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ISPFMRA President's Message

Andy Brorsen, ARA
President
Illinois Society of Professional Farm Managers and Rural Appraisers

On behalf of the Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA), it is my pleasure to present the 12th annual survey of Illinois farmland values and lease trends.

The 2007 Illinois Farmland Values and Lease Trends report is a valuable source for anyone interested in one of our greatest Illinois assets – farmland. You will find within this report a summary of survey data in ten regions of the state. Each region has a discussion and highlights of the previous year's activity. Also included are survey results of the land market characteristics, income and trends in farmland leasing strategies, and other current topics involving the exchange, leasing or management of farmland throughout Illinois.

It is our belief that no other publication provides the amount of statewide data by region and by land quality, use and trends. This Farmland Values and Lease Trends publication is now recognized as a valuable tool for anyone with an interest in Illinois farmland.

As an organization, the ISPFMRA is now in its 80th year. Our 300+ membership is recognized as experts in professional farm management, rural appraising and agricultural consulting.

I sincerely thank all of the Illinois Society members who contributed data to this project and more importantly their time and knowledge of the most up-to-date information.

This report would also not be possible without the assistance and cooperation of the University of Illinois, which provides invaluable expertise in organizing and processing the data. In addition, I want to thank all of the advertisers and sponsors who support us in providing this very valuable publication. We hope that you will thank them by patronizing and supporting their businesses.

Finally, I would like to thank the general chair of this committee, Dale Aupperle, AFM, ARA for his tireless efforts in producing another outstanding report, and Gary Schnitkey, Ph.D. at the University of Illinois for his continuing study of the results of the data over the past 12 years.

The Farmland Values and Lease Trends report is full of reliable data and abundant information. Please use this publication with the confidence that it is derived from professionals in the business of farmland real estate. Thank you for your interest and visit our Website at www.ispfmra.org.

Andrew Brorsen

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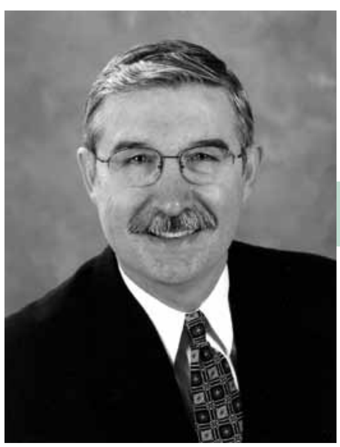

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Yes - - it takes a spirited group of professionals
to bring you the 6th Annual
Farmland Values and Lease Trends report.
The dedication and hard work of this 18-member group,
plus their committee members,
has resulted in another outstanding focus on
farmland values and lease trends
for the past twelve months.

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Illinois Farmland Values - - At a Glance

by: Dale E. Aupperle, AFM, ARA
General Chairman
2007 Illinois Land Values and Lease Trends

Illinois is a wonderfully diverse state - - especially when it comes to our Illinois Society of Professional Farm Managers and Rural Appraisers membership which is scattered all across our 101 counties. Yes - - it is a great way to grab up-to-date information on Illinois agriculture - - especially farmland values and lease trends.

This report is made up of ten regions as noted on the inside cover of the booklet. Enjoy the details provided by ISPFMRA members *(from their own backyards)*. Collectively, you get a rich sense of what happened in 2006.

As the general chairman, here is some of the observations I saw consistently across the state as the ten regional chairmen met and shared ideas for this report:

- Values in all land categories rose – but at a slower pace than what we've seen in recent history.
- 1031 exchange-driven demand softened throughout the year.
- Interest from local investors and farmers increased.
- Surging commodity prices are pushing land values and rents.
- Recreational demand is strong everywhere.
- Land values were generally soft in the third quarter.
- Ethanol plants are being planned in several areas of the state.
- Wind turbines and coal gasification energy is happening.
- Demand for rural residences is strong, i.e. everyone wants the country way of life.
- Cash rent leases and prices are rising.

Farmland values rose in 2006 - Our table below shows land value trends ranging from steady to up 16 percent in pockets. On average, prime farmland rose 5 percent across the state. That follows a trend of being up 10 percent in 2005, up 20 percent in 2004 and up 10 percent in 2003. *(Wow - - 45% in four years. All land classes rose including the increasing popularity for recreational and transitional uses of Illinois land.)*

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

Region 1 *(Northeast Illinois)*

The Chicago Collar County Region is home to a majority of the residential, commercial, and industrial development in Illinois. Slowing demand for new acreage tended to reduce the buying pressure from 1031 exchanges. Some of that reduction in demand has been taken up by local investors and farmer buyers who are hoping to take advantage of rising commodity prices. Farmland in the Excellent category rose 10 percent. Cash rents showed continued strength.

Region 2 *(Northwest Illinois)*

Farmland prices were stable for the first six months of 2006 – and then prices began to increase at year-end as grain prices skyrocketed. The strongest values were for excellent quality land and wooded/recreational acreage *(hunting clubs are purchasing tracts and taking land out of production)*. 1031 buyers continue to dominate the market. There is a premium of $250 - $500 per acre for land close to proposed or existing ethanol plants! Top cash rents are over $225 per acre.

Region 3 *(Western Illinois)*
Pre-harvest land sales were soft – post-harvest sales picked up strength as corn cleared $3 per bushel. Recreational land values continued their strong increase despite the threat of rising real estate taxes. Broker-led private transactions dominated the early sales and auction sales were more successful at year-end. Hunting outfitters have become a significant market force – involving resales to a more national base of buyers. Over 1,000 acres has been annexed to Peoria since 2005! The surge in corn prices is pushing cash rents higher.

Region 4 *(North Central Illinois)*
Prime farmland values settled into a range of $4,700 to $5,300 per acre in 2006 *(up 3 percent)*. Fewer large scale tracts sold. By mid-summer, 1031 tax-deferred exchanges slowed down. Auction sales became risky as the market softened in the summer months. The northern part of Region 4 has the strongest influence with recreational tract demand – due to the close proximity to Chicago and the collar counties' population.

A number of investors were looking to purchase land near interstate exchanges for future development. The dominate story in 2006 was exploration and optioning of farmland for wind energy and alternative fuel uses. One large continuous 822.36 acre prime tract of farmland west of Bloomington sold to an exchange buyer for $6,000 per acre.

Region 5 *(Eastern Illinois)*
This highly productive region of the state saw their excellent farmland trade between $4,500 and $5,500 per acre *(up approximately 4 percent for the year)*. There was a noticeable decline in available top quality tracts to purchase. At year-end 2006, the farmland market reacted positively to the ethanol-led surge in commodity prices. Good Productivity land is in demand as a large number of acres can be acquired for the same investment dollar.

Demand for recreational property *(woodlands, ponds, creeks/rivers, rolling topography)* remained very strong in 2006. Lots of cash in Central Illinois. Of special interest were the planned developments of several ethanol plants in Champaign, Douglas, Ford, and Vermilion Counties. Two cities in Region 5 were vying for the worlds first emissions-free power plant that will produce electricity and hydrogen from coal while capturing and storing carbon dioxide.

Region 6 *(Central Illinois)*
This region has excellent soils, a large agribusiness support network, and high levels of interest from non/agricultural sectors. Prime farmland values rose 5 percent *(but at a decreasing rate as we progressed through the year)*. Over 50 tracts in the region cleared the benchmark $5,000 per acre! Sales toward year-end were steady-to-actually-slightly lower. The supply of land on the market increased and marketing time frames were significantly longer than in the past couple of years. 1031 exchange buyers are not as prevalent as a year ago.

There is still an apparent premium for larger tracts of land. Region 6 had better-than-anticipated crop yields and the higher commodity prices bolstered net farm income and provided support to land values. Lots of new grain storage was built throughout the region. Uncertainty about the Farm Bill is prevalent. Two new coal mines are vying for startup positions in Christian County. A $1.4 billion coal gasification plant highlights the news. A 42" transcontinental natural gas pipeline *(expansion)* is coming through the area.

Region 7 *(West Central Illinois)*
A December 2006 Macoupin County sale set a new high for excellent quality farmland at $5,825 per acre. Sangamon County had 10 sales for farmland above $5,000 per acre. Eight of the 10 counties in Region 7 had at least one sale exceeding $5,000 per acre. The region had extremely good crop yields and strong commodity prices. There was a steady number of tax-deferred exchange buyers as well as significant interest by investors looking to purchase recreational use properties.

The first half of 2006 saw significant demand for top quality farmland which rose approximately 10 percent. Recreational property sold for $2,500 to $3,000 per acre. Several farms with permanent plantings sold in the $5,000 to $6,000 per acre range in Calhoun County. There is an aggressive competition between farm operators for cash rental leases. Demand for rural residential development remains strong.

Region 8 *(Southwest Illinois)*

This region borders the Mississippi River across from St. Louis which has a locational influence on land values due to its large population base. Residential development has increased, creating a demand for agricultural land and pushing farmland values higher. The Mississippi and Kaskaskia Rivers provide a large wooded acreage for recreational use. Most of the farms are rented on a crop share basis. Cash rent is gradually gaining popularity but is not prevalent. There is a strong demand for hunting rights on recreational land at $15 to $20 per acre.

