinois staff for their invaluable help in collecting and processing the data. No other publication can provide the breakdown of current trends by region and land type that Report offers.

In addition to our members who provided the information, I want to thank all of the advertisers and sponsors who help us provide this very valuable publication. We hope that you will thank them for their efforts and patronize and support their businesses.

Historically, farmland has been a tangible, secure asset that can produce competitive, long-term returns. You always know where that investment is — you can touch it, stand on it and receive its constant revenue stream. Over 50 percent of all Illinois farmland is owned by those who don't farm it. This capital contribution is extremely important to the Illinois agriculture economy. This publication is an excellent source of information to gauge the performance of their asset and trends of their investment.

The Illinois Chapter members manage over 18 percent of the land in the state. They maximize profits and improve the asset value for all of the absentee landowners. Illinois Chapter Appraiser members value rural properties in excess of one million acres each year for attorneys, lenders, accountants, estates and individuals who want an accurate, detailed evaluation of their property. Illinois Society members' expertise helps landowners maximize their farmland investment. AFM (Accredited Farm Manager) and ARA (Accredited Rural Appraiser) are designations for those who have significant experience, pass rigorous testing and subscribe to high ethical standards.

The Farmland Values and Lease Trends Report is a storehouse of information for those interested in one of Illinois' greatest assets — farmland. Please use this publication and share it with others. Additional copies are available by ordering from our website at www.ispfmra.org. We hope you enjoy this publication and look forward to next year's report.

Sincerely,

Bob Swires

2005-2006 ISPFMRA Board of Directors

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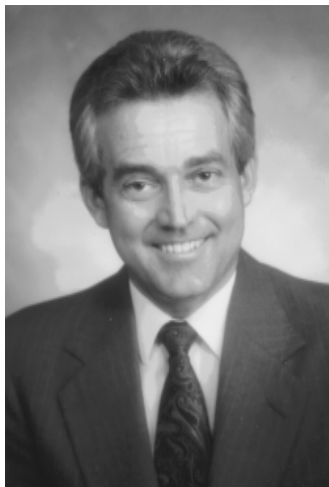
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About the Illinois Society

In 1928, sixteen men met at the University of Illinois and officially organized the first professional farm management organization in the United States. Following that meeting, members agreed that this organization would benefit from broader objectives and territory – a national organization. In 1929, the American Society of Farm Managers was founded to instill professional ideals and standards in farm management. In 1936, the organization was expanded to include rural appraisers who specialized in determining the value of farms and other rural properties.

The ISPFMRA is the largest of the 37 chapters of the American Society of Farm Managers and Rural Appraisers (ASFMRA). The Society is the premiere organization for professionals who provide management, consultation, and valuation services on rural and agricultural assets. The ASFMRA has grown to include nearly 2,500 members with membership and chapters throughout the United States, Mexico, and Canada.

The common thread that unites the National membership and individuals in the Illinois Chapter is the respect of, and service to, agriculture in rural North America. Collectively, ASFMRA members:

- manage more than 25 million acres of farm and ranch land for absentee owners, banks, and trusts;
- complete more than 175,000 appraisals a year on more than 30 million acres of land.

Profitable agricultural production requires an intimate understanding of farmland, the single most valuable input of most agricultural enterprises. Understanding the complexities of agricultural production and marketing to meet the challenges of the twenty-first century is a job for specialists. Members of the Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA) are specialists who dedicate their efforts to acquiring and enriching their knowledge and skills in order to provide the highest quality agricultural management, appraisal, and consulting services.

Accreditation – The Professional Pinnacle

ISPFMRA accredited members lead today's agribusiness by meeting the complex needs of agriculture's changing environment. Our professionals offer expertise in biotechnology, environmental issues, changing technology, land, property, and business valuation, market trends, and governmental involvement and regulations. Understanding and treating the land with respect is more than our job; it's our passion. Those who have earned their professional designation proudly display a high level of competence and ethical fitness for the appraisal, consulting, and management professions.

Attaining a designation from the ASFMRA recognizes dedication to professional and personal growth. The accredited membership is a growing network of achievers. This network of professionals is called on for advice and the exchange of information. Individuals in this network are also called upon when a client needs an ethical, highly qualified professional to do the job.

AAC – Accredited Agricultural Consultant

Consulting is the fastest growing field in agriculture. The role of agricultural consultants is becoming more and more critical as agriculture enters the fast paced era of consolidation, technology, specialization, mergers, and reformation. Accredited Agricultural Consultants (AAC) trained in the delivery of their consulting expertise to the market and in the management of their consulting business have set themselves apart from the competition by earning an AAC (Accredited Agricultural Consultant) designation.

AACs provide the highest quality management consulting service to rural America. The agricultural consultant advises clients on business decisions about the current operation of, and future opportunities for, the client's enterprise.

With technology changing so rapidly, consultants provide specialized knowledge to business operators, enabling them to keep up with changes and developments needed to adapt and remain profitable.

The consultant values honesty and fair dealing in a manner that promotes the interest of his/her client, employees, and shareholders. The AAC designation ensures that service is delivered with the highest standards, integrity and quality.

AFM – Accredited Farm Manager

Management of agricultural enterprises and rural properties demands a qualified expert who understands the complexity and intricacy of today's environment. The AFM understands the need for efficient production and profitable marketing, and is focused on procedures, analysis, critical thinking, and innovation.

An AFM possesses the skills, experience, and education to provide land investment analysis and management of day-to-day operations for ag enterprises. The AFM designation is available only through the ASFMR and is awarded to those individuals who demonstrate experience and complete a rigorous education program to enhance professional skills and knowledge of land management and production agriculture.

The AFM:

- Has specialized expertise to keep an operation profitable and sustainable
- Practices sound business to manage production inputs to improve margins
- Has an understanding of environmental issues for compliance with governmental regulations
- Has the knowledge of governmental activities that effect agriculture including taxation, regulations, legislation, and subsidies

ARA – Accredited Rural Appraiser

Appraisals of agricultural enterprises and rural properties demand qualified experts who understand the complexity and intricacy of modern agriculture and today's rural environment.

The comprehensive appraisal service you receive from an ARA is your assurance of a superior valuation for your agricultural enterprises or rural properties. While many ARAs are state-certified, the experience and education required to become an ARA are significantly more stringent than that required for state certification, which makes an ARA the expert in the valuation of rural properties.

The ARA:

- Has Expertise in the appraisal of rural and agricultural property
- Is educated and experienced in the exploration of soil, water quality and availability, crop potential and improvements to estimate value of land
- Adheres to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP)
- Has a network of agribusiness professionals to share information and practices with

RPRA – Real Property Review Appraiser

The complexity of today's financial and legal environments demand expertise for appraisal review services. The RPRA (Real Property Review Appraiser) is uniquely educated, understands the changing face of the appraisal industry, and can ensure that an appraisal is in compliance with regulations and requirements. The RPRA's appraisal review provides a superior evaluation for all types of enterprises and properties.

The RPRA signifies the highest level of expertise in the review appraisal process. The RPRA's advanced expertise ensures accuracy for clients needing appraisal reviews of complex properties or situations. An RPRA adheres to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and has additional expertise exceeding state certification and licensing requirements.

The RPRA:

- Provides focus and knowledge in appraisal review
- Is educated and trained to provide an expert opinion of appraisals
- Can determine if appraisals comply with government regulations and requirements
- Networks with colleagues for assistance when unusual or special circumstances arise

A Summary Look at Illinois

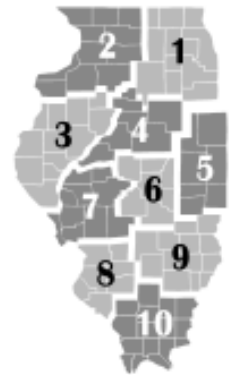
by: Dale E. Aupperle, AFM, ARA
 General Chairman
 2006 Illinois Land Values and Lease Trends

Illinois is a national leader when it comes to agricultural production - - offering a large expanse of highly productive soils; a wide variety of crops; and an infrastructure of railroads, rivers and highways to serve the producer, processor, and consumer.

Our Illinois Society of Professional Farm Managers and Rural Appraisal members are scattered throughout this diverse geographic region of the United States - - and are happy to bring you a detailed report on the 2005 farmland values and lease trends. Turn to each of the ten regions noted for a detailed update.

Farmland values increased in 2005 - - following a trend of up 20 percent (*in 2004*) and up 10 percent (*in 2003*)! Yes - - there is an intense demand to purchase Illinois land by people who are looking for a long term investment with low volatility, a reasonable return on their investment, and a hedge against inflation. (*Recreational and transitional uses of Illinois land are gaining popularity also.*)

	<u>Excellent Productivity</u>	<u>Good Productivity</u>	<u>Average Productivity</u>	<u>Recreational Land</u>
Northern Regions (1 & 2)	+ 12%	+13%	+ 18%	+ 25%
Central Regions (3, 4, 5, 6 & 7)	+ 8%	+ 9%	+ 9%	+ 16%
Southern Regions (8, 9 & 10)	N/A	+ 9%	+ 13%	+ 13%



Region 1 (Northeast Illinois) - Pressure from 1031 tax deferred exchange buyers resulted in an 8 percent increase (*excellent quality tracts*) and an 18 percent increase (*average productivity tracts*) in the past year. The short supply of high quality farmland resulted in exchange buyers purchasing more good and average quality land. The Northeast Planning Commission reports 30,000 residential building permits per year (*over the last three years*). Using an 8.5 to 1 ratio (*development price to farmland price*) the development dollars will purchase 68,000 acres of farmland downstate. Transitional tracts are selling for between \$34,000 per acre in DeKalb County to \$103,056 per acre in Kane County. Cash rents continue to be stable.

Region 2 (Northwest Illinois) - Land values across the board are up between 15 percent and 20 percent from one year ago. Excellent productivity tracts are strong. Buyers are switching to good productivity tracts also. Many sales are to 1031 buyers with a 3- to 5-year lease back to the seller. Wooded tracts used for deer and turkey hunting have been in strong demand from wealthy buyers who are within driving distance. Excellent productivity land has reached \$6,000 per acre. Open bidding on cash rents have reached \$230 per acre. Timberland that provides deer hunting is selling for \$3,000 per acre.

Region 3 (Western Illinois) - The top farmland values are generally steady compared to a year earlier. Competition exists between farmers expanding their operations and 1031 exchange investors. Auctions sales lead the market with broker and private sales making up the rest of the market. Farmers are frustrated with the high land prices as excellent productivity tracts range from \$4,100 to \$5,100 per acre. The recreational market continues to be very strong with price ranges from \$1,800 to \$3,000 per acre. There is a strong residential market which is flush with cash. Coal strip mines spoils have excellent goose and duck hunting along with great fishing.

Region 4 (North Central Illinois) - Excellent productivity farmland gained 8 percent value throughout the year despite an increase in the number of acres available for sale. A Woodford County farm set a new high price of \$6,250 per acre. Large, high quality tracts are worth more money because of their size. Good productivity tracts began slowing down in mid summer with an increased supply on the market and less 1031 tax deferred exchange interest. A number of public auctions on good productivity tracts did not reach an acceptable sales price - - and were privately negotiating later. Significant strength (10 percent) was noticed in most recreational tracts. Transitional tracts adjacent to local interstate system showed strength. Most transitional land near semi - urban areas sold for \$8,000 to \$12,000 per acre in anticipation of future development. Cash rent rights remain stable as farm operators and landowners recognize the growing influence of higher fertilizer, interest and fuel costs.

Region 5 (Eastern Illinois) - Investors continue to show significant interest in all categories of productivity - - with excellent soils up 8 percent to 10 percent. The supply of available properties was steady. The demand rate remains strong from 1031 exchange buyers. Land has sold primarily through private treaty and land auctions. The auction method makes it somewhat difficult for 1031 buyers to participate. Excellent productivity tracts range in value from \$4,500 to \$5,200 per acre. Average productivity tracts were most likely to be bought by neighboring farmers and landowners but did experience increased interest from 1031 exchange buyers. Demand for recreational properties remain strong from cash buyers who paid from \$2,000 to \$2,900 per acre. Transitional land (*development potential in the next five to fifteen years*) is found in the outlying Champaign, Urbana and Danville areas and range from \$7,500 to \$10,000 per acre.

Region 6 (Central Illinois) - Farmland prices rose on an average of 7 percent throughout the year. The increase happened during the first half of the year - - slowing noticeably in the last six months. There is still a very strong demand for land in the excellent category. The majority of the buyers in 2005 were completing a 1031 exchange. As in 2004, there appears to be a premium of 10 percent or more for larger tracts of land. Region 6 had outstanding corn and soybean yields, stable cash rents, and fewer capital improvements being done as compared to previous years. The volatility of the land market resulted in more private treaty sales than public auctions.

Region 7 (West Central Illinois) - In general, farmland values increased 10 percent across the west central area in 2005. Five counties had land sales exceeding \$5,000 per acre. Tax deferred 1031 exchange money continued to influence the land market. At many auctions, local farmers outbid the outside investor to retain control of the land. Large tracts (*ranging from 320 to 640 acres*) sold at a premium. Many buyers looked to lesser productivity land to meet their demands. This area has a significant demand for recreational use property particularly those frequented by white tail deer, turkey, and upland game birds. The conservation programs (*CRP or CREP*) also increased land values. Demand for rural residential remains very strong. Cash rents have been steady - - positively affected by the increased government payments.

Region 8 (Southwest Illinois) - Land values in Southwestern Illinois were up 15 percent across the board in 2005. This region has four counties which border the Mississippi River and are influenced by Madison and St. Clair Counties which have over 500,000 population. The pace of new residential development has increased creating more demand for agricultural land. Cash rents continue their upward trend in 2005 with the good productivity land renting in the \$130 to \$150 per acre range. Exceptional yields have been the main reason for farmers pushing rents.

Region 9 (Southeastern Illinois) - Farmland values have increased between 3 percent and 10 percent in 2005. There has been a large variation in the number of properties sold and the price per acre. Cropland is tightly held by farm operators and most sales occur to settle estates. Local farmers are looking to expand their operations. Many areas in Region 9 were affected by drought this year. Auction sales have been used extensively. In the fair productivity category, the value of non-tillable land has been strongly influenced by recreational buyers. Public water is available in many areas - - promoting rural building sites. Recreational farmland will sell at or above pricing common for fair productivity cropland. Transitional land is somewhat less active in 2005. Many river bottom tracts have benefitted from wetland reserve programs and have become favored recreational tracts for waterfowl hunting.

Region 10 (Southern Illinois) - Farmland values rose between 10 percent and 14 percent throughout 2005. Crop yields were strong for a second year. Crop share leases continue to be the predominate rental method. Most of the recreational tracts in the region sell through realtors. Primary recreational use is for deer hunting.

In summary - Enjoy the diversity of Illinois agriculture. As an investor, anyone can find a suitable tract across our state. Illinois has a wide ranging agricultural economy which drives the economic engine in our region. Note that every area in the state reported increased land values during the past twelve months. Tax-free exchanges have dominated the marketplace. Cash is king - - financing was used in a minority of the transactions.

Please check out the individual regions detailed in this Report. Feel free to call any member of the Illinois Society if you have any questions or visit our website at www.ispfmra.org.

Farm Property Classifications & Definitions

To standardize our data collection, the following definitions were used in developing the various categories. Productivity indexes based on Bulletin 811 are used in developing these profiles.

- **Excellent Productivity Tract** – productive durable soils with a significant amount of those soils with productivity indexes of 133 and above; well maintained; located in desirable community with excellent access to transportation and markets.
- **Good Productivity Tract** – productive soils with a significant amount of those soils holding productivity indexes of 117 to 132; located in desirable community with good transportation and market access.
- **Average Productivity Tract** – average-to-good soils with a significant amount of those soils with productivity indexes of 100 to 116; located in a community with adequate services available; fair transportation and market access; soils may show evidence of erosion, fertility loss, improper drainage or noxious weed infestations.
- **Fair Productivity Tract** – below average-to-fair soils with a significant amount of those soils with productivity indexes below 100; located in fair community with fair-to-poor transportation and market access; topography may be adverse with serious hazards (flooding, erosion, etc.).
- **Recreational Tracts** – tracts are normally high in non-tillable acres with soils that may be subject to erosion and/or flooding. Tracts are typically purchased by nonresident owners for hunting, fishing and other recreational pursuits.
- **Transitional Tracts** – tracts that are well located and have good potential for development uses within a few years. Tracts may be used for commercial or residential uses.

Region 1 - Northeast

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Land Value and Cash Rent Trends Overall Summary

<i>Farm Classification</i>	<i>Total Value/Acre</i>	<i>% Change in \$/Acre from 2004</i>	<i>Change in rate of land turnover (up, steady, down) and %</i>	<i>Ave. Cash Rent Per Acre</i>	<i>% Change from 2004</i>	<i>Ave. Cash Rent/Ac on recently negotiated leases</i>
Excellent Productivity	\$7,000	Up 8%	Up 10%	\$170	---	\$175
Good Productivity	\$6,000	Up 9%	Up 10%	\$155	3%	\$150
Average Productivity	\$4,500	Up 18%	Up 20%	\$135	---	\$13
Transitional Tracts	\$18,000	Up 12%	Steady			
Transitional to Active Development	\$50,000	Up 11%	Up 10%			

Region 1 continues to have a large increase in value among high quality. The region includes the Chicago collar counties and are most affected by demand from the sellers of Transitional/Development land near Chicago and other growing towns.

The market for farmland in this region is extremely strong, resulting in a rapid increase in land values. Cash rental rates also continue to be strong resulting in stable returns on investor-owned farms.

There is continued demand for tax-deferred exchange property. This type of demand centers on the higher quality

farms and is most evident in the northeastern portion of the region. The largest increase in value among high quality farms was found on DeKalb and LaSalle County farms. These farms are located near the Chicago collar counties and are most affected by demand from these buyers.

With the short supply of high quality farms available on the market, many investors are showing a willingness to purchase good and average quality farms. This has created upward price pressure on these farms, as tax-deferred exchange buyers compete in a market that has previously been primarily made up of local farmers.

Excellent Productivity Tracts

Excellent farms are showing the greatest increase in value, reflecting the strong demand for these highly productive, easily farmed tracts. Tax-deferred exchange buyers are competing with local buyers, increasing demand for these high end farms.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
LaSalle	Mar	115.00	99.0	142	\$7,500
Kankakee	Apr	40.00	99.0	133	\$4,350
Bone	Apr	80.00	98.0	142	\$7,500
DeKalb	Oct	81.00	97.0	141	\$9,150
LaSalle	June	150.00	94.0	138	\$8,175

Good Productivity Tracts

Good quality farms are showing strong increases in value. Much of this demand is from tax-deferred exchange buyers who have been unable to purchase the higher quality farms. With the short supply of high quality farms available on the market, many investors are showing a willingness to purchase good and average quality farms. This has created upward price pressure on these farms, as tax-deferred exchange buyers compete in a market that has previously been primarily made up of local farmers.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Boone	Apr	100.00	99.0	130	\$6,769
LaSalle	June	162.00	96.0	130	\$5,100
Kankakee	Feb	74.00	96.0	130	\$4,060
Kankakee	May	75.00	94.0	126	\$4,500
DeKalb	Apr	77.00	94.0	126	\$6,678

Average Productivity Tracts

The market for average quality farms primarily comes from local buyers. The short supply of higher quality land has increased demand for this type of farm from tax-deferred motivated buyers. This additional demand has placed upward pressure on land values of this class of farm. (Note: the "average quality" farms are all located in Kankakee County which has a larger percentage of this quality of land than does the rest of Region 1, and thus may not be fully representative).

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Kankakee	Mar	72.00	99.0	116	\$3,450
Kankakee	May	135.00	96.0	112	\$3,428
Kankakee	Feb	190.00	95.0	110	\$3,400
Kankakee	Dec	57.00	87.0	105	\$4,090
Kankakee	Jan	41.00	99.0	102	\$3,850

Transitional Tracts going into Development

These Transitional Tracts are going into development within one year. The higher end of the price range typically represents commercial or higher density residential type development. The lower end of the range typically represents single family housing development.

County	Sale Date	Total Acres	Total Price/Ac
Kendall	Jul	147.00	\$103,056
Kendall	Sep	239.00	\$90,000
Kane	Dec	150.00	\$60,000
Kankakee	Sep	83.00	\$39,494
DeKalb	Jan	60.00	\$34,003

Transitional Tracts Purchased for Holding or Part-Time Farms

These Transitional Tracts represent a mix of future uses. Some are transitioning from agricultural use to estate or part time farm use. This is the case with the 40-acre sale listed from McHenry County. Many of the larger tracts represented are being held for potential future development or appreciation in value from increasing demand for future development. The 160-acre sale from DeKalb County and the 190-acre sale from Kane County are both tracts that are located beyond the current city services required for development. In both cases, these tracts will likely be held for two to five years before development.

County	Sale Date	Total Acres	Total Price/Ac
Dekalb	Oct	160.00	\$32,549
Kane	Jan	190.00	\$22,137
Will	June	69.00	\$19,561
McHenry	July	40.00	\$15,000
Kankakee	Apr	126.00	\$12,589

Of Special Interest

An example of a tax-deferred exchange transaction occurred in McHenry County over the last few years.

In October, 2003 a sale of 50+/- acres occurred for approximately \$2,700,000. That sale generated the following purchases in a more rural area of McHenry County:

- 1) 12/03 Purchase of 231 acres for \$5,500/acre, or \$1,270,830
- 2) 09/04 Purchase of 198 acres for \$7,491/acre, or \$1,479,922

The two purchases utilized the entire proceeds of the October, 2003 sale. The party involved replaced 50 acres of transitional land with a total of 429 acres of agricultural land. This is an 8.5 to 1 exchange.

According to The Northeastern Illinois Planning Commission there have been approximately 30,000 residential building permits issued in the counties surrounding Chicago in each of the last three years. These permits represent demand for approximately 8,000 acres of land.

Following the 8.5 to 1 ratio represented by the example from McHenry County, these building permits represent potential demand for 68,000 acres of farm land.

This demand could also be represented by estimating the selling price of the 8,000 acres of development land at \$50,000 for a total potential for tax-deferred exchange of \$400,000,000. Assuming this potential is invested in Excellent and Good quality farms at an average of \$6,000 per acre, there is potential for 66,500 acres of land or an exchange of 8.3 to 1.


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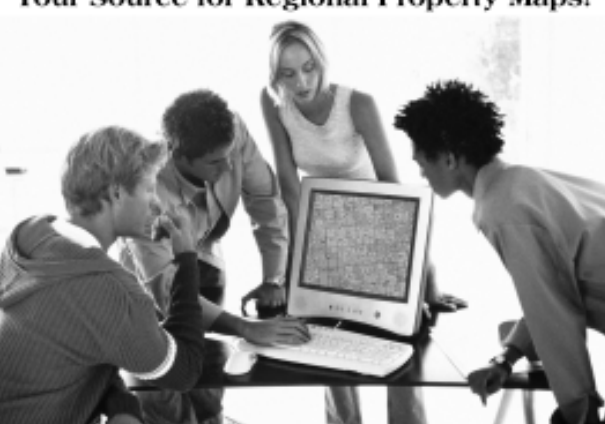
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Region 2 - Northwest

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Morgan Appraisals, Rock Falls, IL

Land Value and Cash Rent Trends Overall Summary

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acre from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>	<u>Ave. Cash Rent/Ac on recently negotiated leases</u>
Excellent Productivity	\$4,000 - \$6,000	Up 15 - 20 %	Up 15 %	\$180	Up 5 - 10 %	\$230+
Good Productivity	\$3,800 - 5,000	Up 15 - 20 %	Up 15 %	\$160	Up 5 %	\$175+
Average Productivity	\$3,200 - \$4,000	Up 15%	Up 15 %	\$150	Up 5 %	\$165+
Fair Productivity	\$2,300 - \$3,500	Up 10%	Up 10 %	\$135	Up 5 %	\$145+
Recreational Land	\$2,400 - \$3,500	Up 25%	Up 10%			
Transitional Tracts	\$4,000 - \$25,700					

Strong demand continued to drive the 2005 land market. Prices rose by up to 25 percent in some areas fueled in part by 1031 sales in the collar counties. Land of excellent productivity has reached \$6,000/acre in some areas. This is land whose highest and best use is agricultural. Some open-bid cash rents have reached \$230+/acre. Lower crop yields and higher input costs have not diminished cash rent bidding. Timberland that provides deer hunting has reached \$3,000/acre and over in most areas. Buyers have been from the suburbs in many cases.

Excellent Productivity Tracts

Demand remains exceptionally strong for Excellent Productivity Tracts. Several reports of \$5,000 & \$6,000/acre land sales driven predominately by 1031 buyers. Most sales to 1031 buyer include a 3-5 yr. leaseback to the seller. 2005 yields on these tracts were higher than earlier expected. These soils are typically described as flat, black and well drained.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henry	Dec	266.82	95.0	140	\$3,460
Whiteside	Jan	155.93	96.0	138	\$4,350
Whiteside	May	153.80	99.0	135	\$4,000
Whiteside	Sep	80.00	99.0	135	\$4,200
Lee	May	78.80	97.0	149	\$5,251
Lee	Jun	161.0	99.0	150	\$5,998
Bureau	Nov	30.50	97.0	143	\$6,000
Bureau	Aug	152.00	99.0	139	\$5,424
Mercer	Dec	113.45	98.0	134	\$4,500
Mercer	Nov	77.75	98.0	140	\$4,400
Ogle	Jun	203.42	99.0	137	\$5,600

Good Productivity Tracts

There is strong demand for Good Productivity Tracts from buyers who can not obtain Excellent Productivity Tracts. In some areas, sales prices have approached those of Excellent Tracts. These tracts may be cut by a ditch, have varying topography or less productive soils.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henry	May	156.37	97.0	132	\$4,550
Henry	Feb	80.00	96.0	126	\$5,500
Bureau	Nov	72.50	99.0	126	\$5,000
Whiteside	Jan	120.56	86.0	120	\$3,934
Whiteside	Apr	117.16	97.0	127	\$3,835
Carroll	July	118.75	96.0	117	\$4,550
Carroll	Apr	117.05	93.0	117	\$5,000
Ogle	Sep	147.98	97.0	122	\$5,554
Ogle	Mar	254.87	96.0	125	\$6,000
Lee	Feb	161.00	96.0	125	\$2,795
Stephenson	Apr	100.00	98.0	112	\$4,140

Average Productivity Tracts

2005 yields on Average Productivity Tracts were reduced on a greater percentage than those of Excellent and Good Productivity tracts. Typically, these soils are lighter colored soils, and respond more to stressful conditions.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henry	Aug	119.11	99.0	115	\$4,439
Henry	Nov	64.00	99.0	110	\$3,500
Henry	Nov	120.00	97.0	115	\$4,300
Whiteside	Apr	93.91	95.0	103	\$4,025
Whiteside	Jun	40.00	99.0	107	\$4,000
Carroll	Apr	94.08	76.0	101	\$3,454
Carroll	Jul	44.50	97.0	106	\$4,045
Ogle	Jul	113.02	97.0	103	\$5,500
Lee	Apr	80.00	98.0	122	\$3,200
Stephenson	Mar	72.50	97.0	101	\$3,700
Bureau	Jun	131.81	71.0	114	\$2,700

Fair Productivity Tracts

This region had limited sales of Fair Productivity Tracts. It is of the opinion that these tracts are not being driven by investors and thus there have been less parcels offered.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henry	Jun	40.00	95.0	88	\$2,300
Henry	Jan	573.05	99.0	96	\$2,225
Whiteside	Jan	79.44	99.0	97	\$2,593
Ogle	Aug	125.50	92.0	93	\$4,016
Lee	Jun	40.00	83.0	99	\$3,125
Whiteside	Jan	405.30	91.0	95	\$3,275

Recreational Tracts

Wooded tracts used for deer and turkey hunting have been in strong demand especially from wealthy buyers who are within driving distances. Also increasing is the amount of land being leased for daily or weekly hunting slots.

County	Sale Date	Total Acres	Total Price/Ac	Other
Henry	Nov	143.01	\$1,510	Timber
Henry	Nov	190.53	\$2,490	Timber
Henry	Nov	73.39	\$3,110	Timber
Lee	Mar	80.90	\$3,400	
Stephenson	Jun	38.00	\$3,400	
Stephenson	Jun	103.00	\$2,901	
Bureau	Apr	40.00	\$3,000	Timber
Bureau	Mar	128.10	\$2,693	Timber
Mercer	Dec	18.29	\$3,280	
Mercer	Dec	24.02	\$2,998	
Jo Daviess	Sep	242.88	\$3,552	

Transitional Tracts

Limited number of sales, but most Transitional Tracts are moving from agriculture to a rural subdivision or as a single homesite. The sales in this group may remain in agriculture for several years as there are limited areas of high growth.

County	Sale Date	Total Acres	% Tillable	Total Price/Ac	Other
Henry	Nov	30.28	00.3	\$4,170	
Carroll	Sep	140.00		\$2,500	Timber
Ogle	Feb	68.52	96.3	\$10,499	
Ogle	Aug	94.04	99.9	\$13,143	
Lee	Apr	38.50	99.0	\$8,008	
Whiteside	Sep	28.00	93.0	\$25,714	
Bureau	May	40.00	97.5	\$4,300	Subdivision
Bureau	May	30.00	99.0	\$6,000	
Bureau	Mar	22.62		\$4,500	Homesite



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The top farmland values are generally steady in the fall of 2005 compared to a year earlier. When looking back at last year's report; the price increases appear to have leveled off in December 2004 or January 2005. Productive farmland values had seen strong increases in values from 2002 through the fall of 2004. Recreational land values continue their strong rate of value increases through 2005.

The auction buyers in the fall of 2005 have been farmers wanting to expand their operations and the 1031 investors looking to defer taxes on other land sales. There were several investors who bought farmland in this region through brokers during 2005.

The auctions lead the market with broker and private sales making up the rest of the market. Many of the private sales are based upon the prior year's market values and thus appear to demonstrate an undertow in the market prices. Many local farmers have begun to express frustration with the high prices that block their ability to buy land. This

demonstrates a farmer demand for land that provides a floor under the land values.

The recreational market continues to be very strong. This market has overtaken the "farmer buyers" for land of Fair Productivity in much of this region. The recreational buyers blend in with the farmer buyers in setting the values for land in the Average Productivity category as well. There are some farms in the fair and average classifications that sell for less than recreational land.

This shift in the land market dynamics is caused by several factors. There has been a strong residential market and many people just want some space to live. The residential demand has been flush with disposable cash. Higher energy cost might reduce this disposable cash and influence trends in this market. Many of the same people are part of the recreational demand in the land market. West Central Illinois has a claim to big deer and turkey hunting while the coal strip mine spoils have goose and duck hunting along with great fishing.

Land Value and Cash Rent Trends

Overall Summary

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Excellent Productivity	\$4,100 - \$5,100	Steady	Steady	\$160 - \$200	Steady	\$150 - \$190
Good Productivity	\$3,000 - \$4,000	Steady	Steady	\$140 - \$180	Steady	\$120 - \$160
Average Productivity	\$2,500 - \$3,500	Up 16%	Steady	\$100 - \$140	Steady	\$ 90 - \$125
Fair Productivity	\$2,000 - \$2,700	Up 22%	Steady	\$75 - \$135	Steady	Up to \$100
Recreational Land	\$1,800 - \$3,000	Up 30%	Steady	\$25 - \$50	Steady	
Other Sales (River Bottom)	\$2,000 - \$4,000	Up 25%	Steady	\$100 - \$180	Steady	

Excellent Productivity Tracts

These properties get most of the attention with the highest prices in the market. New highs were set during the summer and fall of 2005. The fall auction sales show a slower rate of increase than was noted last year. The fall of 2005 range is \$4,100 to \$5,100. The fall of 2004 range was \$4,200 to \$5,250. The 2003 range was quoted as \$3,100 to \$3,600 per acre. This indicates a narrower range with a similar top end of the values.