Region 9 *(Southeastern Illinois)*

Land values are up between 5 percent and 10 percent in this thirteen-county region. Total sales were down 20 percent to 25 percent across the region with average cropland varying between $2,200 and $3,600 per acre. Overall land value trends were 5 percent to 10 percent higher. Most of the increases occurred during the first quarter of 2006. Recreational land varies between $1,300 and $2,000 per acre. Demand for rural residential and recreational land is strong.

Region 10 *(Southern Illinois)*

Land values were observed to be up between 14 percent and 17 percent in this region in 2006. Crop yields were strong throughout the region. Crop share leases continue to be the predominate rental method. Recreational land purchases were increasing once again across the region. Most of the sales of recreational tracts are handled through realtors for uses near hunting properties. Buyers are from larger area towns throughout the urban Midwest. Good quality farmland averaged $3,900 per acre. There were very few tax-free exchange transactions.

Overall summary

Enjoy the tremendous diversity of agricultural land in Illinois. Investors can find any type of farmland and soil for sale in this great state. We have a wide-ranging agricultural economy which is one of the dominate industries in Illinois. Farmland ownership interest continues to rise. Tax-free exchanges have moderated somewhat. Lots of cash purchasing farmland. Every area in our state reported steady-to-increasing land values during the past twelve months.

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.

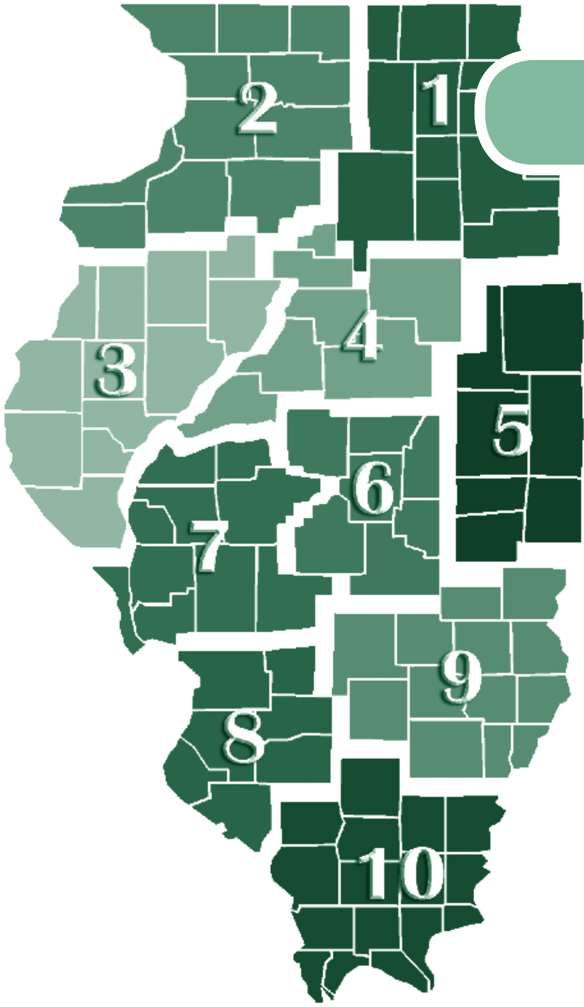
• **Good Productivity Tract** – productive soils with a significant amount of those soils holding productivity indexes of 117 to 132; located in desirable community with good transportation and market access.

• **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.



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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	$8,000	Up 14%	Down 10%	$175	3 %	$180
Good Productivity	$6,400	Up 7%	Down 10%	$155	---	$160
Average Productivity	$4,900	Up 9%	Down 10%	$140	4 %	$140
Transitional Tracts	$18,500	Up 12%	Steady			
Transitional to Active Development		$63,000	Up 26%	Down 10%		

The market for farmland in Region 1 remains steady to strong. Cash rental rates also continue to be strong resulting in stable returns to the land owner. There are many indications that the market for corn will be very good in the near future with a predicted supply shortage for 2007. These factors add to the desirability of farmland ownership by both the investor and local farmers.

There appears to be some slowdown in the demand for development land in the Chicago collar counties. This could lead to a reduction in demand from the tax-deferred exchange buyers, who have been the driving force in the recent land value up-turn. With a reduction in demand from tax-deferred exchange buyers, a leveling off of land values over the next 24 months is anticipated.

Excellent Productivity Tracts

Excellent farms are continuing to show increases in value throughout 2006, but at a slower rate than found in 2005. There is still demand from investors and tax-deferred exchange buyers, as well as local farmers. There has been some slowing in the demand for development land which has tended to reduce the pressure from 1031 buyers. Some of the reduction in demand from the 1031 buyers has been taken up by investors and farmer buyers who are hoping to take advantage of increasing commodity prices.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
LaSalle	Feb	95.00	91.0	143	$8,975
DeKalb	Sept	80.00	98.0	141	$10,625
Boone	May	80.00	96.0	135	$10,000
Kankakee	May	40.00	97.0	134	$5,958
Grundy	Sept	75.00	98.0	133	$4,900

Good Productivity Tracts

Good farms are showing stability and continued strength. There has been continued strong demand for this class of farm from local farmers. Additionally some of the tax-deferred buyers are looking at these farms as an alternative to the higher priced Excellent Quality farms.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Boone	Jan	94.00	99.0	131	$6,000
Grundy	July	81.00	96.0	128	$5,700
DeKalb	June	108.00	85.0	128	$7,494
LaSalle	Feb	80.00	96.0	127	$6,800
Kankakee	Sept	96.00	98.0	123	$6,883

Average Productivity Tracts

These farms typically draw their demand from local farmers expanding operations. The average quality farms are showing stability in value. There are less acres in this productivity class in this region, with the bulk of sales from a small region this year.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Kankakee	Feb	43.00	99.0	116	$4,000
Kankakee	Jan	75.00	96.0	115	$4,157
Kankakee	July	111.00	97.0	114	$6,500
Kankakee	Jan	73.00	97.0	114	$4,506

Transitional Tracts

These Transitional Tracts represent a mix of future uses. Some are transitioning from agricultural use to estate or part time farm use. Many of the larger tracts represented are being held for potential future development or appreciation in value from increasing demand for future development. The lower priced sales are located beyond the current city services required for development.

The DeKalb County sale has no road frontage. It has been purchased for holding, for future development.

The Grundy County sale is a mix of woods and open ground. This tract was purchased for estate use.

County	Sale Date	Total Acres	Total Price/Ac
Kendall	Feb	238.00	$26,387
DeKalb	Feb	52.00	$23,064
Kankakee	Jan	85.00	$13,500
Will	Feb	120.00	$17,210
Grundy	July	32.00	$14,046

Development Tracts

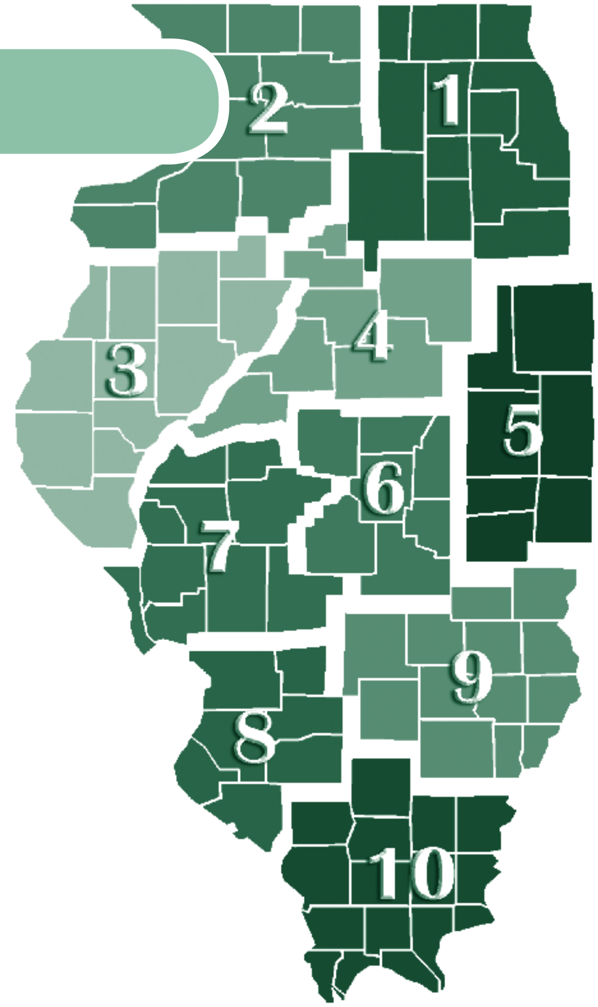
The upper end of the sales range was in an unincorporated area of Wheatland Township of Will County, which is rapidly developing. Since the sale occurred, the property has been incorporated into Naperville. It was purchased for residential development. Annexation and zoning agreements were in place at the time of sale. Typically the upper end of the range of sales are closer to being developed.