Some of the extreme upper end sales have occurred where sales involved neighboring landowners getting into a bidding war at a public auction.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Hancock	Jan	83.50	100.0	143	\$4,100
McDonough	June	94.00	100.0	142	\$4,550
McDonough	June	80.00	100.0	139	\$4,938
Hancock	June	120.00	100.0	137	\$4,475
Henderson	June	80.00	97.5	142	\$5,117
McDonough	July	134.30	98.4	141	\$5,095
McDonough	July	82.86	90.9	142	\$4,983
McDonough	July	112.28	98.4	140	\$4,445
Fulton	July	158.62	97.7	142	\$5,043
Fulton	Oct	160.00	98.8	142	\$4,700
Knox	Nov	60.63	95.7	133	\$4,100
Fulton	Nov	120.00	94.4	135	\$5,010
Peoria	Nov	38.8	97.9	136	\$4,780
Knox	Nov	69.25	98.2	140	\$4,600
Knox	Nov	147.43	99.0	142	\$4,700
Henderson	Nov	65.00	98.5	145	\$5,100

Good Productivity Tracts

These properties typically have good soils but will have some blemishes in waterways, poor drainage and rolling topographies. These farms show a stable price trend similar to the prices in the Excellent Class of farms. These properties typically have better return on investment because the small differences in cash rents are less than the difference in land prices. 2005 range in prices is \$3,000 to \$4,000 per acre. The fall of 2004 range was \$3,250 to \$4,600 per acre. The 2003 range in prices was quoted as \$2,400 to \$3,200 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
McDonough	Jan	151.77	92.6	129	\$2,833
Adams	Jan	75.11	96.2	129	\$4,000
Adams	Feb	91.00	84.7	118	\$3,350
McDonough	Mar	247.00	92.9	139	\$3,659
Schuyler	Mar	68.13	90.4	126	\$2,635
Schuyler	Mar	112.6	85.4	122	\$2,525
Hancock	Mar	345.26	80.0	122	\$3,035
McDonough	Apr	43.25	99.2	119	\$2,750
Henderson	May	319.00	93.4	129	\$3,345
Adams	Aug	422.50	95.6	131	\$3,669
Adams	Sep	80.00	92.4	128	\$4,100
Adams	Sep	82.85	98.7	129	\$4,400
Knox	Nov	40.00	87.5	119	\$3,400
Peoria	Nov	79.00	98.7	128	\$3,960
Knox	Nov	75.00	68.0	132	\$3,200
Fulton	Jun	81.00	95.1	133	\$3,350
Peoria	Nov	107.00	78.5	132	\$3,885

Average Productivity Tracts

The sale prices for the properties in this category from 2005 ranged from \$2,500 to \$3,480 per acre. The sale prices for the properties in this category from 2004 ranged from \$1,750 to \$4,500 per acre. There are two sales in this category that went over \$4,000. This was up from the 2003 typical range in prices of \$1,600 to \$2,400 per acre. These properties typically are more susceptible to adverse weather conditions, therefore the land sales in the spring of 2006 will be interesting after the drought of 2005. This is reflected in the sale prices. These farms have lighter colored soils with level-to-rolling topographies. These properties are less attractive to the investors and typically sell to local farmers. The farms in this category are usually in the 60 percent to 100 percent tillable range.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Hancock	Mar	135.00	88.4	116	\$2,370
Hancock	Mar	82.57	92.0	119	\$2,500
McDonough	Apr	123.41	84.6	111	\$2,638
Pike	Apr	141.55	70.7	110	\$3,231
Pike	Apr	83.16	96.2	115	\$2,800
Pike	Apr	248.49	71.2	115	\$3,480
McDonough	Jul	80.00	47.9	115	\$2,500

Fair Productivity Tracts

This category of sales typically is rolling land but has more tillable land than the recreational buyers prefer. The 2005 range for this class is \$2,000 to \$2,700. There were sales of farms that should fit this definition during 2004. They are included in the Recreational Land class. The 2003 range has been \$1,400 to \$2,100 with higher sales in the grid. These properties many times have a significant amount of the tillable land enrolled in the Conservation Reserve Program (CRP), Conservation Reserve Enhancement Program (CREP) or have creek bottoms that are susceptible to overflow. The buyers of these properties are local farmers and investors with recreational interests while still looking for some return on their investment.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Adams	Feb	172.00	77.7	99	\$2,675
McDonough	May	53.00	87.4	83	\$2,000
Adams	Jul	44.63	69.0	89	\$2,500

Recreation Tracts

The demand for these properties continues to be strong and the prices are reflecting it. The return on investment is not a motivating factor in these properties. The typical range for these farms in 2005 was \$1,800 to \$3,000 per acre. The typical 2004 range was \$1,600 to \$2,500. The 2003 typical range for these farms was \$1,200 to \$2,000 per acre. There are several sales above \$2,250 when the properties include good goose hunting habitat. This is a very wide range but the quality of hunting is reflected in the range. These properties are typically bought by non-farmers and paid for with non-farm income. The higher priced land in this category tend to have at least enough tillable land to provide food plots and seldom include more than 50 percent tillable farms.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Adams	Feb	87.30	34.1	110	\$2,304
Hancock	Mar	56.13	37.9	115	\$2,010
Schuyler	Mar	46.05	24.3	109	\$2,174
Adams	Apr	125.00	63.2	106	\$2,200
Knox	Apr	167.00	47.9	118	\$1,800
Schuyler	Apr	144.00	40.8	112	\$2,100
Peoria	May	15.00	---	---	\$7,566
Schuyler	May	2,214.39	34.0	117	\$2,100
Pike	June	550.00	52.8	109	\$2,800
Pike	July	52.62	18.1	88	\$4,656
Pike	July	41.3	16.2	109	\$2,975
Pike	July	80.00	50.8	109	\$3,500
Fulton	Aug	464	30.2	114	\$2,715
Peoria	Aug	349	---	---	\$2,867
Pike	Aug	138	26.8	98	\$3,000
Pike	Aug	145.85	74.7	113	\$3,267
Pike	Aug	123.08	---	---	\$2,803
Adams	Sep	64.50	80.0	108	\$2,600
Adams	Sep	85.50	34.7	98	\$2,400

Recreation Tracts (continued)

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Fulton	Sep	160.00	30.0	121	\$2,150
Knox	Oct	52.00	19.2	100	\$2,585
Knox	Oct	113.00	32.7	116	\$2,500
Peoria	Oct	140.00	---	---	\$3,600
Fulton	Nov	38.90	48.8	117	\$2,900
Fulton	Nov	100.00	38.0	117	\$2,375

River Bottom Tracts

This market has limited sales with most buyers being local farmers. There are numerous factors that influence these markets besides the productivity of the soils. Some of these additional factors include drainage, elevation, and quality of the levees that protect the area and the quality of the management of the drainage district. The range for this land in 2005 was up to \$4,000 per acre. The 2004 range was \$2,100 to \$3,500. The range for this land in 2003 was from \$2,300 to \$3,700 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Pike	Mar	80.00	96.25	128	\$4,000
Pike	Mar	40.00	96.75	120	\$3,937

Cash Rent

Cash rents in the region have been steady. The low grain prices after good corn yields, low bean yields, and government programs will have major influences in the rents paid for 2005. The ranges for the cash rents for the different categories of land would be as follows:

The University of Illinois Cash Rent bidding created a stir in the area due to the strong competition in one neighborhood. The cash rent bidding for this one farm has more to do with the neighborhood than the cash rent market.

Excellent Productivity:	\$150 to \$190/acre
Good Productivity:	\$120 to \$160/acre
Average Productivity:	\$90 to \$125/acre
Fair Productivity:	\$70 to \$100/acre
Hunting Rights:	\$10 to \$25/acre

There are rents of land in each category that would be outside of these ranges but we have attempted to reflect what we see as normal and have left the extremes out.

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Region Four holds a variety of soils, crops and location influences, which can lead to great ranges in value from one end of the region to the other. The northern portion of Marshall, Putnam and Livingston Counties are heavily influenced by the 1031 tax-deferred exchange buyers coming from the collar counties of Region 1. The center of the region has some impact from the growing communities of Bloomington, Morton and Pekin. The southwestern portion of the region tends to be less influenced by reinvestment dollars and more influenced by the general agricultural economy.

The first three quarters of 2005 showed continued growth in farmland values throughout the region. 1031 tax-deferred exchange money was prevalent. A limited supply of land was available in the early spring through the summer months and the combination of the two factors led to higher prices. Land sales were particularly strong in the northern portion of the region, which is closer to the majority of the 1031 tax-deferred exchange buyers. The final quarter of

2005 showed some softening in Region 4 as trade money was not as readily available. Location became even more critical as 1031 tax-deferred exchange buyers did not have to travel as far south for replacement acres due to increased supply. Interest rates during the final quarter also moved higher, leaving fewer dollars available to any prospective buyers borrowing funds. Land quality became a significant factor in prices paid. This led to a wider trading range in farmland values for Region 4 as we closed out 2005.

Cash Rent rates remained stable as farm operators and landowners recognized the growing influence of higher fertilizer, interest and fuel costs, which led to lower potential returns. Strong influences on cash rent levels include 1031 tax-deferred exchange buyers looking for a competitive return on their investment. As 1031 tax-deferred exchange buyers look at alternative investments to farmland it will be interesting to see if the reinvestment trend continues next year.

Land Value and Cash Rent Trends

Overall Summary

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acre from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>	<u>Ave. Cash Rent/Ac on recently negotiated leases</u>
Excellent Productivity	\$4,590	8 %	Steady to up 2 %	Steady \$155	None	\$170
Good Productivity	\$4,100	4 %	Up 4%	Steady \$135	None	\$145
Average Productivity	\$2,500 to \$3,100	None	Steady	Steady \$110	None	\$120
Recreational Land	\$3,500	10%	Up 5%			
Transitional Tracts	\$8,000 to \$12,000					

Excellent Productivity Tracts

Excellent productivity farmland showed strength throughout the year despite a slight increase in the number of acres available for sale throughout Region 4. Bare farmland values hit new highs for the region at an auction in Woodford County where 1031 exchange money bid to new highs and \$6,250 per acre was the final price. Sellers bringing advertised, high quality tracts to the market over the summer in Region 4 typically received \$5,000 per acre without hesitation. Larger, high quality tracts seemed to be worth more money than high quality smaller parcels, being less than 80 acres in size. As the year moved along, the higher values were mainly found north of Route 9 in this region. Most of the excellent productivity farmland sold between \$4,500 and \$5,300 per acre in 2005 throughout Region 4. Auction sales remained particularly strong for this land class.

land class had the greatest number of acres brought to the market in Region 4. With shrinking 1031 tax-deferred exchange demand late in the year, this land class lost some attractiveness and the price strength backed off from the mid-summer highs to a level of 4 percent. As a result, a wide range in values exist for this category. Most farms sold from \$3,600 to \$4,400 per acre. This land class experienced success with both private treaty and public auctions in 2005. However, toward the end of the year, the privately negotiated process typically led to happier sellers. A number of public auctions in this land class throughout November and December did not reach acceptable sales prices and quite often sales were privately negotiated after the event.

As an interesting statistic, the Illinois Land Sales Bulletin found that 10 sales in this productivity class sold in Marshall County during 2005 with an average size of 75 acres at an average price of \$3,800 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Livingston	Feb	80.19	94.3	135	\$5,150
McLean	Mar	118.74	98.6	141	\$5,125
Marshall	Mar	158.40	96.0	140	\$4,606
McLean	Apr	80.18	96.2	140	\$5,026
Tazewell	June	80.00	96.0	137	\$4,600
McLean	July	149.2	96.2	137	\$5,100
Tazewell	July	97.25	99.0	138	\$4,730
McLean	Oct	240.95	98.0	140	\$4,975
Livingston	Nov	80.00	98.8	137	\$5,200

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Livingston	Jan	40.00	98.8	128	\$4,500
Livingston	Feb	200.00	97.6	129	\$4,000
Marshall	Feb	81.66	91.7	129	\$3,900
Marshall	Feb	231.6	95.4	128	\$3,864
McLean	Feb	184.98	91.7	129	\$4,600
McLean	Apr	140.00	94.7	133	\$4,150
Woodford	Jun	400.00	97.5	127	\$4,318
Livingston	Aug	279.16	96.9	124	\$4,000
McLean	Nov	80.00	93.1	128	\$4,200
Woodford	Nov	80.00	98.8	130	\$3,500
Livingston	Nov	40.00	98.8	118	\$3,900

Good Productivity Tracts

A large percentage of the soils throughout Region 4 fall into this land class. While this land class will typically respond well to high management, these properties often have some unattractive feature such as a lower percentage of tillable acres, more slope, or slightly tighter subsoils than the Excellent farms. This land class was keeping pace with the Excellent Productivity tracts until mid-summer when 1031 tax-deferred exchange trades started to slow down, and an increase in supply to the market occurred. We found this

Average Productivity Tracts

Two major areas in Region 4 occur in this land class. They are an area over by the Illinois River which includes mainly sandy soils in Mason and Tazewell Counties and the area known as the Cayuga Ridge in northern Livingston County. Two value extremes exist as a result of this location difference. Demand continues to be good in Livingston County due to the relative proximity to Chicago's southern suburbs. An ever growing renewed interest in rural land

ownership, has kept prices of Average quality farmland firm in this area. However, droughty soils in a dry year rarely bring local buyers to the marketplace. This was quite often the case in the southwest portion of the Region 4. (Dried up corn crops appear less attractive to absentee buyers as well unless irrigation is present, which would always generate a higher price.) Therefore, the distance from the Chicago collar counties plays a significant role in this land class. We found that as a region, this land class experienced a similar number of acres on the market as compared to 2004 and prices paid were relatively the same at the end of the year as they began in 2005.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Tazewell	Jan	40.00	100.0	106	\$2,600
Mason	Jan	1,373.60	74.3	117	\$2,312
Tazewell	Feb	120.00	99.2	99	\$4,000
Mason	Feb	80.00	98.8	116	\$3,450
Livingston	Feb	160.00	94.1	107	\$3,050
Mason	Mar	170.00	95.3	102	\$2,500
Livingston	Mar	79.47	80.7	113	\$2,800
Livingston	Apr	95.91	99.0	107	\$2,425
Livingston	May	101.00	95.6	116	\$3,000

Recreation Tracts

Several recreational tracts sold throughout the region in 2005. Significant strength was found in most areas with prices ranging from the low \$2,000 range up to \$8,300 per acre near Lake Bloomington on land that the buyer has no immediate plans for development. Most of this land bringing higher values was sold at auction. However, some privately negotiated sales also proved strong demand was present, despite an increase in the number of tracts available for sale. Recreational use seemed to play a significant role in the majority of cases, and is often difficult to track. Land held for potential multiple uses also showed increased demand and higher values. Size of timber and location played a large role as well. We estimated a 10 percent increase was exhibited in recreational land value for 2005 despite a 5 percent increase in the number of parcels for sale.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Woodford	Jan	157.97	27.1	125	\$3,323
Woodford	Jan	157.29	36.9	120	\$2,390
Marshall	Jan	196.37	41.7	112	\$2,585
McLean	Feb	95.62	54.0	115	\$8,300
McLean	June	40.49	33.3	108	\$6,300
McLean	Aug	25.91	34.7	122	\$4,245
Woodford	Oct	213.3	29.7	123	\$2,649
Livingston	Oct	31.52	26.6	116	\$3,045
Livingston	Oct	53.18	30.8	110	\$3,967
Livingston	Oct	30.97	41.1	116	\$4,921
McLean	Nov	221.35	51.5	112	\$4,600

Transitional Tracts

Land adjacent to local Interstate systems or urban areas showed continued strength. The sales listed below are all farmland tracts that will continue to be farmed in 2006. A sale of particular interest happened at Odell, in northern Livingston County, during the month of September. Odell is not a high-growth community, but \$14,305 per acre was paid for 53 acres (with a cellular tower) adjacent to the northwest corner of the I-55 interchange. Likewise, \$12,000 per acre was paid for farmland bordering Interstate 74 south of Bloomington, but not near an interchange. All of the farms listed above are within 3 miles of an urban influence. Most transitional land near semi-urban areas sold for \$8,000 to \$12,000 per acre in anticipation of future development several years from 2005. A modest increase in the number of tracts for sale was likely, but difficult to measure due to the historically limited number of sales in this land class.

County	Sale Date	Total Acres	% Tillable	Nearest Influence	Total \$ Ac
McLean	Apr	55.47	98.0	Normal	\$8,000
Tazewell	Mar	58.00	69.0		\$14,000
Tazewell	June	97.00	98.0		\$12,120
McLean	Sept	167.36		Bloomington	\$12,000
Livingston	Sept	208.04	97.0	Pontiac/I-55	\$6,500
Livingston	Sept	53.13	95.0	I-55 Interchange at Odell	\$14,305
McLean	Dec	184.32	97.0	I-55/Shirley	\$6,500



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Land Value and Cash Rent Trends Overall Summary

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acre from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>	<u>Ave. Cash Rent/Ac on recently negotiated leases</u>
Excellent Productivity	\$4,500 - \$5,200	Up 8 - 10%	Steady	\$175 - \$190	Up 5%	\$185
Good Productivity	\$3,600 - \$4,500	Up 4 - 5%	Steady	\$165 - \$180	Up 5%	\$170
Average Productivity	\$3,000 - \$3,600	Up 10 - 15%	Steady	\$130 - \$150	Up 5%	\$150
Fair Productivity	\$2,000 - \$2,900	Up 10 - 15%	Steady	\$100 - \$130	Up 5%	\$130
Recreational Land	\$1,700 - \$2,500	Up 10%	Up 10%			
Transitional Sales	\$7,500 - \$10,000	Steady	Steady			

Investors continued to show significant interest in all categories of productivity in this region in 2005. This resulted in moderately-increasing to much higher sales prices during the year, with new record sales prices being recorded in many categories. The supply of available properties was steady and demand remained strong, still largely because of the demand from potential buyers who were looking for tax-deferred replacement properties. All categories of land reflected these increases in sales prices,

with increases ranging from 8 to 10 percent in the better quality tillable land to as much as 15 to 25 percent or higher on some of the recreational properties. Auctions continued to be used in the marketing process, but the majority of farms were still sold by private treaty.

Tax-deferred exchanges still account for a large proportion of the buyers in the Eastern Region of Illinois in 2005. The agricultural economy was good to excellent in this region

and the demand for 1031 tax-deferred exchanges was very strong again in 2005. These exchange buyers, from the Chicago metropolitan areas, Indianapolis, St. Louis, and some of the Eastern states where urban sprawl is more prevalent, have been very active in this market. These buyers, who have sold their development parcels in the urban areas, compete vigorously for available parcels and pushed the land to these record price levels, especially on some of the larger contiguous or nearly contiguous Class A farm parcels. These investors have purchased land in this area because of its high production capabilities and the more rural nature of the area. It has been one of the more productive areas of the state where these absentee buyers could get the most acres of highly productive land for prices that were somewhat based on the land's production capabilities and not on its location to some future commercial or residential expansion area.

While these investors were still getting the most acres possible of these high quality farms in their 1031 exchanges, the overall returns projected have been reduced. This is because the competition between buyers for these parcels has increased sales prices and the rental rates in the land leasing market that is approaching an area where additional cash rent has not been readily accepted by farmers. This has not seemed to reduce the desire of these buyers to put their money back in land. It is apparent that land enjoys a "favored asset" status over most other investments by this group of investors. The demand for developmental properties in the major transitional areas continues to bring these 1031 exchange buyers into this Eastern Region of Illinois.

Land has sold through private treaty sales and land auctions. While there are still an abundance of auctions, it does appear that in many instances this method of selling does make it difficult for some of these 1031 exchange buyers. These 1031 exchange buyers are often the most competitive bidders in the market place, and it is sometimes hard to fit all parts of an exchange together when the land is being auctioned on a given day. In some instances, this results in the land not selling as competitively in the current market. This process affects the price that a farm will sell for at a given auction. Because of these factors, prices received at auctions have been more erratic and variable from one sale to another than private treaty sales. However, these auction sales also support the sales price trends and reflect somewhat higher prices than land auctions were bringing in 2004.

Excellent Productivity Tracts

Sales prices for these types of properties were generally in the \$4,500 to \$5,200 per acre price range, although there were some scattered sales above that range. Sales in Champaign and parts of Douglas Counties were generally toward the middle and upper end of that range, while sales recorded in Coles, Edgar, Ford, Vermilion and Iroquois Counties were generally in the lower half of that range. A less than average supply of available Class A farm properties at the beginning of the year, coupled with high demand

for tax-free exchange properties, moved most sales prices upward in this region. An increasing supply of Class A farm properties was apparent as the year unfolded, as more sellers opted to take advantage of the higher selling prices that were occurring in the latter half of 2005. In some instances, select parcels were competitively bid up to record high price levels during the last half of 2005. While land in this category is most popular with tax-deferred exchange buyers, farmer buyers still remain active in some instances, especially for purchasing smaller adjoining tracts or consolidating their owned acreage into closer proximity to their ownership or operation base.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Douglas	Jan	157.00	99.0	144	\$4,800
Douglas	Sept	169.23	99.0	144	\$5,000
Douglas	Oct	266.00	98.0	143	\$5,500
Edgar	Aug	319.18	99.0	141	\$5,099
Edgar	Nov	54.10	96.0	138	\$4,392
Iroquois	May	142.98	97.0	135	\$5,170
Ford	Mar	160.00	97.0	140	\$4,505
Ford	Feb	135.24	95.0	137	\$4,400
Champaign	Nov	80.00	100.0	144	\$5,300
Champaign	Mar	160.00	99.0	143	\$5,100
Champaign	Jan	40.00	99.0	143	\$5,200
Champaign	Jan	120.00	99.0	143	\$5,475
Coles	May	212.00	96.0	144	\$4,100
Coles	Feb	237.40	97.0	152	\$4,507
Coles	Jan	88.40	100.00	148	\$4,200
Vermilion	Jan	160.20	99.0	143.8	\$4,444
Vermilion	Aug	158.64	98.0	141	\$4,750

Good Productivity Tracts

Properties rated with a good level of productivity generally sold in the \$3,600 to \$4,500 per acre price range. Investors find these types of properties attractive because of the anticipation for higher cash return and perhaps a larger number of acres that can be acquired with their investment dollars than can generally be found on Class A properties. Many investors and 1031 exchangers looked at this productivity level because of the more limited supply of the best quality farms in 2005. Because of the diverse soils across this region, there are fairly wide variations in sales prices reported.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Douglas	Mar	104.00	99.0	134	\$4,600
Edgar	Apr	80.00	100.0	125	\$3,500
Ford	Mar	79.40	90.0	128	\$4,433
Ford	Mar	190.00	98.0	126	\$4,300
Iroquois	Aug	46.72	98.0	125	\$4,500
Iroquois	Sep	207.19	97.0	128	\$4,438
Iroquois	Dec	40.00	95.0	119	\$5,350
Iroquois	Feb	66.16	95.0	123	\$3,174
Champaign	Jan	154.20	99.0	134	\$4,000
Champaign	Jan	640.00	97.0	115	\$3,600
Vermilion	Mar	136.34	98.0	130	\$3,557
Vermilion	Oct	138.08	98.0	127	\$4,300

Average Productivity Tracts

Sales prices of farms rated as average-quality productivity generally ranged from \$3,000 to \$3,600 per acre. Most of these occurred in the outlying areas of the region. Buyers for these properties were more likely to be neighboring farmers and landowners, and retired farmers. However, because of the shortage of the top-quality farms available, and the number of 1031 exchange properties needed, more 1031 exchange buyers were active in this category as well in 2005. As the availability of top-quality properties decreases, the activity in all of the other categories continues to increase.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Edgar	Apr	80.00	60.0	111	\$2,280
Iroquois	June	86.27	93.0	114	\$2,914
Iroquois	Apr	130.81	99.0	110	\$3,058
Iroquois	May	156.97	98.0	109	\$3,850
Iroquois	June	80.00	99.0	109	\$3,500
Coles	May	42.00	96.0	112	\$2,908
Vermilion	June	158.34	99.0	110	\$2,875

Recreation Tracts

Demand for recreational properties (woodland, ponds, creeks/streams, rolling topography, etc.) remained very strong in 2005. The supply of this type of property is low in this region, and generally these tracts are found in the more remote areas. It is difficult to accurately analyze the market for these types of properties. Prices can vary greatly depending on the motivations and knowledge of buyers and sellers. Often emotional reasons, rather than strictly financial reasons, coupled with a buyer's financial position, create the varied prices shown in the marketplace. There is a lot of cash in the economy at this time. As the discretionary cash positions have gotten stronger in 2005, the investors who are looking for hunting and recreational properties have continued to bid up the choice properties to new highs. Because competition for this land is high, prices have generally ranged from a minimum of \$2,000 to as high as \$2,900 per acre, with higher prices seen above that range on special properties and situations. These prices can increase dramatically for factors such as location, scenic features, and access.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Vermilion	Apr	140.00	53.0	124	\$2,500
Douglas	May	24.50	---	131	\$2,000
Douglas	May	18.75	---	100	\$2,667
Douglas	Feb	21.83	---	125	\$2,428
Edgar	Feb	150.00	50.0	111	\$1,633
Edgar	Mar	77.51	---	120	\$1,700
Coles	Mar	31.86	---	---	\$2,150
Coles	Mar	80.00	---	---	\$1,767

Transitional Tracts

Demand for transitional land was very strong in 2005. The term "transitional land" is used to describe land that is located in an area that could have development potential in the next 5 to 15 years. Most of this land is in the outlying areas of Champaign-Urbana and Danville, or in a narrow radius around some of the cities in the region. This type of land will sell for a premium over the general farmland market. Sales prices ranged from \$7,500 to \$10,000 per acre, although many sales fall outside that range, depending on demand and use, as well as anticipated appreciation.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Douglas	Apr	61.31	100.0	144	\$8,787
Vermilion	Mar	172.62	95.0	120	\$3,850

Other Tracts

One property that sold in 2005 for a special use was a 20-acre tract in northern Douglas County, owned by CF Industries. Growmark purchased this property, which included a huge obsolete industrial ammonia storage tank that was removed after the sale. The property will be used as an anhydrous retail sales facility. In general, these properties are rare in this region and occur as special needs present themselves.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Douglas	Oct	179.62	46.0	122	\$3,400
Vermilion	Feb	20.00	---	---	\$10,000



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Land Value and Cash Rent Trends Overall Summary

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acre from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>	<u>Ave. Cash Rent/Ac on recently negotiated leases</u>
Excellent Productivity	\$4,500 - \$5,000	Up 7%	Steady	\$180	---	\$180
Good Productivity	\$3,200 - \$4,000	Up 7%	Steady	\$166	---	\$170
Average Productivity	\$2,000 - \$3,000	Up 7%	Steady	\$120	---	\$120
Fair Productivity	N/A					
Recreational Land	N/A					
Transitional Sales	\$8,000 - \$16,000	Up 7%	Steady	N/A		

Region 6 with Decatur at the center contains seven counties with excellent soils, a large agri-business support network and a high level of interest from non-agriculture sectors. Here are some observations on the year we just completed.

- Although values continued to increase during 2005, the increase was at a slower rate as the year progressed. This may be due, at least in part, to higher interest rates.
- There is still a very strong demand for land in the excellent category and the marketing period for this land is often

very short. There is, however, a lot of land on the market in the good and average categories, which is not moving nearly as quickly as it appeared to a year ago.

- The majority of the buyers in 2005 are attempting to complete a 1031 Exchange.
- As was the case in 2004, there appears to be a definite premium of 10 percent or more for larger tracts. This premium is, however, very difficult to measure.
- This area of the state received much better corn and bean yields than were anticipated. This would normally help to bolster income and land values. The increase in

yields was, however, quickly overshadowed by the significant increase in the cost of crop inputs.

- As was the case in 2004, there seems to be a great deal of volatility in the auctions conducted and for that reason, many sales were done by private treaty.

- With the significant increase in steel prices, there appeared to be fewer capital improvements being done in 2005 as compared to 2004.

The majority of the soils in this region are primarily from two soil associations, one consisting of Drummer, Flanagan and Catlin and the other of Tama, Ipava and Sable. Title to the land in this area of the state is very tightly held and when it does become available, there is an excellent demand. In general, the soil in this area of the state is well-managed with subsurface drainage, soil conservation practices, and good well-balanced fertility. There are very strong markets in the area due to good access to ADM, Staley, Cargill, Illinois Cereal Mills and other handlers. These markets help to provide improved prices for this part of Central Illinois. This is, in turn reflected in higher income potential and higher land values. The table on the opposite page summarizes the land values and cash rents in the central region on Illinois. The values for all categories of farmland appear to be up in 2005. Cash rents paid by farmers would, however, appear to be relatively stable. The area reported record high soybean and corn production again this year. This year, as in the past few years, the number of sales in the region was very high and numbered in the hundreds. There does, however, appear to be a lot of land for sale as we close 2005.

Excellent Productivity Tracts

The sale's prices range from \$3,760 per acre to \$5,600 per acre with an average price paid of \$4,633 per acre. This compares to an average in the Excellent Category of \$4,163 per acre in 2004. This would convert to an increase of 11.3 percent during the last year. There was, however, a significant increase in values late in 2004. Values from the end of 2004 to the end of 2005 would seem to indicate an increase of approximately 7 percent. The sales selected were all over 94 percent tillable and the productivity indexes ranged from 133.5 to 144 according to the University of Illinois Circular 811. The size of tracts reported ranged from 37 to 505 acres. Following is a table of representative tracts, which would typically sell in the 7 county area.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Piatt	Jan	460.00	98.0	140	\$4,500
Logan	Feb	159.40	98.6	140	\$4,350
Christian	Mar	119.00	100.0	141	\$4,550
Christian	Apr	77.23	100.0	141	\$4,100
Shelby	May	37.00	97.3	135	\$4,400

Excellent Productivity -- Continued

Sale County	Total Date	% Acres	P / I on Tillable	Total Tillable Ac	Price/Ac
DeWitt	Jun	320.00	99.5	142	\$5,200
Christian	Jul	240.00	98.3	134	\$4,850
Shelby	July	675.00	94.0	134	\$3,760
Moultrie	Sep	280.00	97.4	144	\$5,000
Piatt/DeWitte	Nov	505.00	98.0	141	\$5,600
Macon	Nov	158.28	94.1	142	\$4,650

Good Productivity Tracts

Eight sales were selected as representative of the sales in the Good Productivity Category. Prices ranged from \$2,950 per acre to \$4,500 per acre. The size of the sales selected ranged from 30 acres to 483 acres. The percent tillable on the selected sales ranged from 93.8 percent to 98 percent. The sales in the Good Productivity Category tend to have somewhat more sloping land with some erosion and drainage issues and a smaller percentage of tillable land than found in general in the excellent category. The soil types found in this category do, however, generally respond well to good management, but require more intensive management to produce optimum yields. The average price reflected in this category was \$3,627 per acre as compared to \$3,340 per acre in 2004. This would indicate approximately an 8.6 percent increase in the past year. The increase from late 2004 to late 2005 would appear to be approximately 7 percent.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Piatt	Jan	89.44	98.0	125	\$3,969
Christian	Feb	34.00	98.0	127	\$3,250
Macon	May	96.82	95.4	133	\$3,200
Shelby	May	40.00	95.00	121	\$2,950
Logan	June	113.7	96.0	130	\$3,600
DeWitt	July	483.00	97.0	129	\$4,500
Shelby	Sep	30.00	97.3	130	\$3,600
Christian	Oct	131.04	93.8	130	\$3,950

Average Productivity Soils

Two sales were selected to reflect the market in the average productivity tracts in Region 6. The average price was \$1,430.50 per acre while the range in prices was \$1,350 per acre to \$1,511 per acre. The soil productivity index ranged from 106.2 to 114. The average price for this category was \$2,300 per acre in 2004. It is our committee's opinion that the number of sales shown is not sufficient to make any conclusions regarding the change in values from 2004 to 2005. It is our opinion, however, that the market is stable to up slightly.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Shelby	Apr	185.00	97.8	114	\$1,511
Shelby	Aug	90.00	80.0	106	\$1,350

Transitional Category

One sale is included in the transitional category. In this area of the state, as well as in most areas, there is land being farmed near cities, towns or villages where it's highest and best use is changing to development for other purposes, such as residential, industrial, or commercial. Transitional tracts can often be very productive soils with a higher percentage tillable. This is not generally a factor in the sale price, however. The sale cited was \$14,500 per acre. Although the sales in this category have been relatively stable for the past few years there does, however, appear to be a slight movement upward.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Macon	Mar	37.40	100.0	---	\$14,500



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Land Value and Cash Rent Trends Overall Summary

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acre from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>	<u>Ave. Cash Rent/Ac on recently negotiated leases</u>
Excellent Productivity	\$4,500	Up 10%	Steady	\$185	Steady	\$185
Good Productivity	\$4,000	Up 10%	Steady	\$175	Steady	\$175
Average Productivity	\$3,000	Up 10%	Up 5%	\$160	Steady	\$160
Fair Productivity	\$2,500	Up 5%	Up 5%	\$140	Steady	\$140
Recreational Land	\$2,200	Up 5%	Up 10%			
Transitional Land	\$7,000 +	Even	Steady			

Region 7 is a very diverse area of farmland in Illinois. There are significant changes in soils from north to south by virtue of ancient glacier movements and from east to west due, in large part, to the influences of the Illinois, Mississippi and Sangamon Rivers.