The DeKalb County tract is located at the north edge of Somonauk and has been annexed.

The lower end of the range will typically be developed within two years.

County	Sale Date	Total Acres	Total Price/Ac
Will	Mar	220.00	$170,000
Kendall	Sept	118.00	$62,034
Grundy	May	74.00	$33,793
Kankakee	June	157.00	$32,987
DeKalb	Apr	70.00	$30,000

Region 2 - Northwest



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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	$4,500 - $6,500	5 %	Steady	$180 - $190	5%	$230+
Good Productivity	$3,500 - $2,500	Minimal	Steady	$165 - $175	5%	$180+
Average Productivity	$3,000 - $4,000	Minimal	Steady	$135 - $160	Minimal	$170+
Receational Land	$3,000 - $7,000	25%	Up			
Transitional Tracts	$7,000 - $20,000		Steady			

Farmland prices appeared to stabilize during the first half of the year then increased slightly toward year end. Interest in farmland picked up again after grain prices began increasing. Strong demand is reported for excellent productivity farms and wooded/recreational acreage. No sales of Fair Productivity farms were reported. These tracts are probably more valuable to plant in trees or CRP and sell as hunting tracts.

We are beginning to see this happening with hunting clubs purchasing tracts and taking them out of production. The trend will probably increase in the future. 1031 buyers continue to dominate the market. It appears that a premium of $250-$500 per acre is placed on land close to an ethanol plant. Open cash rents for Excellent Productivity land are over $225 per acre.

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.

(continued on next page)

Excellent Productivity Tracts (cont.)

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Mar	189.86	97.5	135	$5,267
Henry	Jan	76.35	93.6	141	$5,500
Lee	Oct	87.67	99.2	142	$6,450
Whiteside	Aug	393.00	98.0	138	$6,000
Ogle	June	80.05	98.7	137	$5,950

Good Productivity Tracts

Good farmland has increased the most in the past two years. It appears that perhaps the strong prices that excellent farms are commanding have forced some buyers to consider these tracts. Typically these tracts may have a ditch, wet spot, old farmstead on the property or waterways dividing the tract.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Carroll	Mar	157.32	92.2	131	$6,032
Bureau	Sept	193.77	99.7	120	$3,624
Lee	Oct	77.00	98.7	122	$4,000
Stephenson	Feb	103.02	96.1	123	$4,250
Whiteside	Apr	186.70	97.3	125	$4,300

Average Productivity Tracts

Sales of Average Productivity Tracts have been increasing. Farmers appear to be the majority of the buyers as most investors prefer the Excellent and Good Productivity Tracts.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Carroll	Aug	233.00	98.2	113	$4,256
Bureau	Feb	113.40	95.4	113	$3,145
Stephenson	Feb	189.16	92.0	108	$4,168
Whiteside	Feb	80.00	99.1	105	$4,012
Ogle	Jan	50.07	73.9	112	$4,850

Fair Productivity Tracts

There have been very few sales of Fair Productivity Tracts in Region 2. It appears that if there is any potential of signing the farm up for CRP, converting it to a wetland for hunting or planting it in trees for hunting, that this is what is occurring. Recreational tracts command a higher price than Fair Productivity Tracts of farmland.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Whiteside	Feb	54.78	92.8	96	$2,800

Recreational Tracts

Demand has probably increased the most for recreational tracts in the last year. Demand for wooded tracts to be used for turkey and deer hunting within driving distances is very strong. These tracts are typically purchased by individuals with large disposable incomes who want a place to hunt. Normally there is no agricultural income associated with these tracts. Smaller, wooded tracts that offer the opportunity to build on are also in strong demand.

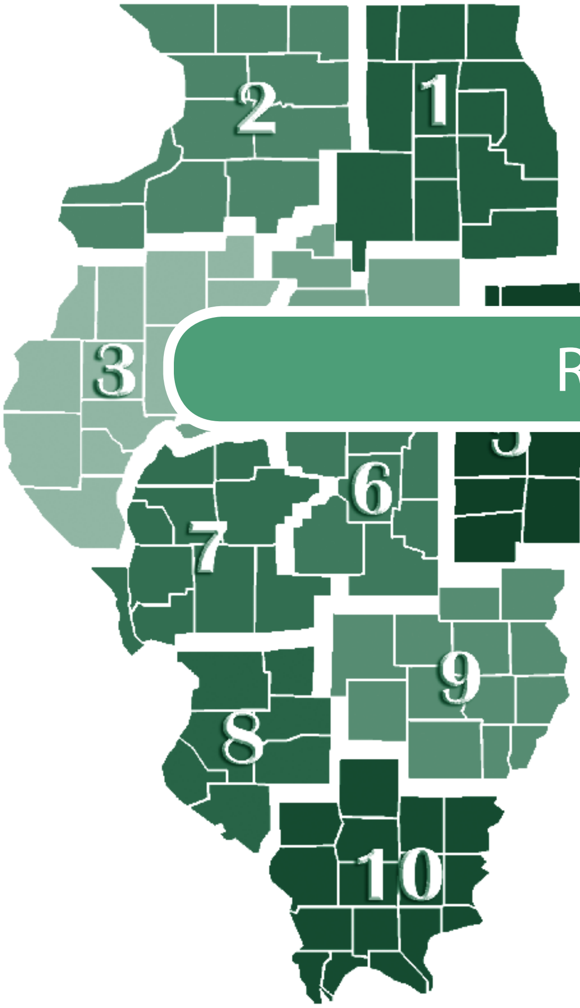
County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Carroll	June	97.5	35.7		$3,750
Lee	Apr	40.00	42.5		$4,400
Bureau	Jan	260.90	41.1	100	$3,476
Whiteside	June	55.28	61.1	109	$3,515
Ogle	July	386.18	54.9	115	$8,828

Transitional Tracts

A limited number of transitional sales have occurred. Typically these have been purchased for commercial or residential development. The Bureau Co. tract was adjacent to the City of Princeton and was purchased for a retirement and nursing home facility.

Smaller, wooded tracts that are close to employment opportunities are showing strong demand as home sites.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Carroll	Mar	20.77	100		$7,366
Bureau	Feb	26.34	100		$19,715



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Region 3 - Western

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What a difference a few weeks make!!! The early pre-harvest sales of land looked to be lower to steady in this region. The post-harvest sales are trending higher than a year earlier. The farmers were looking for more land to provide the corn for ethanol even before the corn market went above $3.00 a bushel. Most are also still concerned about the rapid increases in the cost of inputs.

Recreational land values continued their strong rate of value increases through 2006 despite concerns about the potential for increased real estate taxes on wooded lands in this segment of the land market.

The auction buyers in the fall of 2006 were mostly been farmers wanting to expand their operations. The like-kind exchange investors looking to defer taxes on other land sales tended to be farmers and investors familiar with the region. There were several 1031 investors who bought farmland in this region through brokers during the summer of 2006.

The Brokers led the market through the summer and the auctions are back to setting the market since harvest. Many local farmers have continued to express frustration with the high prices blocking their ability to buy land. This situation suggests that there is still an inventory of buyers maintaining the demand for land.

The recreational market continues to be very strong. The hunting outfitters have become a significant factor in this market. Several outfitters have begun to buy land at local prices and resell them to their clients from outside the area. These more nationally exposed re-sales of land represent another higher level of recreational land prices in the local recreational land market. West Central Illinois has a claim to BIG DEER and turkey hunting. The coal strip mine spoils have goose and duck hunting along with great fishing. This market continues to dominate the Fair Productivity category in this region. The recreational buyers blend in with the farmer buyers in setting the values for land in the Average Productivity category as well.

The residential market continues to take acres out of farming around Peoria with nearly 1,000 acres being annexed into the city since December 1, 2005. These new residential subdivisions continue to grow spec houses. Commercial development around several west central Illinois towns is also taking land away from agriculture.

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	$3,800 - $5,475	-7% - +6%	Steady	$160 - $200	Steady	$175 - $210
Good Productivity	$3,300 - $4,700	+ 10% - +17%	Steady	$130 - $180	Steady	$135 - $180
Average Productivity	$2,500 - $3,650	Steady	Steady	$100 - $140	Steady	$ 100 - $150
Fair Productivity	$2,000 - $3,250	Up 10%	Steady	$25 - $50	Steady	Up to $125
Recreational Land	$2,000 - $3,250	Up 10%	Steady	$25 - $50	Steady	
Transitional Tracts	$4,500 - $6,500	Steady	Steady			
(River Bottom)	$2,425 - $4,700	Up 20%	Steady	$100 - $180	Steady	

Cash rents in the region were up slightly prior to the surge in corn prices based upon ethanol expectations. The surge in corn prices is causing a big increase in the landlord expectations and many rumors of cash rents. Farm managers confirm the changes in the tenant's willingness to meet the landlord's demands. The farmers are concerned about big increases in input cost and the 2007 farm bill prospects. The ranges for the cash rents for the different categories of land would be as follows:

- Excellent Productivity: $175 to $210/tilled acre
- Good Productivity: $135 to $180/tilled acre
- Average Productivity: $100 to $140/tilled acre
- Fair Productivity: $750 to $125/tilled acre
- Hunting Rights: $25 to $50/deeded acre

There are rents of land in each category that would be outside of these ranges but the ones reported are viewed as most representative.