The broad, mostly level prairies are mostly Tama, Ipava and Sables soils north of the Moraine line and Virden, Herrick and Harrison soils south of that line. The rolling areas formed under upland hard wood timber are mostly Fayette, Rosetta, and Keomah soils.

Adjacent to the rivers and streams are bottomlands

frequently including Sawmill, Wakeland and Beaucoup soils. The steepest, usually timbered hillsides, are frequently Hickory and Fishhook soils. There are several areas of sand outcroppings, particularly in northern Menard and Cass Counties adjacent to the Sangamon River. Calhoun County, which lies farthest southwest of the Region 7 counties, is located between the Illinois and Mississippi Rivers. These rivers influence weather patterns sufficiently to allow particularly, peach, plum and apricot orchards.

Sale prices varied widely in 2005 in the West Central Area. Sangamon, Macoupin, Menard, Montgomery, Mor-

gan, Jersey, and Calhoun Counties saw significant appreciation in values. These counties all have one or more sales exceeding \$4,000 per acre, for agricultural usage. Sangamon, Morgan, Jersey, and Calhoun Counties saw sales exceed \$5,000 per acre. Land sales for development in these counties would frequently sell at double the farmland value and more.

Overall in the 10-county, West Central Region, land prices were steady to higher and even extremely higher in 2005. The demand for Class I land remained extremely strong as did the demand for recreational use lands. Factors that contributed to the strength of the market included:

- Extremely good crop yields.
- Low interest rates.
- A significant number of tax-deferred exchange buyers.
- Significant interest in purchase of recreational use properties, particularly the areas with whitetail deer populations and those with turkey populations.

Value from auctions and private sales were strong. In most cases, demand is greater than supply.

Excellent Productivity Tracts

This land, generally described as flat, black and square, is in great demand. Particularly in Sangamon, Morgan, Montgomery, Macoupin and Jersey Counties. Many persons seeking tax-deferred exchanges wanted land of this quality and bid aggressively for it.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Cass	July	145.00	99.0	130	\$3,950
Calhoun	Sep	152.00	99.0	133	\$5,773
Greene	May	100.00	98.0	135	\$3,950
Jersey	Mar	48.00	99.0	133	\$5,000
Macoupin	Apr	120.00	98.0	133	\$4,500
Menard	Jan	120.00	97.0	136	\$4,592
Montgomery	Feb	80.00	98.0	134	\$4,375
Morgan	Feb	80.00	99.0	140	\$5,650
Morgan	Dec	170.00	98.0	140	\$5,300
Sangamon	Jan	256.00	97.0	135	\$4,880
Sangamon	Aug	82.00	97.0	135	\$4,846
Sangamon	Nov	123.00	94.0	133	\$5,100

Good Productivity Tracts

Properties in this category generally have sold \$400-\$600 per acre less than the Class I farms. Generally speaking, this class of land will sell between \$3,500 and \$4,500 per acre. This class usually has one or more hazards. Those hazards may include: lessor productive soils, unusual shape, varying topography, lack of road frontage, ditches or ponds, cut by roads or railroads or other public utilities, or neighborhood history. Since the demand is greater than the availability of Class I land, more buyers seem willing to look at and negotiate purchases of lesser classes of farmland.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Calhoun	Jul	80.00	88.0	121	\$2,787
Cass	Jan	122.00	94.0	125	\$3,260
Greene	Jul	105.00	94.0	125	\$2,850
Jersey	Sep	120.00	92.0	124	\$4,375
Macoupin	May	185.00	95.0	125	\$3,750
Macoupin	Mar	185.00	88.0	122	\$2,566
Menard	Jan	169.00	93.0	126	\$3,258
Menard	Jul	78.00	97.0	129	\$3,860
Montgomery	May	160.00	98.0	124	\$3,400
Montgomery	Sep	150.00	97.0	127	\$3,870
Morgan	May	157.00	99.0	126	\$3,650
Sangamon	Jul	101.00	98.0	130	\$4,372
Sangamon	Jun	200.00	99.0	129	\$4,080
Scott	Jun	52.00	96.0	129	\$3,025
Scott	Sep	1,591.00	87.0	120	\$2,576

Average Productivity Tracts

This classification of farmland included significant variation of farms across the region. Most of the sales of average productivity varied in sale prices from a low of about \$2,000 per acre to as much as \$2,700 per acre. Higher prices generally are nearer to metropolitan centers.

Recreational Property

There is a significant demand for this type land across the entire area. By and large, the higher prices are paid for lands nearer the larger cities. Some competition by the 'Equine Set', particularly near the larger cities, namely Springfield and Jacksonville, also influenced this market.

Values become particularly attractive to investors when consideration is given to CRP or CREP programs offered by the USDA, but not limiting recreational uses. This combination oftentimes creates markets as high as \$2,200-\$2,600 per acre.

To good managers, returns of perhaps \$120-\$150 per acre from federal programs can be achieved plus sale of hunting rights at rates in the area of \$500-\$1,000 per hunter per week.

Special Use Properties

Calhoun County represents one of the unusual counties in this area. Several farms with permanent plantings sold in the \$5,000 to \$5,500 per acre range. In other areas, there are beginning to be small acreages devoted to small fruits, vegetables and vineyards.

Livestock facilities are becoming fewer, but those that meet a niche market do thrive and oftentimes grow. Prairie Farms Dairy at Carlinville in Macoupin County pulls raw milk from a broad area to meet an ever-increasing demand. Slaughter facilities at Beardstown attract area hogs.

Rents

A significant amount of farmland in Region 7 is owned by persons who neither live on nor farm their land. Therefore, there are a substantial number of farms leased to tenant-operators.

Most of the leases are one of three types, those being crop share, crop share with supplemental cash rent and cash rents.

Crop share is as it sounds—owner and operator share both income and expenses, taking equal risk of production. In several west central counties, a supplemental cash rent of from \$15 per acre to \$35 per acre is added to the tenant operator's share to equalize income.

Cash rents have stayed strong, primarily because all risk is shifted from owner to operator. Competition between aggressive farm operators has led to rents in the area of \$1.25 per production index point average to a high of \$1.40 per P.I.

Examples would be:

Ipava Soil - P.I. of 142 x \$1.25 = \$177 per acre

Fayette Soil - P.I. of 122 x \$1.25 = \$152 per acre

Ipava Soil - P.I. of 142 x \$1.40 = \$199 per acre

Summary

Farmland values in Region 7 continued to show strength throughout 2005. Tax-deferred 1031 money continued to influence the land market, although in many auctions, it was local farmers outbidding the outside investor to retain land.

Large tracts of land 320 acres to 640 acres will generally sell at a premium, with the excellent production land defined as flat, black and square, and all tillable, bring the highest dollar. Obviously, there are not many acres of this type available, so some buyers look to lesser productivity or quality to meet their demands.

There continues to be significant demand for recreational use properties, particularly those frequented by white tail deer, turkey, upland game birds or migrating geese and ducks. These bring the highest prices when they can also be placed in the CRP or CPEP programs.

Demand for rural residential development remains strong, as does commercial development in some areas.

Cash Rents have remained steady, mostly averaging about \$1.30 per production index point, based on University of Illinois Circular #811. Cash Rents are significantly affected by available government payments. 2004 payments were significant, but change in the agriculture programs could influence future years.

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Region 8 - Southwest

Land Value and Cash Rent Trends Overall Summary

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acres from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>
Good Productivity	\$6,000	Up 15%	Steady	\$130 - \$150	Up 5%
Average Productivity	\$4,000	Up 15%	Steady	\$100 - \$125	Up 15%
Fair Productivity	\$2,500	Up 14%	Steady	\$75 - \$80	Up 4%
Recreational Land	\$2,500	Up 15%	Steady	\$5 - \$10	Steady
Transitional Tracts	\$10,000	Up 30%	Steady		

Region 8 in Southwestern Illinois consists of 7 counties, 4 of which border the Mississippi River. St. Louis, MO is across the river from Madison and St. Clair Counties in Illinois that are part of Region 8. St. Louis has a locational influence on land values in the region due to its large population base and development potential. The western halves of Madison and St. Clair Counties are mostly urbanized and residentially developed. Together, Madison and St. Clair Counties have a population of over 500,000. In recent years, the pace of new residential development has increased and more land is being taken out for development. This, in turn, is creating more demand and higher land values for agricultural land surrounding the St. Louis urban influence. With a large population base within easy driving distance, recreational

land is also in high demand in Region 8. The Kaskaskia River flows through the eastern and southern portions of Region 8. The Mississippi River forms the western boundary of Region 8. Together, these two major river basins and their tributaries provide a large area of wooded acreage suitable for recreational use. Agricultural land in Region 8 is mostly of average productivity and is typically used for raising corn, soybeans, and wheat.

Cash rents continued their upward trend in 2005. Most of the “Good Productivity” type soils are near the developing areas here in the Metro East. As 1031 buyers and speculators purchase these tracts, they negotiate to get a competitive cash rent return. We have seen the greatest increase in cash rents in the “Average Productivity” category. The

cash rents on the “Good” ground cause a ripple effect, but the exceptional yields that have been harvested from this “Average” dirt have been the main reason for pushing rents higher. Recreational Land usually rents for \$5 to \$10 per acre with an occasional \$20/acre lease.

Good Productivity Tracts

There is a narrow band of good productivity soil types in the eastern halves of Madison and St. Clair Counties. Due to its location close to the St. Louis urban fringe influence and better-than-average yield potential, the good productivity soil types tend to command a premium in the market and are strongly sought after by farmers and investors alike. Sale prices in 2005 for the good productivity tracts in St. Clair and Madison Counties tended to center around \$6,000/acre. The Madison County sale that sold for \$5,450/acre was not all tillable due to about 13 acres of salt water damage from an oil well on the property. The sale in Monroe County is located in the levee-protected Mississippi River bottoms on the western side of Monroe County. There is no urban fringe potential for development at the location of this sale in the river bottoms due to the potential for flooding by the Mississippi River in the event of a levee failure.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
St. Clair	Feb	40.20	99.5	126	\$6,020
Madison	Oct	80.00	100.0	133	\$6,000
Madison	Oct	198.77	93.0	130	\$5,450
Monroe	Jan	73.3	100.0	124	\$3,700

Average Productivity Tract

Most of the Region 8 area is made up of average productivity soil types. Location is an important factor of value in this region. Land values in the western portion of the Region 8 area are strongly affected by the St. Louis urban fringe influence. As a result, land values in St. Clair, Madison, and Monroe Counties tend to be higher than values for the same type of soil in the counties further away from St. Louis. As shown by the above selected sales, land values for average productivity tracts tend to be around \$3,000/acre in the eastern and southern portions of Region 8. Closer to the St. Louis urban fringe influence, values tend to be more in the \$4,000 per acre to \$5,000 per acre range, or more, for average productivity soils depending on location. As more farmland in the western portions of St. Clair and Madison Counties is absorbed into development, there is a trend for the farmers to relocate or expand their farming operations toward the east and south.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
St. Clair	Feb	102.00	93.0	110	\$4,900
Clinton	July	108.00	100.0	112	\$4,000
Madison	Sep	75.70	99.0	100	\$4,550
Bond	Dec	117.5	93.0	101	\$3,150

Fair Productivity Tract

Fair Productivity tracts in the Region 8 area tend to be more rolling farms or creek bottom properties subject to overflow. Often fields are irregularly shaped with a certain amount of non-tillable acreage, usually wooded. These types of farms generally require additional inputs of time, labor, and management, and can be more inefficient to farm with large modern machinery than better types of properties. As a result, the Fair Productivity tracts are less appealing to farmers and investors for agricultural purposes than the better farm types. These tracts are more prevalent toward the southern and eastern portions of Region 8 and tend to be located near major creeks and streams where the topography slopes off toward the creek bottoms. In Region 8, values for Fair Productivity tracts fall in a range of roughly \$2,000 per acre to \$3,000 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Randolph	Oct	120.00	61.0	100	\$3,100
Washington	Mar	40.00	99.0	95	\$2,970
Washington	Mar	56.00	94.0	100	\$2,650
Bond	Jan	100.00	70.0	100	\$1,988
Bond	Feb	78.63	86.0	100	\$2,200

Recreation Tracts

Recreational Tracts in Region 8 are mostly wooded with less than half of the acreage tillable. If there are tillable fields, they will usually be small and oddly shaped making them difficult to farm efficiently. Agricultural income may be an attractive side benefit to ownership of these properties, but is not the primary motivation. Usually, the buyers of these recreational properties are non-farmers and hunters looking for the recreational opportunities, rather than agricultural production of the tract.

There is a strong demand for Recreational Tracts in Region 8 due to the large population base around St. Louis. Most of Region 8 is within an hour drive of St. Louis, making it convenient to utilize a recreational property. Values for Recreational Tracts in Region 8 have been increasing in recent years due to strong demand. Most sales fall in the \$2,000/acre-\$3,000/acre range, and tend to center around \$2,500/acre for tracts of 40 acres or more. Smaller tracts may bring more toward the upper end of the range.

Good advertising through a realtor or auctioneer tend to bring more bidders into competition by making non-local prospects aware that the property is available for sale. Most Recreational Tracts tend to be toward the southern and eastern portions of Region 8 away from the more heavily developed and urbanized areas in the northwest part of Region 8. The Kaskaskia River flows through the eastern and southern portions of Region 8 and much of the wooded area in the Region follows along the Kaskaskia and its tributaries.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clinton	Sep	40.0	---	---	\$2,195
Monroe	Aug	87.50	19.0	100	\$2,571
Washington	Mar	50.00	47.0	100	\$2,500
Bond	July	50.00	47.0	100	\$2,500
Bond	July	52.5	44.0	100	\$2,552

Transitional Tracts

The first sale is south of the Air Force base on a dirt twp road with only electric and telephone. The second is on a main county road near residential development but does not have sewer available. Sale three is on a twp road near new housing with water and sewer a quarter mile away. Sale four is east of I-55 by Hamel on the service road. It has all utilities except sewer, which is on the other side of I-55. The buyer tilled the land and plans to farm it. Sales 5 & 6 adjoin and were bought by the same buyer of sale 4. Sale 5 has frontage along a state highway, all utilities except sewer. Sale 7 is in south central Monroe County in an area with public water and scattered rural home subdivisions.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
St. Clair	Feb	40.20	100.0	135	\$6,019
St. Clair	May	172.20	93.0	128	\$14,510
St. Clair	Apr	19.00	100.0	121	\$14,736
Madison	May	55.00	98.0	118	\$10,816
Madison	May	77.70	100.0	120	\$13,000
Madison	May	80.00	100.0	120	\$11,200
Monroe	Mar	64.60	93.0	118	\$8,500

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Other Tracts

Sale one adjoins the south side of Columbia with all utilities available. Access is by a quarter mile long 15 foot wide easement. It first sold at auction for \$500,000 which the owner refused. One week later the adjoining neighbor with a 1031 investor bought it for above price. Land similar to the sale with public road frontage would sell for \$18,000 to \$22,000. The next five sales are pre-law strip mined land, meaning they are steep wooded ridges with a small area of level land along the twp road. The first 25 acres did have 12 acres of natural cropland. The next three are similar to each other and the 8.2 acre tract has a one acre building site. They all have electric and telephone but not sewer or water.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Monroe	June	80.00	30.0	112	\$8,125
St. Clair	Apr	25.00	50.0	108	\$6,800
St. Clair	Apr	25.00	---	---	\$6,200
St. Clair	Apr	25.00	---	---	\$4,800
St. Clair	Apr	25.00	---	---	\$6,200
St. Clair	Apr	8.20	---	---	\$8,536

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Region 9 - Southeast

Land Value and Cash Rent Trends

Overall Summary

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acres from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>	<u>Ave. Cash Rent/Ac on recently negotiated leases</u>
Good Productivity	\$3,500	Up 3%	Down 15%	\$135	Up 3%	\$140
Average Productivity	\$3,000	Up 10%	Stable	\$120	Up 5%	\$125
Fair Productivity	\$1,800	Up 6%	Stable	\$90	Stable	\$95
Recreational Land	\$1,800	Up 6%	Up 10 - 15%			
Transitional Tracts	\$5,000	Stable	Stable			

Region 9 has seen large variations in the number of properties sold and price per acre. Most of the cropland in Region 9 is of average productivity. Prices for Average Productivity land can vary from \$2,200 to \$3,000 in our region. Recreational land will also vary from around \$2,000 per acre in the north to as low as \$1,300 in the south.

Cropland is tightly held by farm operators and most sales occur to settle estates. Most buyers are local farmers looking to expand their present operations. Many areas of Region 9 were affected by drought this year. Varying crop yields in 2005 have taken some potential buyers out of the market.

Auction sales have been used extensively in this area. There is some evidence that buyers are less anxious to bid at auctions and would prefer private sales.

Good Productivity Tracts

Most of the Good Productivity soils are located along the Wabash River and there are small areas of Shiloh and Ebbert soils located in prairie uplands. Most soils in our region have a productivity level below 115, so we have few sales of Good Productivity soils. In 2005, sale prices ranged from \$23.00 to \$29.00 per PI point.

County	Sale Date	Total Acre	% Tillable	P / I on Tillable Ac	Total Price/Ac
Cumberland	Apr	40.00	93.8	131	\$3,000
Fayette	June	57.50	100.0	118	\$2,000
Clark	Mar	38.00	98.7	117	\$2,000
Wabash	Apr	198.22	98.0	133	\$3,700

Average Productivity Tracts

Average Productivity soils make up the majority of the cropland in our region. Most of the soils are developed from prairie and timber vegetation. Prices for this land class vary widely throughout our region. In 2005, sale prices ranged from around \$19.00 per PI point in Wayne County to \$33.00 in Jasper County.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Jasper	July	40.00	97.8	108	\$3,069
Richland	June	117.00	99.2	109	\$3,162
Cumberland	Sep	73.70	99.0	108	\$2,592
Wayne	Apr	80.00	94.9	103	\$1,920
Fayette	Aug	280.00	97.9	103	\$2,733

Fair Productivity Tracts

Most of the Fair Productivity land is located in the southern part of our region, but fair soils are present in all counties. Many of these tracts are only partially tillable and may have irregularly shaped fields.

The value of the non-tillable land has been strongly influenced by buyers seeking land for recreational purposes. Also, many areas now have public water available. In these areas, Fair Productivity land is often purchased as a rural building site. In 2005, sale prices ranged from around \$12.00 to \$30.00 per PI point.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Cumberland	Feb	85.00	74.2	99	\$1,600
Clay	Feb	72.84	50.7	98	\$1,458
Jasper	June	33.33	67.2	90	\$1,800
Crawford	July	40.00	96.5	95	\$2,000
Jasper	Jan	80.00	83.9	99	\$2,450

Recreational Tracts

Recreational land has been strong in this market and a typical tract size is around 60 acres. Prices vary from \$2,000 per acre in the north to as low as \$1,300 in the south.

Recent market trends have attracted a number of sellers as well. Currently, recreational land will sell at or above the pricing common for fair productivity cropland owner.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clark	Jan	83.00	---	---	\$1,747
Jasper	Apr	40.00	24.5	100.0	\$1,900
Clay	Nov	36.20	8.2	90.0	\$1,260
Effingham	Jan	80.00	43.9	---	\$2,000
Wayne	Oct	40.00	25.9	---	\$1,250

Transitional Tracts

Most transitional land sales occur around major employment areas. Many residents travel to Effingham and Olney, IL as well as Vincennes, IN for work. Interstate highways are available to our counties along the north and west sides of our region. Developers tend to purchase land as it becomes available and the development of the site may not begin for several years. Location near a growing community and the availability of good utilities are major influences in Transitional Tracts values. Developers of residential sites now tend to favor wooded or rolling land were small lakes may be developed.

Sales activity for Transitional Tracts was somewhat less in 2005. Public water availability has increased in rural areas of the past few years and demand for rural residential sites has increased in areas where this is happening. Buyers typically look for 5- to 10-acre tracts and recent sales have ranged from \$4,000 to \$10,000 per acre. Location and the topography of the land are the major factors that influence value.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Richland	July	51.50	100.0	108	\$3,796
Effingham	Nov	22.85	58.9	---	\$21,313
Effingham	Nov	6.06	97.4	---	\$8,145

Other Tracts -- Bottomland

Many of the higher productivity soils in our region are located in river bottoms. Values of these sales vary widely due to potential flooding and drainage problems. Government programs, such as the Wetland Reserve Program (WRP) and the Emergency Watershed Program (EWP) have been used to place long-term or perpetual conservation easements on this type of land. With these easements in place, some areas become favored recreational tracts for waterfowl hunting.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Fayette	Aug	72.00	95.5	144	\$1,750
Jasper	May	20.00	19.6	117	\$3,100
Jasper	Apr	140.00	100.0	117	\$1,100
Edwards	Mar	40.00	91.0	115	\$1,675

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Region 10 - Southern

Land Value and Cash Rent Trends **Overall Summary**

<u>Farm Classification</u>	<u>Total Value/Acre</u>	<u>% Change in \$/Acre from 2004</u>	<u>Change in rate of land turnover (up, steady, down) and %</u>	<u>Ave. Cash Rent Per Acre</u>	<u>% Change from 2004</u>
Good Productivity	\$3,425	Up 10%	Steady	\$120 - 150	Steady
Average Productivity	\$1,669	Up 14%	Steady	\$70 - \$90	
Recreational Land	\$1,615	Up 14%	Up 5%		

Observed land values increased for all levels of productivity throughout the region during the year. Crop yields were again strong through the region despite some extended periods of dry weather during the crop growing season.

Crop share leases continue to be the predominant cropland rental method. We are not aware of an increase in the number of farms being cash rented nor newly negotiated cash rentals through the region.

Recreational land purchases continue to increase across the region. Most of the properties considered in the past surveys as fair quality are now being purchased as recreational properties by buyers from out of the area.

Good Productivity Tracts

The sales of this type of farms are predominantly by private treaty. Most of this quality of land is located in Northern and Eastern White County and Northern Gallatin and Saline Counties. This quality of land rarely sells in the area and the parcels that do come to market do so primarily due to deaths or retirements. The majority of the buyers of this quality of land are local farmers purchasing for expansions. There was only one known sale to an investor since last year's survey. In 2004, the average values were in the range of \$3,100 per acre. In 2005 the average values were in the range of \$3,425 which represents an increase of approximately 14 percent from 2004 observed values.

There were no known sales in this land category for 1031 exchanges.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Jackson	Dec '04	122.50	94.0	123	\$3,456
Saline	Dec '04	80.00	100.0	136	\$3,875
Gallatin	Jan	60.00	99.0	132	\$4,167
Gallatin	Mar	200.00	97.0	129	\$2,900
Gallatin	Sep	39.50	94.0	117	\$3,250

Average Productivity Tracts

A variety of sales methods are used for this type of farm in the area. This quality of cropland is by far the most common for farms found in Region 10. The majority of the buyers of these farms are area farmers purchasing land to expand their current farming operations. The sellers are mostly estates and their beneficiaries, and retiring farmers. Observed sales of this quality of farm were in a wide range from \$1,250 to 2,921 per acre, but tended to group into two separate ranges of \$1,250 to 2,181 and \$2,077 to 2,921 per acre. Farms selling in the \$1,250 to 2,921 per acre range are those most representative for this quality in Region 10. The simple average of the most representative sampling of 26 sales of this quality is \$1,669 per acre which is up 14 percent from an average of \$1,464 per acre for the sampling from a year ago. Sales in the \$2,077 to 2,921 per acre range are from stronger farming and sales "pockets" which are scattered through the Southern Region. The simple average of a sampling of eight sales which are the most representative of this group is \$2,479 per acre which is up 12 percent from the \$2,216 per acre average from a year ago. Above is a sampling of sales from the most representative group discussed.

There were no known 1031 exchanges among these sales.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Jackson	Jan	138.00	86.0	106	\$1,551
Alexander	Feb	32.00	92.0	112	\$1,500
Hamilton	Apr	100.00	90.0	114	\$1,755
Gallatin	July	460.00	83.0	114	\$1,739
Franklin	Dec	47.00	77.0	114	\$1,600


Recreation Tracts

Most of the sales of recreational tracts in the region are through realtors. The primary recreational use for these properties is for deer hunting. Most of the buyers are from larger area towns and from larger urban areas in the midwest. Prior to the boom in recreational land purchases, these farms were purchased by farmers for agricultural purposes. Most of these tracts consists of a combination of low quality open land (cropland, pasture, other open land) and wooded areas. The average value per acre of the sales sampling is \$1,615 per acre as compared to the


\$1,412 per acre from the 2004 study. The higher values for recreational tracts are from the Shawnee Forest area (Pope and Johnson Counties).

County	Sale Date	Total Acres	% Tillable Ac	P / I on Tillable Ac	Total Price/Ac
Franklin	Jan	40.00	44.0	---	\$1,450
Alexander	Apr	95.56	62.0	---	\$1,500
Massac	May	80.00	76.0	---	\$1,692
Pope	May	100.00	31.0	---	\$1,800
Pope	Nov	55.00	9.0	---	\$1,800

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The Farmland Market in 2005: Results of a Land Characteristics Survey

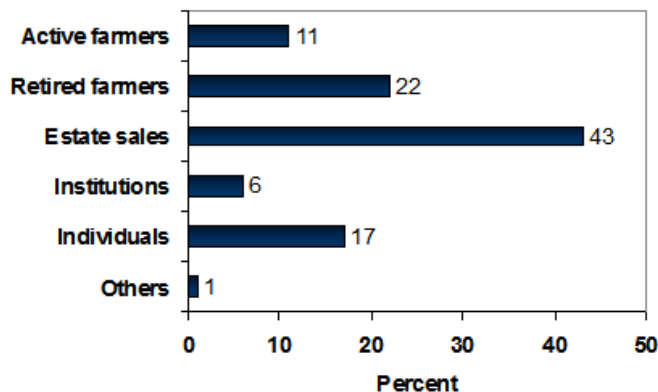
by Gary Schnitkey, Ph.D.
University of Illinois

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey in which it asks knowledgeable individuals to describe aspects of the farmland market. The goal when conducting the survey was to gain a better understanding of the factors impacting the farmland market. This year the survey focused on 1) characteristics of sellers of farmland, 2) characteristics of buyers of farmland, 3) reasons why farmland prices increased in 2005, and 4) projections for 2006 and 2007. The following sections report results.

Sellers of Farmland

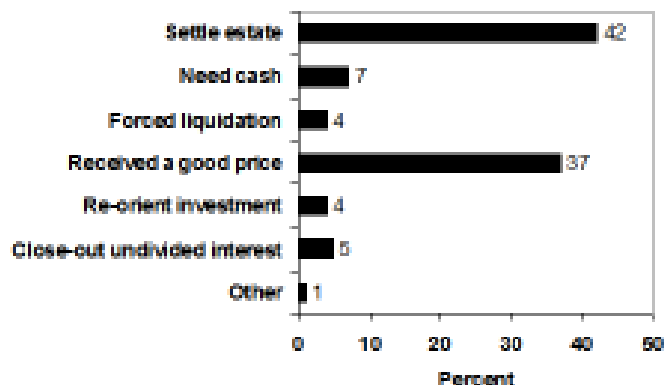
Survey respondents were asked to divide sellers of farmland into six categories: active farmers, retired farmers, estate sales, institutions, individual investors, and others. Estate sales accounted for 43 percent of the sales and were, by far, the largest category of sellers (see Figure 1). Estate sales were followed by farmers, with 22 percent of those farmers being retired and 11 percent being active farmers. Individual investors accounted for 17 percent of the sellers, followed by institutions (6 percent) and others (1 percent).

Figure 1. Sellers of Farmland, Illinois, 2005.



Survey respondents were asked to identify reasons why farmland was sold. The major reason for selling farmland was to settle estates, accounting for 42 percent of the farmland sales (see Figure 2). "Receiving a good price for farmland" was the next highest reason with 37 percent of the sales. Remaining reasons were need for cash (7 percent), close-out undivided interest (5 percent), re-orient portfolio (4 percent), and forced liquidation (4 percent). Other reasons accounted for 1 percent of the sales. Overall, most sales occurred to free up funds for other uses and were not the result of financial stress.

Figure 2. Reasons for Selling Farmland, Illinois, 2005.



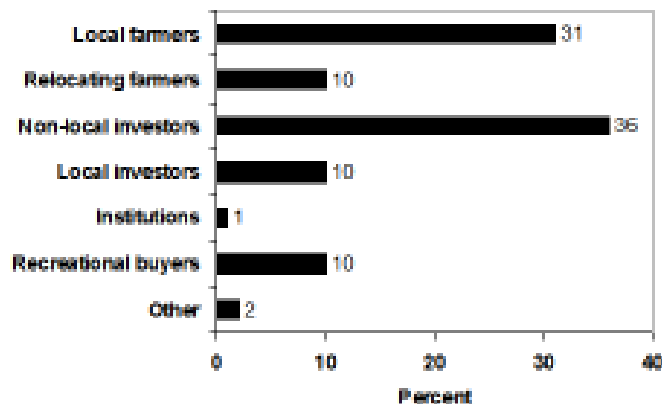
Most sellers did not expect to replace sold farmland with farmland in another area. Only 31 percent of sellers were expected to buy farmland in some other area. Overall, most sellers can be characterized into two categories: 1) estates sales and 2) individuals who are selling farmland to use funds from the sale for other uses.

Methods used for selling farmland included private treaty (55 percent of sales), public auction (30 percent), multi-parcel auction (9 percent), and sealed bid (6 percent). Individuals facilitating sales included real estate brokers (50 percent of sales), auctioneers (33 percent), lawyers (8 percent), bankers (3 percent), and others (6 percent).

Buyers of Farmland

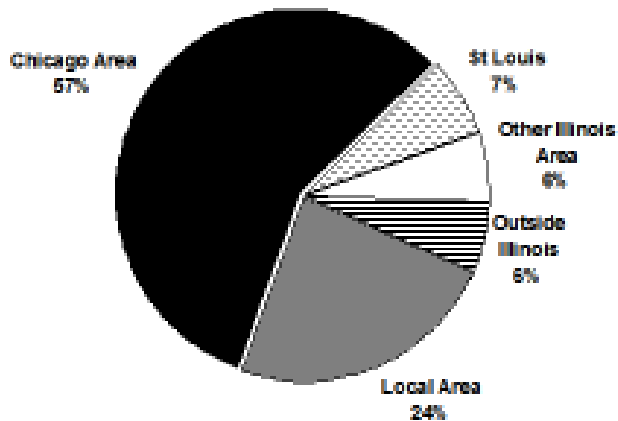
Survey respondents were asked to classify buyers into categories (see Figure 3 for a list of categories). Farmers accounted for 41 percent of the purchasers, with 31 percent being local farmers and 10 percent being relocating farmers (see Figure 3). Individual investors who would not farm the land were the next largest group. Non-local

Figure 3. Type of Farmland Buyers, Illinois, 2005.



investors accounted for 36 percent of the buyers and local investors accounted for 10 percent. Individuals who were purchasing farmland for recreational reasons accounted for 10 percent of the purchasers. Institutions represent 1 percent of purchasers. Overall, most buyers were individuals, accounting for close to 99 percent of farmland buyers. Survey respondents indicated that 56 percent of the buyers

Figure 4. Location of 1031 Buyers, Illinois, 2005.



used 1031 tax-deferred exchange funds to buy farmland. Chicago area 1031 exchange buyers predominated across all regions across the state, accounting for 57 percent of 1031 buyers (see Figure 4). Following Chicago, location of 1031 buyers were the local area (24 percent of purchases), St. Louis (7 percent), other Illinois areas (6 percent), and outside Illinois (6 percent).