Excellent Productivity Tracts

These properties get most of the attention with the highest prices in the market. New highs have been set during the post harvest of 2006. The early fall auctions make the lower side of the range of prices. The fall of 2006 range is $4,000 to $5,400. The fall of 2005 range was $4,100 to $5,100. The fall of 2004 range was $4,200 to $5,250. These results illuminate the wider range in prices this year than in recent years.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Hancock	Sept	84.00	99.0	135	$4,125
Hancock	Sept	84.00	95.0	136	$3,800
Hancock	Nov	61.00	98.0	138	$4,000
McDonough	Oct	64.00	94.0	138	$4,250
McDonough	Sept	152.00	86.0	138	$3,900
Fulton	Sept	60.00	97.0	141	$4,700
Stark	Nov	40.00	98.0	142	$5,200
Knox	Dec	52.00	98.0	142	$5,475
Fulton	Aug	54.00	99.0	143	$5,210
Warren	Sept	97.00	98.0	143	$5,080
Warren	Sept	58.00	98.0	143	$5,080
Stark	Dec	80.00	96.0	135	$5,225
Stark	Aug	80.00	99.0	137	$5,000
Fulton	Sept	101.00	98.0	138	$4,350
Stark	Aug	157.00	96.0	138	$4,710
Adams	Nov	25.00	96.0	134	$4,700

Good Productivity Tracts

These properties typically have good soils but will have some blemishes in waterways, poor drainage and rolling topographies. Analysis of these sales show a less stable price trend compared to the prices in the Excellent Class of farms. These farms have less liquidity and typically have better return on investment. The range in prices for 2006 is $3,300 to $4,700 per acre. In 2005, the range in prices was $3,000 to $4,000+ per acre. The fall of 2004 range was $3,250 to $4,600 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Peoria	Oct	80.00	84.0	122	$3,750
McDonough	Sept	150.00	97.0	124	$4,075
Adams	Nov	93.00	90.0	128	$3,700
Hancock	Sept	41.00	98.0	128	$3,550
Warren	Aug	100.0	88.0	129	$3,640
Hancock	Nov	91.00	89.0	129	$3,550
Adams	Nov	82.00	88.0	129	$3,300
Hancock	Sept	42.00	95.0	138	$4,350
Hancock	Sept	52.00	100.0	129	$4,250
Schuyler	Aug	52.00	96.0	129	$4,200
Henderson	Sept	759.90	92.0	131	$3,210
Knox	Dec	100.00	96.0	134	$5,150
Stark	Nov	138.00	96.0	134	$4,700
Fulton	Nov	37.00	92.0	124	$3,900
Stark	Oct	115.00	90.0	125	$3,610
Knox	Dec	112.00	95.0	129	$3,425
Knox	Dec	75.00	59.0	131	$2,480
Hancock	Sept	58.00	86.0	125	$2,450
McDonough	Sept	32.00	97.0	124	$2,800

Average Productivity Tracts

The sale prices for the properties in this category from 2006 ranged from $2,500 to $3,650 per acre. 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 $3,600 per acre. There are two sales in this category that eclipsed $4,000. These properties are typically more susceptible to adverse weather conditions. These farms are 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 50 percent to 100 percent tillable range.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Adams	June	40.00	80.0	112	$2,800
Adams	Nov	114.00	92.0	115	$3,300
Adams	Nov	80.00	81.0	101	$3,150
Schuyler	Aug	35.00	54.0	118	$2,500
Peoria	Nov	119.00	84.0	116	$3,360
Adams	Nov	112.00	84.0	97	$3,650

Fair Productivity Tracts

The land is this class sells primarily as recreational land in this region. This category of sales typically is rolling land but have 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 interest and still looking for some return on their investment.

Recreation Tracts

The demand for these properties continues to be strong and the prices are reflecting this. The return on investment is not a motivating factor in these properties. The 2006 typical range for these farms is $2,000 to $3,250 per acre. The 2005 typical range for these farms was $1,800 to $3,000 per acre. The typical 2004 range was $1,600 to $2,500. Lakes can push these sales over $4,000 when the properties include good enough goose hunting habitat and boating. These sales occupy a very wide range, but the quality of hunting is reflected in the range as well. 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 usually include less than 50 percent tillable farms.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Fulton	Sept	127.00			$2,795
Fulton	Nov	105.00	71.0	108	$3,285
Fulton	Aug	35.00	6.0	112	$2,500
Fulton	Sept	400.00	49.0	113	$2,400
Adams	June	20.00			$3,100
Adams	Nov	121.00	45.0	104	$2,125
Adams	June	19.00	32.0	109	$2,000
Schuyler	Oct	99.00	100.0	123	$2,070

Transitional Tracts

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Adams	Nov	50.00	72.0	92	$4,700
Adams	Nov	43.00	28.0	114	$6,600
Adams	Nov	36.00	100.00	138	$5,350

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 2006 was up to $4,700 per acre. The range for this land in 2005 was up to $4,000 per acre. The 2004 range was $2,100 to $3,500.

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 were up slightly prior to the surge in corn prices based upon ethanol expectations. The surge in corn prices is causing a big increase in the landlord expectations and many rumors of cash rents. Farm managers confirm the changes in the tenant's willingness to meet the landlord's demands. The farmers are concerned about big increases in input cost and the 2007 farm bill prospects. The ranges for the cash rents for the different categories of land would be as follows:

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There are rents of land in each category that would be outside of these ranges but we the ones reported are viewed as most representative.

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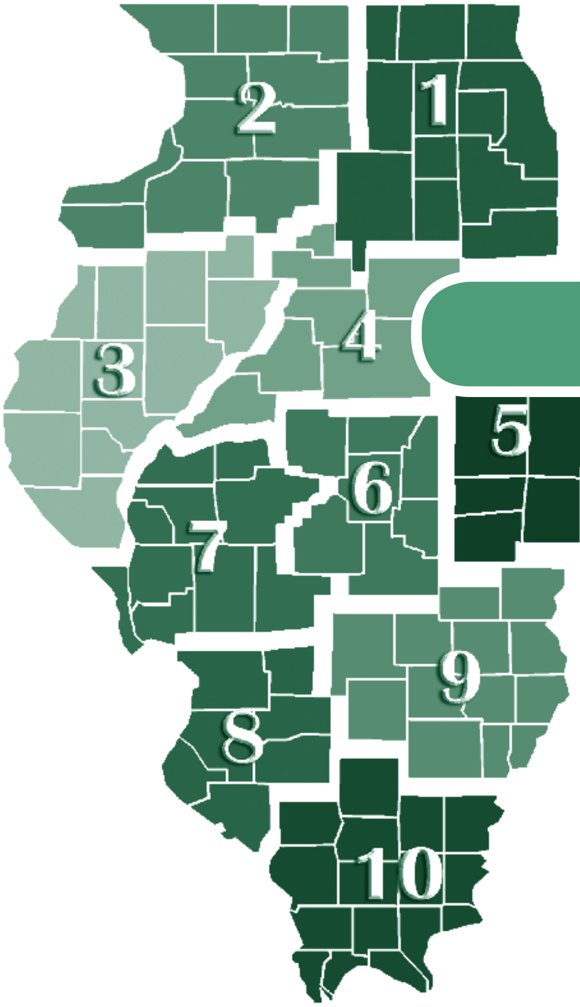

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Region 4 holds a variety of soils, crops and location influences, which can lead to great ranges in value from one end of the region to the other. The northern portion of Marshall, Putnam and Livingston Counties are heavily influenced by the 1031 tax-deferred 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 quarter of 2006 showed continued demand from 1031 exchange buyers as their influence was prevalent through May in many farmland transactions throughout this region. As fewer closings occurred in the Chicago “collar counties”, properties listed for sale in Region 4 received modest attention over the summer. Interest rates had also continued to trend higher and this kept farmers’ interest suppressed. Land quality and characteristics became a significant factor in prices paid. This led to a continued wide trading range in farmland values for Region 4 through the summer and early fall. Then, as the reality of lower ending stocks for corn became more apparent, and the grain prices increased, farmer interest became renewed after harvest. Modestly sized tracts of 160 acres or less are seeing very good demand from farmers once again. These sales represent a shift from the trend in past years where the larger sized tracts were receiving a premium at the auctions.

In the final quarter of 2006, land sales continue to be particularly strong in the northern portion of the region, which is closer to the majority of the 1031 tax-deferred exchange buyers. Indications exist that potential 1031 exchange closings will occur through May, 2007. An additional influencing factor that may come in 2007 is the land value impact of farmland as an alternative energy source. Region 4 has several wind turbine projects being explored as well as proposed ethanol plant locations. Look for updates on these issues in next year’s summary!

Cash Rent rates increased slightly. As more land sells, more farmers retire, and more leases move to cash rent in this historically crop-share lease region, the average rental rate also increases. Strong influences on cash rent levels include 1031 tax-deferred exchange buyers looking for a competitive return on their investment. In looking toward 2007, lease rates will continue to increase based on the potential economic return that farmers can estimate with current cash grain prices and slightly lower input costs.

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	$4,900 - $5,2900	3 %	Steady	$170	Up 10%	$185
Good Productivity	$4,100 - $4,500	3 %	Steady	$145	Up 7%	$165
Average Productivity	$2,500 - $3,400	None	Steady	$120	Up 4%	$125
Recreational Land	$3,500 - $3,700	3%	Down 5%			
Transitional Tracts	$8,000 - $12,000	None	Down 5%			

Excellent Productivity Tracts

Excellent productivity farmland experienced solid demand throughout 2006 despite a slight increase in the number of acres available for sale. Bare farmland values settled into an established range from the lower to mid $5,000 per acre area. Sellers bringing publicly advertised, high quality tracts to the market over the summer in Region 4 typically received over $5,000 per acre. As the year moved along, fewer large-scale transactions occurred, but the increase in commodity values near year-end brought farmers into the marketplace, after hesitating to purchase land during the past two years. Most of the excellent productivity farmland sold between $4,700 and $5,300 per acre in 2006 throughout Region 4. Both privately negotiated and public auction sales remained strong for this land class.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Woodford	Feb	155.50	98.1	141	$5,000
Livingston	Feb	80.00	98.0	134	$4,775
McLean	Mar	79.00	98.7	136	$5,300
McLean	Mar	177.20	98.8	141	$5,350
Marshall	Apr	80.00	97.5	137	$5,250
McLean	Apr	304.60	96.7	139	$5,275
Marshall	May	83.20	98.1	136	$5,000
Mason	June	149.50	97.9	138	$4,525
Tazewell	July	80.00	97.5	140	$5,000
Livingston	Aug	81.10	98.0	136	$5,250
Woodford	Sept	160.00	96.3	140	$4,550
Woodford	Oct	78.70	97.3	142	$5,400
Tazewell	Oct	100.00	95.4	141	$4,900
Tazewell	Nov	75.75	98.7	142	$5,200
McLean	Nov	324.46	97.1	141	$5,350
McLean	Nov	240.77	99.3	137	$5,250

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 less attractive feature such as a lower percentage of tillable acres, more slope, or slightly tighter subsoils than the Excellent farms. This land class widened its value range by mid-summer when 1031 tax-deferred exchange trades started to slow down, and an increase in supply to the market occurred. We found this land class had the greatest number of acres brought to the market in Region 4. With shrinking 1031 tax-deferred exchange demand, this land class lost some attractiveness and the prices no longer increased. As a result, a wide range in sales values exists for this category. Most farms sold from $3,800 to $4,800 per acre. While some of the highest sales prices came at auction, this land class was more likely to experience an expected seller's value with privately negotiated sales. Auctioning land in this class became more risky as sales moved south and westward through the region. The further north and east the land was located in the region, the more successful an auction of this land class was likely to occur.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Livingston	Feb	79.89	98.0	130	$4,700
McLean	Feb	120.00	99.7	128	$4,600
McLean	Mar	80.00	98.8	133	$5,000
McLean	Apr	193.50	97.9	134	$4,641
Mason	Apr	85.60	96.1	134	$4,100
McLean	May	117.50	94.9	125	$4,300
Woodford	July	80.00	95.6	125	$3,800
Mason	Aug	333.1	95.3	133	$3,900
McLean	Sept	158.09	99.0	123	$4,550
Woodford	Oct	67.60	96.3	131	$4,297
McLean	Dec	80.00	97.4	123	$4,000
Livingston	Dec	160.00	98.5	128	$4,450
Livingston	Ded	59.00	99.0	128	$5,400

Average Productivity Tracts

Two major areas in Region 4 have sales in this land class. They include 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 price extremes existed as a result of this location difference. Demand continued to be good in Livingston County due to the relative proximity to Chicago's southern suburbs. An ever-growing interest in rural land ownership kept prices of Average quality farmland firm in this area. However, droughty soils in a dry year rarely bring local buyers to the marketplace. Therefore, the distance from the Chicago "Collar Counties" played 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 2005 and prices paid were relatively the same at the end of the year as they were in 2006, with the most common price paid ranging from $2,600 to $3,400 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Mason	Mar	179.00	76.5 irr.	86	$2,800
Livingston	June	40.00	97.5	112	$2,550
Livingston	Aug	287.72	98.0	119	$3,002
Livingston	Nov	80.00	97.4	112	$3,300
Mason	Nov	80.00	95.3	117	$2,875
Mason	Dec	240.00	94.0	126	$3,310
Livingston	Dec	154.20	97.0	118	$3,575

Recreation Tracts

Recreational acreage continues to be met with very good demand throughout the region. However, the strongest area continues to be the northern portion of the region and more specifically, the relative proximity to the Chicago's collar counties. 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. The price increases were estimated to be approximately 3 percent in recreational land value for 2006 despite a modest increase in the number of parcels for sale.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Woodford	Jan	157.30	36.4	120	$3,275
Mason	Jan	27.50			$3,000
Marshall	Aug	138.88	26.1	129	$4,000
McLean	Nov	107.03			$5,050

Transitional Tracts

Transitional farmland has settled into a steady value range throughout this region. Residential and commercial tracts vary in price by their location within each community. One of the continuing special interest stories is the amount of investor preferences looking to purchase land near Interstate interchanges for future developments. Two such transactions occurred in McLean County this year at Chenoa and are highlighted below.

County	Sale Date	Total Acres	Location Future Use	Total Price/Ac
Livingston	Feb	7.63	WalMart	$29,826
Livingston	Feb	121.34	Landfill	$11,538
McLean	Feb	126.58	I-55 Interchange	$7,250
McLean	Apr	42.91	Residential/ East Bloomington	$30,000
McLean	June	75.5	West Bloomington on Route 9	$11,470
McLean	July	23.04	Residential/Normal	$25,000
McLean	Oct	53.72	Residential west of Bloomington	$9,308
McLean	Nov	511.76	Ethanol Plant & I-55 Interchange	$7,030

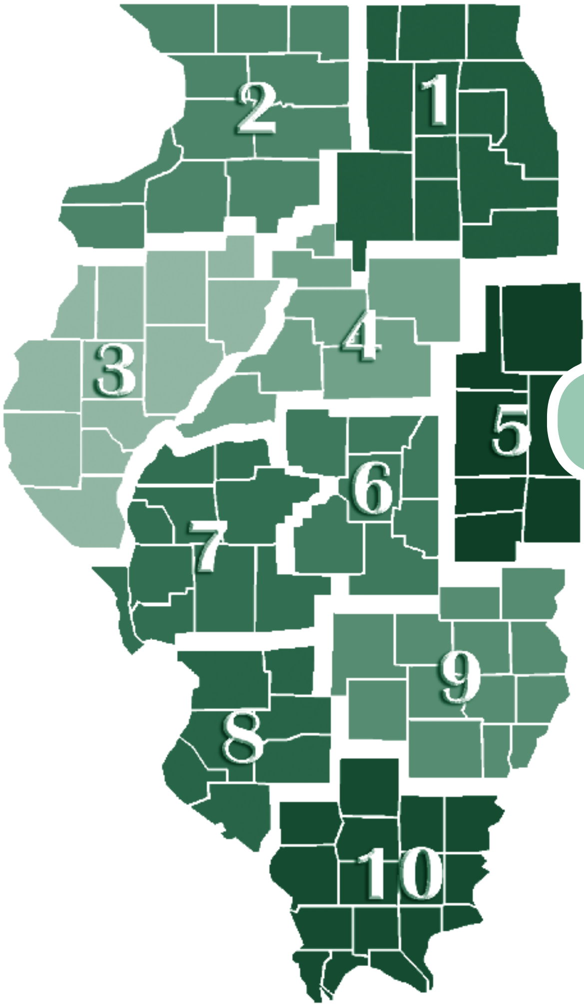
Other Tracts

The dominating story for farmland in Region 4 throughout 2006 was the exploration and optioning of land for alternative electrical and fuel uses. Construction began in eastern McLean County during the second half of the year, while discussions in Woodford and Livingston Counties met controversial resistance near Benson and Chatsworth. Additional concerns were voiced in a planned project located at northwestern McLean and southeastern Woodford Counties. The influence of these planned projects is yet to be determined and there may be a positive or negative farmland value impact on each location. However, sales of land in eastern McLean County during the second half of 2006 appear to indicate that some additional value is being placed on tracts that contain options where construction has begun and payments are being received.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
McLean	Aug	40.00	97.5	137	$4,850
McLean	Oct	162.07	97.6	135	$4,936

Other Interesting Stories

Two large acreage land auctions occurred in this region during the spring of 2006, each generating significant interest. Both attracted several 1031 exchange buyers and received state-wide and regional media attention. However, the auction that provided the most attention was 822.36 contiguous acres of improved, prime farmland six miles west of Bloomington. The farm was offered in seven tracts. The eventual buyer of six of the tracts was one farm family from northern Illinois that may eventually relocate to the area. They performed a 1031 exchange to complete the transaction. The total consideration for the entire acreage was $6,000 per acre.