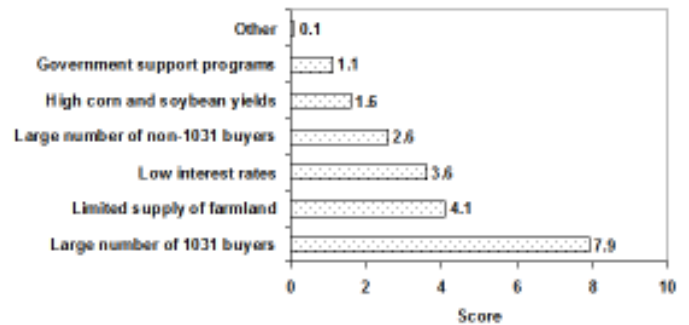
Cash rent leases were the most common lease arrangement used by buyers (79 percent of the leases). Share rent leases accounted for 15 percent of the leases followed by custom farming arrangements (6 percent of the leases). Survey respondents indicated that buyers desired more of returns from farmland as capital appreciation. On average, buyers desired a 5.0 percent yearly current returns and 7.3 percent yearly capital gain. These desired returns are above the average historical returns from farmland.

Overall, buyers of farmland were financially sound. Respondents indicated that 38 percent of buyers required debt financing, meaning that 62 percent had sufficient equity to purchase all of the farmland. Of the buyers using debt financing, respondents indicated that 60 percent obtained funds from Farm Credit Services, 31 percent from banks, 8 percent from insurance companies, and 1 percent from other sources.

Factors Contributing to Farmland Price Increases

Farmland prices increased during 2005. To understand why, survey respondents were asked to choose the three most important factors for farmland price increases among seven factors (see Figure 5). Responses were quantified on a ten point scale. A score of 10 means that this factor

Figure 5. Reasons for 2005 Farmland Price Increase, Illinois.



was ranked as the most important factor by all respondents. A score of 0 means that this factor was not ranked as the top three reasons by any respondent.

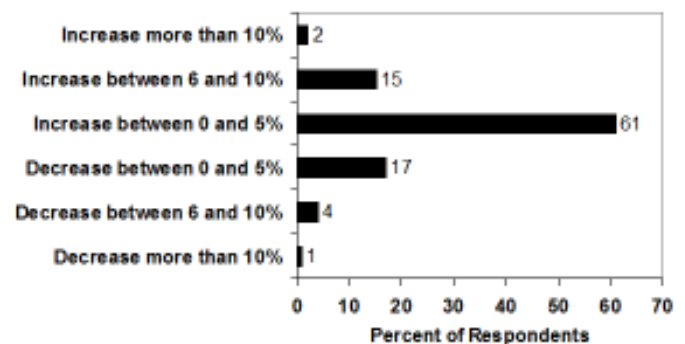
A large number of 1031 buyers received the highest score of 7.9, indicating that respondents believed this factor was the most important factor contributing to farmland price increases. A limited supply of farmland had a score of 4.1 and was the factor receiving the second highest score. Taken together, these two factors indicate that survey respondents believe that demand created by 1031 buyers coupled with a limited supply of farmland were the most important force causing farmland price increases.

Factors receiving lower scores were low interest rates (3.6), large number of non-1031 buyers (2.6), high corn and soybean yields (1.6), and government support programs (1.1). In general, respondents placed low scores on factors impacting farmland returns. Respondents believe that 1031 buyers have had more of an impact on farmland prices than have recent agricultural returns.

Expectations for 2006 and 2007

Survey respondents were asked to indicate whether they expected farmland prices to increase during 2006. Overall, respondents were bullish on farmland prices during 2006. Seventy-eight percent of survey respondents believed that farmland prices will increase during 2006, with 17 percent of the respondent believing that prices would increase by

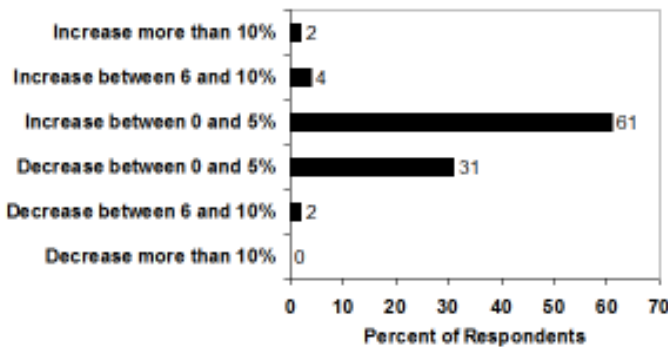
Figure 6. Expected Change in Farmland Price During 2006, Illinois.



over 6 percent (see Figure 6). A minority of respondents believe that farmland prices will decrease, with 17 percent believing that the decrease will be between 0 and 5 percent, 4 percent believing the decrease will be between 6 and 10 percent, and 1 percent believing the decrease will be greater than 10 percent.

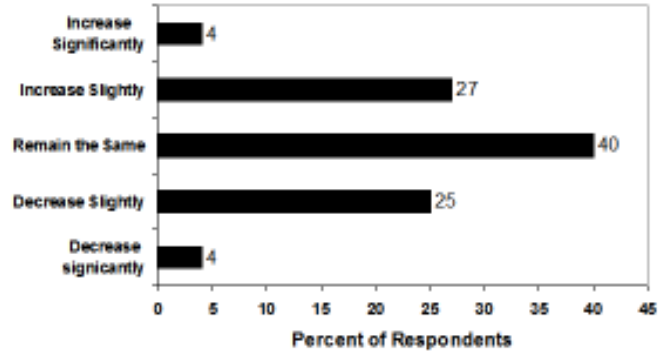
Survey respondents also were asked to indicate whether they expected farmland prices to increase during 2007. Overall, respondents were still bullish on farmland prices during 2007, but less so than in 2006. Sixty-seven percent of the respondents indicated that farmland prices would increase in 2007 (see Figure 7). The 67 percent that believed an increase will occur in 2007 is less than the 78 percent believing in an increase during 2006. Moreover, fewer of the respondents believed that prices would increase over 6 percent for 2007 compared to 17 percent for 2006.

Figure 7. Expected Change in Farmland Price During 2007, Illinois.



Respondents were asked what they expected to happen to the quantity of farmland sold in 2006 as compared to 2005. Forty percent believed that the volume of farmland sold will remain the same in 2006 (see Figure 8). Many believed that there would be slight changes in volume, with 31 percent stating that volume will increase and 29 percent stating it will decrease. Only 8 percent of the respondents believe that large changes in volume will occur, with this 8 percent evenly divided between those that believe it will increase and those that believe it will decrease.

Figure 8. Expectations on Volume of Farmland Sales in 2006 Compared to 2005.



Summary

Results from this survey paint a picture of a robust farmland market. Roughly half of the buyers of farmland are using funds from 1031 exchanges and are financing purchases mainly with equity capital. Survey respondents indicated that these buyers are the most important factor contributing to farmland price increases. These buyers compete for a relatively fixed supply of farmland. This supply is put on the market as estates are settled or farmers retire, indicating that there are not likely to be large changes in the supply of farmland overtime.

Overall, survey respondents believed that the farmland market will increase in 2006. This is a reasonable forecast as the forces leading to a large number of 1031 exchange buyers – development around Chicago and other metropolitan areas – will not likely abate in 2006. Moreover, respondents believe that farmland prices will increase in 2007, though a lesser percentage believes that increases will occur in 2008 as compared to 2006.

Buyers of farmland appear to desire high returns from farmland. Survey respondents indicated that buyers desire a total return around 9 percent, well above the average return to farmland. These expectations may not be met in the future. Moderation in farmland market may occur if buyers of farmland look to other investments to obtain higher returns.

Even given these influences, the farmland market appears to be robust for the next several years. Exchange buyers are likely to exist and supply of farmland will be limited. Interest rates are likely to rise, but will still be at historically low levels.

Incomes and Trends in Illinois Farmland Leasing

by Gary Schnitkey, Ph. D.
University of Illinois

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey concerning farmland leasing in Illinois. From the survey, average incomes from alternative lease types were calculated. These incomes are reported in the next section of this paper. The second section contains results detailing changes in leasing in Illinois.

Average incomes, cash rents, and custom farming payment terms

Survey respondents were asked to estimate average incomes landlords received from alternative leases in 2005. Average incomes equaled gross revenue less all expenses, including a deduction for property tax. Alternative leases are:

1. share rent leases — landlord and farmer share in crop revenues and crop expenses,
2. cash rent leases — farmer pay the landlord a fee for the farmland. The farmer receives all crop revenue and pays all crop expenses.
3. custom farming arrangements – landlord pays the farmer for performing field operations. The landlord receives all crop revenue and pays all crop expenses.

Net incomes for 2005 are reported in Table 1 for four different land qualities: excellent, good, average, and fair. More detail on land qualities is provided in the “Farm Property Classification & Definitions” section in the front of this Report. Across all land qualities, cash rent leases had higher net incomes than traditional crop share leases. For excellent quality farmland, for example, net income averaged \$150 per acre for cash rent compared to \$120 for crop share, a difference of \$30 per acre. Differences between cash rent and crop share across all land qualities were over \$25 per acre: \$25 for good quality farmland (\$135 cash rent - \$110 crop share), \$25 for average quality farmland, and \$25 for fair quality farmland.

Table 1. Per Acre Farm Incomes that Landlords Receive for Different Lease Types and Land Qualities, 2005.

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
Traditional crop share	120	110	95	78
Cash rent	150	135	120	103
Custom farming	160	145	130	100

Net incomes from custom farming were above incomes from cash rental arrangements for excellent, good, and average farmland. For excellent quality farmland, custom

farming averaged \$160 per acre, \$10 higher than the \$150 cash rent income (see Table 1). Custom farming averaged \$10 higher on good quality farmland, \$10 higher on average quality farmland, and \$3 lower on fair quality farmland. Table 1 reports average per acre net incomes. There is much variability in returns across leasing situations. To gain a feel for this variability, the survey contained questions on cash rents. These questions asked Society members to give the average cash rent for the high 1/3, mid 1/3, and low 1/3 of cash leases. Results are presented in Table 2.

Table 2. Per Acre Cash Rents for Top 1/3, Mid 1/3, and Low 1/3 Cash Rent Leases by Land Quality, 2005.

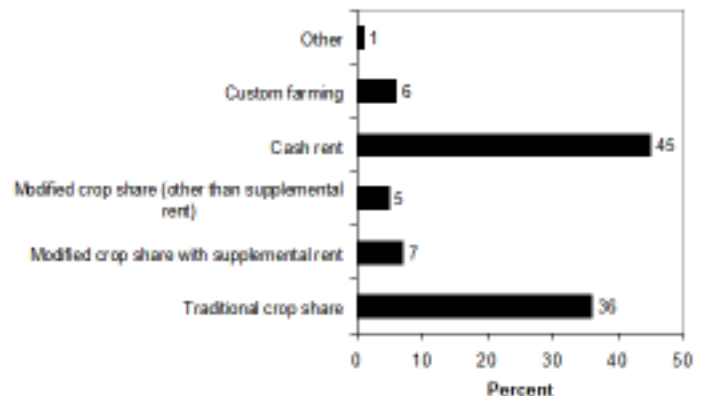
Lease type	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
High 1/3	190	175	150	125
Mid 1/3	170	150	130	110
Low 1/3	150	130	110	90

The average cash rent for the mid 1/3 group on excellent quality farmland was \$170 per acre (see Table 2). The high 1/3 of leases, however, averaged \$190 per acre, \$20 higher than the mid 1/3 group. Similarly, the low 1/3 group averaged \$150 per acre, \$20 lower than the mid 1/3 group. Similar ranges exist across good (\$45 from the high 1/3 to low 1/3 averages), average (\$40 per acre), and low (\$35 per acre) quality farmland classes.

Leasing Trends

Chapter members indicated the percentage of leases falling under different lease type (see Figure 1). Crop share leases accounted for 48 percent of the leases, with traditional crop share leases accounting for 36 percent of

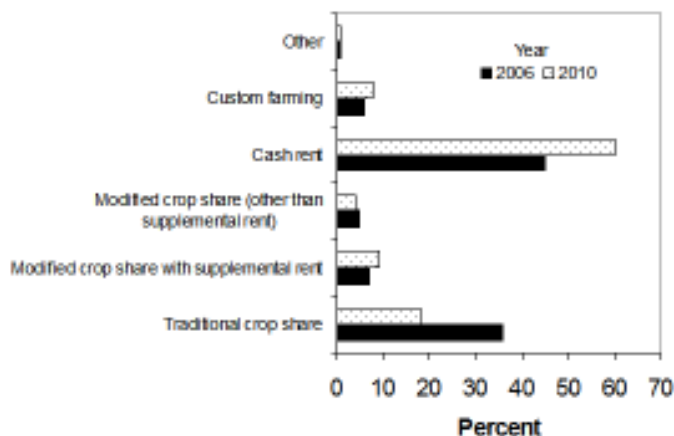
Figure 1. Types of Leases in 2006.



leases, modified crop share leases with a supplement rent accounting for 7 percent, and modified crop share (other than supplemental rent) accounting for 5 percent of leases. Cash rent accounted for 45 percent of all leases. Custom farming represented 6 percent of the leases.

Society members were asked to indicate how lease types percentages would be divided in 2010, four years from the current time point. Respondents indicated movement away from share rent leases toward cash rent leases. Respondents indicated that share-rent leases would account for 18 percent of the leases in 2010, down from 36 percent of the leases in 2006. Respondents indicated that cash rent percentages will increase to 60 percent in 2010, up from 45 percent in 2006.

Figure 2. Types of Leases Projected in 2006 and 2010.



Cash Rent Leases

Society members were asked to indicate how much average cash rents will change. Society members indicated that there will be no change in the average cash rent in 2007 as compared to 2006. After 2007, however, they expect cash rents to increase. BY 2010, Society members indicated that average cash rents would be \$8.50 per acre higher than in 2006. Society members were asked to

Table 3. Reasons Cash Rents are Increasing.

Change	Score *
Increase in farmland prices	3.0
Competition among farmers	8.6
Strong Returns to farmland	3.1
Large government payments	0.2

* Scores range from 0 to 10. A score of 10 means that all respondents indicated this factor is most important. A score of 0 means no respondent picked this factor.

indicate which factors had the largest impacts on increasing cash rents. The most important factor, by far, was competition among farmers (see Table 3).

Society members also indicated that

- Elimination of Federal commodity program payments would reduce cash rents by \$22 per acre,
- Sixty percent of the respondent felt that a severe drought in 2006 would reduce cash rents in 2007, and
- Most of the cash leases (86 percent) have two payments (one in spring and one in fall) while 14 percent had one payment due at planting.

Summary

Results from the annual leasing survey of the Illinois Society of Professional Farm Managers and Rural Appraisers indicate that the most prevalent lease type was the crop share lease. This was followed by cash rent and custom farming arrangements. Over time, however, cash rent leases are becoming more prominent and may account for the majority of leases by 2010. In 2005, cash rent and custom farming arrangements had higher net incomes to the landlord than did share rent arrangements. There was, however, considerable variability in returns across leasing situations.

Cash rents are projected to increase. The most important factor causing the increase in cash rents is competition among farmers for farmland. Elimination of Federal commodity programs could cause cash rents to decline.

IRC 1031 Like-Kind Exchange Alternative to Paying Tax on Land Sales

by Gary J. Hoff

University of Illinois Tax School

Some farmland owners have been hesitant to sell appreciated farmland because of the tax bite. While the sale may qualify as a long-term capital gain, which limits the tax rate to 15 percent, many taxpayers are still resistant to sell. However, there are times when the price offered for the land is too high to refuse. Then these taxpayers might consider a like-kind exchange.

As long as certain requirements are met, a like-kind exchange will defer the tax on the sale. However, when the property acquired in the exchange is sold, taxes will be due, because the acquired property will have the same basis as the original property. It is important to remember that the acquired property **must** be of a like-kind.

The mechanics of an exchange are relatively simple. For example, Mike sells a farm for \$350,000. The proceeds from the sale are held by a person, a “qualified intermediary” (QI), until replacement property is located. The QI purchases the replacement property and then transfers it to Mike. To be completely tax deferred, the following requirements must be met.