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Land Value and Cash Rent Trends
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Farm Classification	Total Value/Acre	% Change in $/Acre from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	$4,500 - $5,500	Up 3 - 5%	Down	$180 - 190	2 - 5%	$190
Good Productivity	$3,750 - $4,500	Up 3 - 5%	Down	$160 - $175	2 - 5%	$175
Average Productivity	$3,000 - $3,600	No change	Down	$130 - $150	0 - 5%	$150
Recreational Land	$2,250 - $2,750	Up 10%	Down			
Transitional Sales	$6,900 - $20,000	Steady	Steady			

All land productivity categories in Region 5 continued to produce significant interest from buyers, especially in the first part of the year and in the last three or four months of 2006. However, because of the diverse nature of counties in Region 5, there is a wide disparity in sales prices and cash rents reported. This report for Region 5 will attempt to summarize the information, although specific sales will show wide variations within this region.

Region 5 experienced a flat period of sales activity during the summer months, but a new surge of interest returned in the fall with the pull of higher grain prices brought about by the publicity of the expansion of the Ethanol industry. While we experienced smaller numbers of buyers looking for IRS 1031 tax-deferred exchanges in the first half of the year, good and excellent land tracts did attract these buyers throughout the year. The fall brought back more local and farmer buyers into the marketplace, looking for tracts that were near their current ownership or operations. Buyers interested in recreational and hunting properties continued to be active in the fair and recreational categories of land. Even though there is a shorter supply of these types of tracts in Region 5, they have a strong attraction to buyers looking for country estates, weekend retreats, and hunting and recreational properties.

The supply of properties for sale in general has decreased throughout Region 5 as compared to 2004 and 2005. This is especially evident in the larger and higher-quality tracts being offered for sale in 2006. This factor may be the result of the high demand this region experienced during 2004 and 2005 for the larger high-quality farms and the number of these farms that were sold over that time period. The significant increases in land values during those two years attracted the notice of many landowners. Those who would consider selling took advantage of those strong sales prices available to them and sold their properties during that time period.

All categories of land reflected an increase in sales prices, and marketing tactics appear to have been responsible for some of the variations in prices paid. Sales that were sold by professional land brokers and land auctioneers appear to have sold at higher prices than many of those sold by the landowners directly. Auctions have been especially strong in the latter months of 2006. New records have been set with some of these auctions for the different classes of land. While the prices being paid have only gone up slightly in some areas, some individual sales show very large increases in prices being paid. This may be the result of the methods used to sell land, rather than just being an across-the-board increase in land values. Marketing procedures have paid big dividends to individual sellers during the 2006 time period. In past years it seemed that the auction process tended to eliminate some of the buyers who were looking for replacement properties for 1031 tax-deferred exchanges. These problems seemed to have been somewhat solved by these potential buyers or the legal teams involved in the 2006 purchases, as more than normal numbers of tax-deferred exchanges were transacted on auction properties during the 2006 reporting year.

It appears that demand for land to remain in agricultural production still enjoys "favored asset" status in Region 5. Many potential buyers who want production farms away from "urban sprawl" continue to look at Region 5 as a place to invest. The investment in land had strong demand by all investors in 2006. Many leases of these production farm investments are being converted to cash rent lease arrangements as they are purchased. While the actual cash rent has gone up from 2 percent to 5 percent in general in this region, the return that the investor is receiving on his/her investment is not necessarily increasing at the same rate. This is because sales prices appear to be going up at a faster rate than the cash rents are increasing.

Excellent Productivity Tracts

Sales prices for excellent productivity tracts in Region 5 were generally in the $4,500 to $5,500 per acre price range, although there were scattered sales above and below that sales price level throughout the region. Sales were generally toward the middle-to-higher end of that range in Douglas and Champaign Counties, and in the middle-to-lower end of that range in the balance of the territory. A declining supply of excellent-quality farms being offered for sale, along with strong demand for this quality of land, brought steady-to-strong land prices the first half of 2006.

During the summer time period there was a decrease in activity in the land market. This brought about a flat market with fewer parcels being offered for sale and had many individuals speculating that we were headed for a declining land market. However, during the last quarter of the year, the market reacted to a developing ethanol market, which had all kinds of influences on the land market and the agricultural outlook for 2007. Buyers came back to the land market in larger numbers and bid the fewer parcels that were being offered for sale to higher price levels. In some cases, strong new highs were set in the market for this excellent category of land sold, with a few individual tracts bringing $6,000 per acre or higher at the end of the year. Farmers and local investors came back to the market place because of the changing economic factors, which drive the earnings and sales prices paid for land. Many of these investors are once again looking for farms in close proximity or adjoining the farms that they already farmed or owned.

County	Sale Date	Total Acres	% Tillable Ac	P / I on	Total Price/Ac
Champaign	Jan	316.85	97.0	141	$4,797
Champaign	Jan	73.36	97.0	142	$5,300
Champaign	Jan	159.96	97.0	135	$4,700
Champaign	Jan	80.00	99.0	144	$5,400
Edgar	Jan	80.00	99.0	140	$4,563
Ford	Jan	95.00	98.0	133	$3,158
Iroquois	Jan	146.44	99.0	134	$5,000
Vermilion	Jan	155.00	99.0	144	$4,450
Vermilion	Jan	80.00	99.0	143	$4,000
Vermilion	Jan	40.00	98.0	143	$4,400
Edgar	Feb	80.00	98.0	144	$4,950
Iroquois	Feb	41.69	98.0	136	$5,000
Vermilion	Feb	67.66	99.0	144	$4,500
Champaign	Mar	157.32	98.0	142	$6,000
Coles	Mar	380.00	99.0	145	$4,746
Vermilion	Mar	40.00	98.9	144	$4,300
Champaign	Apr	91.83	99.0	142	$5,948
Champaign	Apr	50.00	98.0	143	$4,200
Coles	Apr	158.00	99.0	144	$4,250
Coles	Apr	40.00	99.0	142	$4,375
Douglas	Apr	161.80	99.0	137	$4,562
Douglas	Apr	40.00	99.0	142	$5,600
Iroquois	Apr	80.00	95.0	136	$5,425
Champaign	July	120.00	98.0	137	$5,400
Champaign	July	40.00	93.0	138	$5,100
Ford	July	63.33	98.0	136	$5,000
Iroquois	July	40.00	93.0	135	$3,625
Champaign	Sept	80.00	98.0	141	$4,650
Douglas	Sept	80.00	99.0	136	$4,100
Iroquois	Oct	95.29	97.0	136	$5,247
Champaign	Nov	106.66	98.0	142	$5,000
Piatt	Nov	80.00	98.0	142	$5,725

Good Productivity Tracts

Properties rated with a good level of productivity generally were sold in the $3,750 to $4,500 per acre price range. However, because of the diverse soils and locations of the good category farms in Region 5, there are fairly wide variations in sales prices reported. Investors find these types of properties attractive because of the anticipation for higher cash return on their investment and the fact that a larger number of acres can be acquired with their total investment dollars, than can generally be acquired with Excellent Category property. Many buyers, especially 1031 tax-deferred exchange buyers, also look to good quality farms, because of the more limited supply of the excellent quality land in 2006. In addition, the current price level for the excellent category farms has driven some buyers to the good category quality farms.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jan	80.00	96.0	124	$4,125
Champaign	Jan	52.80	97.0	124	$3,500
Champaign	Jan	467.6	94.0	119	$3,473
Coles	Jan	168.00	98.0	131	$3,622
Coles	Jan	146.00	95.0	127	$3,885
Coles	Jan	41.00	98.0	130	$3,750
Ford	Jan	142.20	91.0	118	$3,805
Ford	Jan	76.00	92.0	117	$2,875
Iroquois	Jan	240.00	97.0	123	$3,900
Iroquois	Jan	169.00	98.0	122	$3,876
Ford	Feb	80.00	99.0	120	$3,500
Champaign	Mar	109.01	86.0	123	$3,450
Douglas	Mar	160.00	98.0	132	$3,125
Iroquois	Mar	50.48	97.0	127	$4,000
Vermilion	Mar	80.00	96.0	127	$2,500
Vermilion	Mar	40.00	98.0	117	$3,000
Champaign	Apr	339.33	98.0	122	$3,837
Iroquois	Apr	39.00	95.0	127	$4,250
Vermilion	Apr	84.56	95.0	125	$3,400
Ford	May	148.19	93.0	125	$3,120
Ford	May	114.45	95.0	128	$4,107
Iroquois	May	56.33	99.0	121	$4,000
Champaign	June	33.00	95.0	119	$3,800
Coles	July	45.62	41.0	120	$2,648
Coles	July	124.30	98.0	132	$4,010

Average Productivity Tracts

Sales prices of farms rated with average-quality productivity generally ranged from $3,000 to $3,600 per acre. Most of these occurred in the outlying areas of the region, to the east, south and north. Buyers of these properties were more likely to be neighboring farmers and landowners and retired farmers. However, because of the shortage of excellent and good quality land available, some IRS 1031 tax-deferred exchange buyers were active in this average quality of land in 2006. As the availability of farms on the market drop in both of the better-rated productivity groups, the activity in the average productivity category continues to increase in this region.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Iroquois	Feb	75.80	95.0	110	$3,000
Coles	Aug	42.14	63.0	115	$3,239
Iroquois	Aug	40.00	95.0	109	$2,771

Recreation Tracts

Demand for recreational properties (woodland, ponds, creeks/rivers, rolling topography, etc.) remained very strong in 2006. 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 2006, 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 good, prices have generally ranged from a minimum of $2,250 to as high as $2,950 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
Coles	Jan	127.00	20.0		$2,300
Edgar	Mar	40.00	36.0	120	$2,750

Transitional Tracts

Demand for transitional land was very strong in 2006. 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 area 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 $6,900 to $20,000 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	Jan	34.54	98.0	143	$10,333
Champaign	Feb	145.24	97.0	140	$6,250
Coles	July	32.85	25.0		$4,018
Douglas	Dec	40.00	99.0	142	$6,947

Special Interest Stories

Several projects in the area, add to the interest in the Region 5 land market and the agricultural community of East central Illinois.

1. Development of ethanol plants in the area. There were several ethanol plants in the planning stages or under construction at the end of 2006. Sites at Royal and Champaign in Champaign County, Tuscola in Douglas County, Gibson City in Ford County, Danville in Vermilion County, Gilman in Iroquois County and Charleston in Coles County were already in some phases of planning and/or development at year end. These developments will potentially have a great impact on the usage and price received for corn in this area. In addition, development of a biodiesel plant is planned for Danville in Vermilion County.

2. A coal-to-liquid fuels plant is being pursued in Douglas County. A coal association has been in existence for several years in the southeast corner of Douglas County, north of Oakland. This involves a minimum of 25,000 acres, with coal being developed into a coal-to-liquid fuels production unit. A development LLC company, Illinois Clean Fuels, has been given a lease by the Embarras Valley Coal Association, to develop the $2 billion project in this region. It will need to acquire approximately 640 acres of land in the beginning for the coal-to-liquid fuels plant, with additional acreage for the mining operation. It will give 600 people employment when it is completed.

3. Two Region 5 cities are in consideration for FutureGen. FutureGen is a government project which will provide the world's first emissions-free power plant that will produce electricity and hydrogen from coal, while capturing and storing carbon dioxide. The final selection of the plant site is continuing through a long process. It has been narrowed down to two Texas sites (Jewett and Odessa) and sites in Douglas County (Tuscola) and Coles County (Mattoon). The $1 billion investment will create a 275-megawatt prototype power plant. The decision for the final site selection is expected in September, 2007. The potential site in Tuscola is a 208-acre site and the site in Mattoon is a 240-acre site. The power plant will create 1,000 construction jobs and 200 permanent jobs for the next 30 years.

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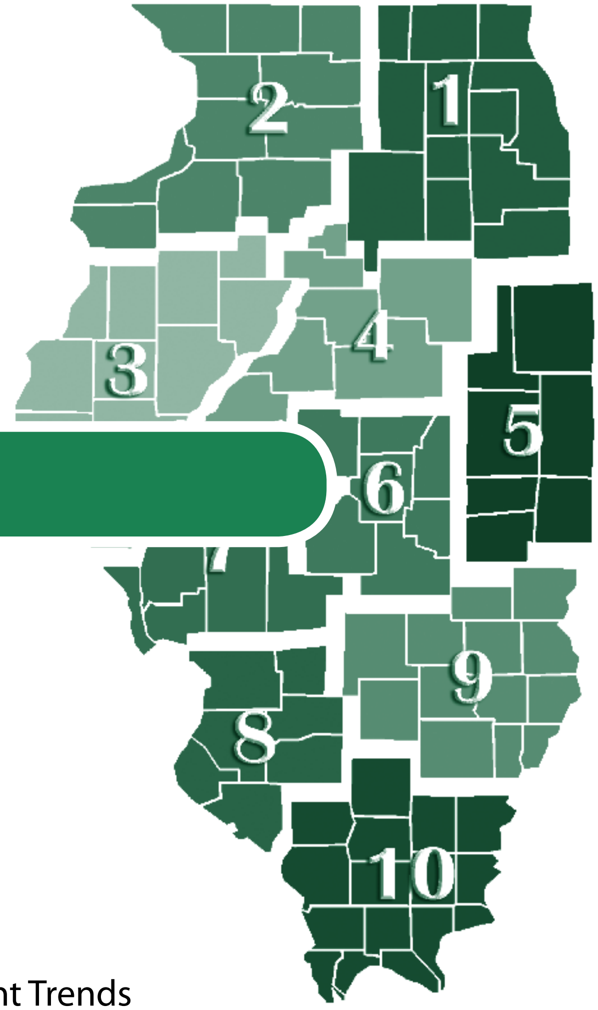

Region 6 - Central

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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 200	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	$4,500 - $5,200	Up 5%	Down	$190	10%	$200
Good Productivity	$3,250 - $4,500	Up 5%	Down	$170	10%	$180
Recreational Land	$1,500 - $3,000		Down			
Transitional Sales	$6,000 - $20,000		Up slightly			

Region 6 consists of seven counties located in central Illinois. Macon County is located in the center of the area and is surrounded by Logan, DeWitt, Piatt, Moultrie, Shelby and Christian Counties. These counties contain excellent soils, a large agribusiness support network and a high level of interest from non-agriculture sectors. Some observations on the year we just completed include:

• During early 2006 land values continued to increase, but at a decreasing rate as we progressed through the first and second quarter. Sales toward the end of the year appeared to steady or may actually have shown a slight decrease.

• There is a lot of land on the market and the marketing period is significantly longer than it has been for the past couple of years.
• Although there are still some 1031 exchange buyers in the market, they are not as prevalent as a year ago.
• There is still an apparent premium in the market for larger tracts, particularly in the excellent category.
• This area of the state had better-than-anticipated yields in 2006. This fact, coupled with higher commodity prices, have bolstered net farm income, which is providing some support to land values.
• With higher grain prices and good prospects for future prices there is a significant amount of new grain storage being built.

• There appears to be a lot of uncertainty about changes that may take place in the government farm program. It would, however, appear to have a minimal effect on land values at this time.

The majority of the soils in Region 6 are primarily from two soil associations, Drummer Flanagan and Catlin silt loam and Tama, Ipava and Sable silt loam.

Title to the land in this area of the state is very tightly held and when it does become available there is excellent demand. In general, the soil in Region 6 is well-managed with good subsurface drainage, soil conservation practices and well-balanced fertility. There is very good access to strong grain markets in the area with ADM, Staley, Cargill, and Illinois cereal mills and other handlers. These markets help to provide improved prices for this part of Central Illinois, which is in turn reflected in net farm income and land values. The table on the preceding page summarizes the land values and cash rents in the Central Region of Illinois. The values for all categories of farmland appear to be up slightly in 2006. Cash rents paid by farmers also show a significant increase. The area again reported record high soybean and corn production. This year, as in the past few years, the number of sales in the region was very high and numbered in the hundreds. There was, however, a great deal of land on the market at the close of 2006.

Excellent Productivity Tracts

We have chosen 18 sales in the excellent productivity category representing typical transactions for farmland selling in our seven county area. The prices ranged from $4,400 per acre to $5,400 per acre. The average price indicated for 2006 is $4,862 per acre. These values compare with last year's average price of $4,633 per acre and represents a 4.9 percent increase. The Soil Productivity Indexes range from 139.6 to 144 with an average Productivity Index of 141.3. The average price per Productivity Index unit indicated is $35.07 per tillable acre. The tracts ranged in size from 74 to 283.73 acres, which were 94 percent to 100 percent tillable.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
DeWitt	Jan	77.00	94.0	141	$4,415
DeWitt	Jan	81.35	99.0	142	$5,100
DeWitt	Aug	236.60	97.0	140	$4,845
Piatt	Oct	103.72	97.0	140	$5,000
Piatt	Apr	80.00	99.0	141	$4,650
Piatt	May	240.00	99.0	135	$5,400
Logan	Nov	182.30	100.0	142	$4,900
Logan	Nov	283.73	99.0	141	$4,581
Logan	Nov	158.40	98.0	140	$5,150
Christian	Jan	100.00	99.3	142	$4,400
Christian	Feb	80.00	100.0	140	$4,800
Christian	Apr	80.00	100.0	141	$5,357
Christian	Apr	180.36	99.6	141	$4,401

(continued in next column)

(cont.) County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Moultrie	Feb	89.00	98.0	144	$5,100
Moultrie	Apr	114.30	98.0	140	$4,803
Macon	Nov	200.00	99.0	142	$4,850
Macon	Oct	153.70	98.8	144	$5,260
Macon	Feb	74.00	95.0	144	$4,500

Good Productivity Tracts

Five sales were selected as representative of the sales in the Good Productivity category. Prices ranged from $3,250 to $4,500 per acre. The sales ranged in size from 40 to 195 acres. The tracts selected were 91 percent to 96 percent tillable. The sales in the good productivity category tend to have somewhat more sloping land with some erosion and drainage issues.