Definition of Like-Kind

IRS regulations reference “like-kind” to the nature or character of the property being exchanged and not to its grade or quality. The fact that real estate is improved or unimproved is not material to being considered like-kind. This makes it possible to exchange a commercial building for bare farm land. The receipt of any other property or cash is considered to be unlike-kind property. However, exchanges of personal property are much more restrictive. Personal property assets must be in the same North American Industry Classification System code.

The property the taxpayer sells is called the “relinquished” property and the property he acquires is called the “acquired” property. Any cash or unlike-kind property received in the exchange is called “boot”.

Requirements

1. Mike can not receive any money or unlike-kind property until the replacement property is purchased.
2. The entire proceeds (less any selling expenses) from Mike’s sale must be reinvested in like-kind property.
3. If Mike has a mortgage on the property he sells, he must have a mortgage of an equal or larger amount on the replacement property or make an additional cash payment.
4. Mike must identify the property he wishes to purchase within 45 days, or by the date he files his tax return, from the closing date on the property he sells.
5. Mike must close on the property he purchases within 180 days, or by the date he files his tax return, from the time he closes on the property he sells.

Cash or Unlike-kind Property

Taxpayers may not receive any boot from the sale of the relinquished property before they close on the acquired property. For example, Mike is selling his farm for \$600,000. He only wishes to replace the property with \$400,000 of qualifying property. Therefore, he asks the QI to give him the extra \$200,000 prior to closing on the acquired property. If the QI complies with Mike’s request, the entire transaction is disqualified as a like-kind exchange. Mike must wait until the closing on the acquired property before he receives the \$200,000 to qualify for the tax deferral. In cases such as this, the relinquished property may be sold in two separate transactions. One of the transactions will be used in a like-kind exchange and the other will be treated as a cash transaction.

Acquired Property

If the acquired property consists of cash or unlike-kind property, the value of these may be taxable. Mike sells his farm for \$350,000 less \$28,000 of selling expenses. He paid \$100,000 for the farm ten years ago. The property Mike acquired consists of \$300,000 of real estate, lawn equipment valued at \$10,000 and \$22,000 of cash. Mike’s taxable gain of \$22,000 is calculated as follows:

Farm		Rental	
Sale Price	\$350,000	Real Estate	\$300,000
Selling expense	28,000	Lawn Equipment	10,000
Net Sale	322,000	Cash	12,000
Adjusted Basis	100,000	Total purchase price	\$322,000
Gain Realized	\$222,000		
Cash received	\$12,000		
Unlike-kind property	\$10,000		
Gain recognized	\$22,000		
Gain deferred	\$200,000		
Basis in Rental	\$100,000		

Mortgages

If the property being sold has a mortgage, the new property must have a mortgage of equal amount or the taxpayer must pay additional cash for a tax-deferred transaction. Mike sells his farm for \$200,000 which has a \$50,000 mortgage. He repays the mortgage from the sale proceeds, but purchases a new farm for \$180,000. He uses the remaining \$150,000 from the sale and \$30,000 from his savings account. Mike must recognize taxable income of \$20,000.

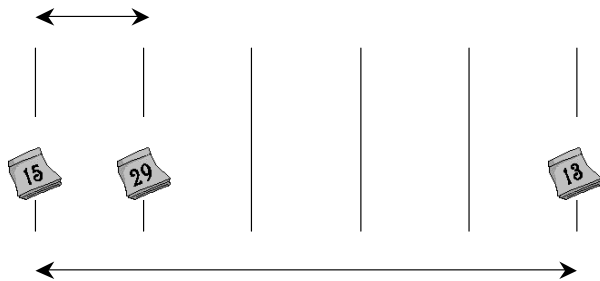
Sale Price	\$200,000
Mortgage repaid	\$50,000
Net Cash	\$150,000
Purchase price new farm	\$180,000
Gain recognized	\$20,000

To avoid any taxable gain, Mike must pay at least \$200,000 for the new farm.

Timing Requirements

The date Mike closes on the farm he sells triggers the identification and replacement date requirements. The only way Mike can extend these dates is to move the closing date of the farm he sells as that is the trigger date.

If Mike were to close on the farm he sells on December 15, 2005 the 180 days would end on June 13, 2006. Mike's normal tax filing deadline is April 15, 2006. Therefore, he must file for an extension with IRS to have the entire 180 days.



Identification

The identification of the replacement property must be in a signed written document given to either the person who will transfer the replacement property or another qualified person. The identification must be specific. The address of the property will work, but the legal description is better.

Multiple Properties

Multiple properties can be identified as long as they do not violate the three property, 200 percent, or 95 percent rules. The three property rule allows the taxpayer to identify three possible replacement properties regardless of their value. The 200 percent rule allows the taxpayer to identify any number of replacement properties, but their combined value may not exceed 200 percent of the value of the property which was sold. The 95 percent rule allows the taxpayer to violate both the three property rule and the 200 percent rule as long as he purchases at least 95 percent of all properties identified.

One reason to identify more properties than the taxpayer wishes to purchase is to have a fall-back position in case the purchase of the primary property does not occur. The owners of the identified properties do not need to be notified that their property is identified.

Reverse Exchanges

In September 2000, the IRS issued a revenue procedure which set out guidelines for reverse exchanges. A reverse exchange involves a transaction where the taxpayer purchases the acquired property prior to selling the relinquished property. The rules for a reverse exchange are very rigid, but with the proper planning, the results can be very beneficial to the taxpayer.

There are two types of reverse exchanges. In the first, the taxpayer purchases the acquired property and transfers the relinquished property to a person called an exchange accommodation titleholder (EAT) until a buyer is located. The second type of reverse exchange has the EAT purchasing the acquired property and holding it until the relinquished property is sold. To qualify as a reverse exchange the properties may not be held by the EAT for more than 180 days.

An example of a reverse exchange is where Mike reads the Sunday classifieds and sees that the neighboring farm (Fertile) is for sale. He wants to own Fertile but must sell an existing farm (Hilly) to have enough cash to make the purchase. Knowing he must act quickly, Mike purchases Fertile through an EAT who holds it until Mike sells Hilly. Assuming Mike has met all of the IRS requirements, his gain on the sale of Hilly is deferred.

Caution

Like-kind exchanges involving real estate are becoming quit popular. However, before entering into a like-kind exchange a taxpayer should consider the following:

1. Would I be ahead by paying tax on the sale of the relinquished property at the 15 percent tax rate and having a higher basis in the acquired property?
2. Do I expect tax rates to increase in the future?
3. Do I expect to own the acquired property at my death?
In this case, it will receive a new basis which is its fair market value at the time of death. Consequently, a low basis will not create income tax if the heirs sell the acquired property.
4. Can I meet all of the IRS requirements?

The price of not qualifying for a like-kind exchange can be very high. It means paying income tax on the gain from the sale of the relinquished property. Consequently, taxpayers considering a like-kind exchange should consult with professionals who know the rules. This includes an attorney, accountant, banker, and real estate professional.

Illinois Farmland Property Tax Assessments

by Dwight Raab
University of Illinois Extension

The purpose of this article is to provide a simplified primer on the process used to assess farmland in Illinois for property taxation, and to discuss some of the contemporary issues that are affecting that process — and hence, which may affect the resulting property taxes levied against farmland.

To begin, it should be noted that Illinois, like many other states, assesses farmland based on its agricultural use value rather than its actual market value. The agricultural use value of farmland is found by capitalizing a statutorily prescribed measure of agricultural income by a widely used discount rate to arrive at a value that is intended to reflect the agricultural income producing potential of the property. Market value plays no role in the assessment of farmland for real estate tax purposes. Thus, a parcel near a major metropolitan area that is subject to considerable development pressure may very likely pay property taxes that are roughly equivalent to those of a remotely located, but equally productive farm, even though the market values may differ greatly. Likewise, the actual agricultural income generated by a specific tract is not directly used in the calculation of agricultural use value, although it is likely to be closely related due to the process used.

The Income Capitalization Formula

Agricultural use value in Illinois is derived from an income capitalization formula specified in the Illinois Compiled Statutes (35 ILCS 200). The formula for arriving at the assessed value is:

$$= \left\{ \frac{\text{Gross Income}}{\text{Expense Component}} \right\} \times \text{Capitalization Rate}$$

Gross Income is determined as:

Gross Income = crop yield x commodity price x crop rotation percentage,

summed across the primary crops grown (corn, soybeans, wheat, oats, hay, sorghum).

The predicted yields are from fitted functions of the soil productivity index assigned to each soil type. The yield functions are revised annually to adjust for long-term trends. The prices used are the average of monthly prices received by farmers for a twelve month calendar year. Price data are obtained from the USDA-Illinois Agricultural Statistics Service. The expense estimates are developed by PI point based on actual non-land production costs from a relatively large sample of farms in a dataset maintained at the University of Illinois in the Agricultural and Consumer Economics Department.

The crop rotation percentages are also taken from the

same dataset used to develop the expense component. A moving five-year dataset of prices and crop rotation percentages are statutorily imposed in the calculation of gross income.

Finally, the capitalization rate used is a five-year dollar-weighted compilation of interest rates on newly originated mortgage loans compiled by AgriBank. This rate is also commonly referred to as the 2032A interest rate by IRS, and is the same rate that is required to be used when electing special use valuation in the transfer of assets within an estate.

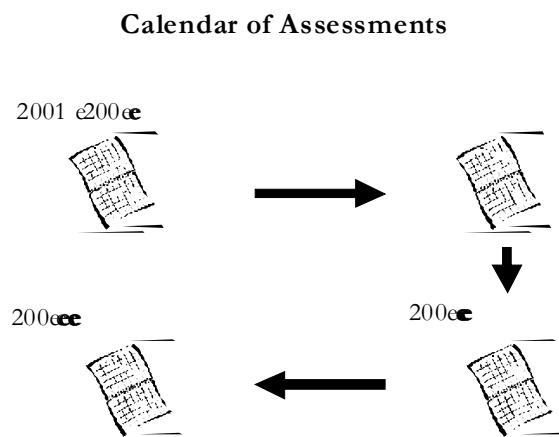
Equalized Assessed Value

The assessed value is then equalized at one-third of the assessed value (EAV). Farmland is not subject to the ‘multiplier’ determined by the Illinois Department of Revenue that is used to adjust for broad market value changes in other non-farm real property. Further, any increase or decrease in the EAV per acre at a given soil productivity index is limited to not exceed a 10 percent change from the immediately preceding year’s certified EAV at that same soil productivity index.

The Farmland Assessment Cycle

The timing of the assessment cycle can be a source of great confusion. As indicated earlier, the assessment calculations are made in the year following the five-year data collection period, with the resulting assessments for the year following the calculation year with property taxes paid the year after the assessment year.

A graphical portrayal of the process would look like the following.



Contemporary concerns:

The potential of a soil type to produce crops is summarized in a soil productivity index, or soil PI. Nearly 800 different soil types have been identified and mapped in Illinois, and each has been assigned a PI along with factors to adjust for slope and erosion to arrive at a final productivity indicator. It is of course possible for two or more different

soils to be assigned to the same productivity index resulting in the same estimated yields for different soil types, but each PI is associated with a predicted yield for each crop that can be grown on that soil type.

One of the issues that has received considerable attention is the fact that for years prior to 2006, the productivity indexes were assigned based on what is known as Circular 1156. However, with the advent of the completed improved soil survey of Illinois, and the more accurate and extensive classifications of soils, the PIs are now to be assigned based on a publication referred to as Bulletin 810 (see below for citation details on these publications*).

Importantly, both the scale and the associated yield functions have changed making it difficult to directly translate the former Circular 1156 PIs to an equivalent PI under Bulletin 810. It is often noted that the low productivity PIs have experienced the greatest change. However, it is important to remember that while the PI scales are both indexes of yield potential, their scales differ and thus comparing the PIs provides little direct evidence of the impact of changing to the new classification system.

The table below begins to provide a general, albeit limited, sense of the impact of the move from the Circular 1156 scale to the new Bulletin 810 scale. Three prevalent soils are listed along with their assigned PI values under the Circular 1156 and Bulletin 810 indexing systems, and their associated predicted corn yields for 2006. For example, Cisne had an average PI of 88 under the Circular 1156 approach and a predicted yield of roughly 133 bushels per acre for property tax calculation purposes. Under Bulletin 810, its PI increases to 97, but the predicted corn yield falls to about 123 bushels per acre. For soils such as Tama with PIs near 125 on both PI scales, there are only minor differences in predicted yields between the two scales. Some of the higher producing soils will experience a predicted increase in yields under the new scale.

	C1156PI	810PI	C1156Y	B810Y
Cisne	88	97	133.07	123.36
Tama	125	1123	160.82	158.96
Drummer	125	127	160.82	164.02

The updated and improved soils maps resulted in some newly identified soils in addition to reclassifications of some soils in locations that were probably not as accurately identified under the previous soil survey system. And, not all soils that remained in both publications received the same proportional change in PIs under the new system. Still, the examples above highlight the need to keep in mind that both the PI and its associated yield conversion function result in predicted yield values.

Other Issues in Property Taxation:

In addition to the move to Bulletin 810, several other issues may impact tax bills for Illinois farmland in the future. A partial list of these issues would include:

1. Tract Weighted calculation of a Soil Productivity Index vs. the Individual Soil Weighted calculation of a Soil Productivity Index – beginning with the 2006 cycle, supervisors of assessment have been instructed to use an individual soil weighted method to calculate farmland assessed values. In a nutshell, the relationship between the PI and the assessed value is a curve rather than a straight line, and thus it matters whether the individual soils’ PIs are weighted before or after identifying their assessed values. To better understand this point, consider the following stylized example. Suppose a PI of 60 was associated with an assessed value of 22, a PI of 70 associated with an assessed value of 20 and a PI of 80 associated with a PI of 26 – a nonlinear relationship of the nature that does exist. If a parcel is comprised of 1 acre of PI 60 soils and 1 acre of PI 80 soils, the average PI is 70, and under a tract weighted approach, would have an average PI of 70 and an assessed value of 22. If instead the 20 and 26 are weighted by soils shares, the average assessed value is now 23. The greater the variation in soils within a parcel, the greater the potential difference in the two approaches.
2. Drainage debasements, flood debasements, etc – the prevalence of drainage districts varies by county, with greater prevalence in central and east central Illinois. Some drainage districts collect their taxes themselves rather than through the county treasurer’s office via property tax. Some drainage districts collect taxes only when there is a need making the calculation of a debasement difficult for the assessor. Drainage debasements are only taken on the acreage of the parcel actually in the drainage district. Flood debasements are only taken on the acreage of the parcel that floods taking into account the frequency of the flooding. Moreover, they are typically collected on a less regular basis, and the effective “credit” against ag-use taxes varies as a result.
3. Farm residence acreage – in most counties the farm residence acreage is being updated to reflect actual acreage used rather than a rule of thumb which was historically taken to be one acre in many counties. If the actual acreage is increased, that share is also then subject to market valuation based methods rather than ag-use value.
4. Aerial photographs are increasingly being used to aid assessors in more accurately determining use of the land and reclassifying if historic inaccuracies are noted.
5. Some regions still rely on dated soil associations (the least accurate soil type information) to identify soil types. Others are still using out of date mapping and classification methods. The move to Bulletin 810 is being done in conjunction with significant upgrading to the mapping information used as well.
6. Wooded acreage has been the subject of numerous

popular press articles as a result of some re-classifications as non-farmland and the resulting fair market value assessment rather than a use-value assessment. Please see <http://www.revenue.state.il.us/LocalGovernment/PropertyTax/farmland.htm>. The Illinois Department of Revenue has several documents of interest on wooded tracts and forestry management plans.

The implementation of the 2006 farmland assessments includes several changes to the process of identifying use, identifying soil types, and to the calculation of the assessed value. These are all done with the goal of assessing all farmland and wooded land in the same manner in all counties.

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*University of Illinois at Urbana-Champaign, College of Agriculture, Cooperative Extension Service, *Circular 1156 Soil Productivity in Illinois* April 1978

*University of Illinois at Urbana-Champaign, College of Agricultural, Consumer, and Environmental Sciences, Office of Research, *Bulletin 810 Average Crop, Pasture, and Forestry Productivity Ratings for Illinois Soils* August 2000

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