In general, this category also has a smaller percentage of tillable land than found 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 received for the land in this category is $3,585 per acre. This compares with $3,627 per acre in 2005. Although the sales shown indicate a decrease from last year, our committee agrees that values in this category increased 5 percent. The productivity indexes in this category range from 125 to 135 with an average of 129.7. The indicated price per PI point would be $29.61 per tillable acre. The chart below lists the sales found in the good productivity category.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
DeWitt	Sept	195.00	91.0	128	$4,500
Shelby	Jan	80.00	94.9	125	$3,250
DeWitt	Mar	86.00	91.0	132	$3,331
Moultrie	Feb	40.00	96.0	128	$3,450
Moultrie	Feb	131.20	95.0	135	$3,393

Recreational Tracts

Land found in this category generally has a lower percentage of tillable less productive land. It often has a significant amount of timber or brush and may be subject to overflow. Most buyers purchasing land in this category are interested in hunting, fishing, or other recreational activities. Our committee has cited three sales in this group as representative of the activity in this segment. The tracts range from 26.7 to 124.76 acres in size with a low percentage tillable. The PI on the tillable acreage is 105 to 140.3. The average price indicated is $2,817 per acre. This committee did not report any sales in this category during 2005 and as a result there are no figures available for comparison.

(continued on next page)

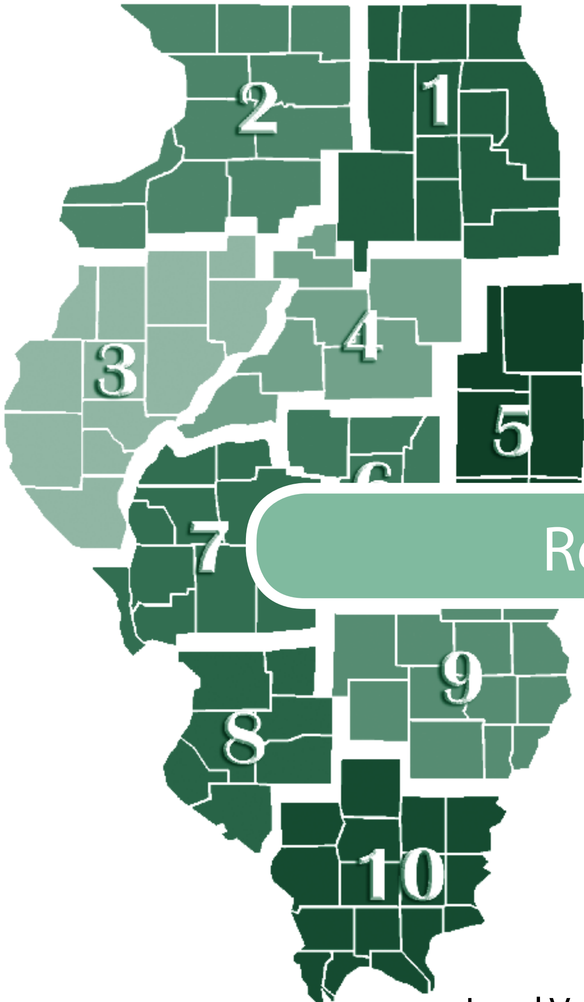
Recreational Tracts (cont.)

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Shelby	Feb	109.00	40.0	110	$1,968
Christian	Nov	124.76	70.5	105	$2,100
Piatt	Jan	26.70	60.0	140	$5,000
Moultrie	Nov	91.50	46.5	134	$2,200

Transitional Category

Three sales are also included in the Transitional Category. In this area of the state there is land being farmed near cities, towns or villages where its highest and best use is changing to developmental or other purposes such as residential, industrial, or commercial. Transitional tracts can often be very productive soils with a higher percentage tillable. This is not, however, generally a factor in the sales price. The sales cited ranged in size from 37.3 acres to 320 acres. The prices ranged from $6,000 to $14,757 per acre. Although sales in this category have been relatively stable for the past few years, there appears to be a slight movement upward. The trends, of course, depend on the particular area and location.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Macon	May	320.00	94.0	138	$6,000
Macon	Feb	37.30	97.0	142	$14,757
Macon	Apr	205.20	95.0	141	$7,432



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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	$5,000	Up 10%	Steady	$160 - $210		
Good Productivity	$4,500	Up 10%	Steady	$130 - $170		
Average Productivity	$3,500	Up 10%	Steady	$100 - $140		
Fair Productivity	$3,000	Up 10%	Steady			
Recreational Land	$2,500	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, 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 hardwood timber are mostly Fayette, Rozetta and Keomah soils. Adjacent to the rivers and streams are bottomlands frequently including Sawmill, Wakeland and Beaucoup soils. The most steep, 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.

A sale in Macoupin County in December 2006 set a new high for Class I Farmland in Macoupin County, when 40 acres sold at auction for $5,825 per acre. Sangamon County had more than 10 sales of Class I Farmland sell above $5,000 per acre, topping at $5,700 for 136 acres in February 2006. Morgan County had five or more sales exceeding $5,000 per acre topping at $5,300 per acre.

Eight of 10 counties in Region 7 had at least one sale exceeding $5,000 per acre. Menard County had a high at $4,900 per acre and Cass County topped at $4,750 per acre.

Land prices for rural residential uses or speculation for development are obviously much higher.

Overall in the ten county Region 7, land prices were steady to up 10 percent. Factors that contributed to the strength of the market included:

- Extremely good crop yields
- Extremely strong commodity prices
- Low interest rates
- A significant number of tax deferred exchange buyers
- A significant interest by investors looking to purchase recreational use properties.

The first half of 2006 saw a significant demand for top quality farmland, but as the market moved from a buyers market to a sellers market, the volume of sales declined sharply from late summer into autumn.

Value from both auctions and private sales were strong. In most cases, demand was 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	Jan	254.00	98.0	131	$4,750
Calhoun	Apr	99.00	96.0	133	$4,568
Greene	Apr	197.00	99.0	135	$5,150
Jersey	Jan	80.00	99.0	136	$5,325
Macoupin	Dec	40.00	99.0	136	$5,825
Menard	June	80.00	99.0	131	$4,900
Montgomery	May	60.00	99.0	134	[illegible]
Morgan	Jan	139.00	99.0	140	$5,121
Morgan	Jan	170.00	99.0	140	$5,300
Sangamon	Feb	136.00	99.0	140	$5,700
Sangamon	May	110.00	99.0	138	$5,000
Sangamon	Aug	80.00	97.0	139	$5,350
Scott	Mar	30.00	98.0	137	$5,546

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 $2500 and $3200 per acre. This class usually has one or more hazards including 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	Dec	554.00	85.0	132	$2,674
Cass	Apr	100.00	96.0	141	$3,900
Calhoun	Feb	540.00	88.0	135	$3,500
Calhoun	June	223.00	91.0	136	$3745
Greene	Apr	135.00	94.0	135	$3,851
Greene	July	235.00	80.0	116	$2,178
Jersey	Apr	100.00	94.0	139	$4,300
Jersey	July	115.00	93.0	139	$4,130
Macoupin	Jan	154.00	97.0	130	$3,793
Macoupin	Apr	80.00	94.0	133	$4,000
Menard	Mar	120.00	96.0	136	$4,000
Menard	May	244.00	91.0	131	$3,500
Montgomery	Mar	111.00	89.0	128	[illegible]
Montgomery	Apr	160.00	96.0	134	[illegible]
Morgan	Jan	146.00	79.0	130	$2,899
Morgan	Mar	65.00	67.0	122	$3,246
Sangamon	Feb	228.00	33.0	128	$3,026
Sangamon	June	80.00	83.0	133	$3,837
Scott	Feb	142.00	60.0	120	$2,318
Scott	Feb	81.00	35.0	122	$3,055

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 $1500 per acre to as much as $3000 per acre. Higher prices generally are nearer to metropolitan centers, or for prime recreational areas.

Recreational Property

There is a significant demand for this type land across the entire area. 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 $2500-$3000 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 $1000 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 $5000 to $6000 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 $2.00 per P.I., obviously driven by strong commodity prices.

<u>Examples would be</u>:

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 2004. 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 varied from steady to higher, mostly averaging about $1.30 per production index point, based on University of Illinois Circular #811.

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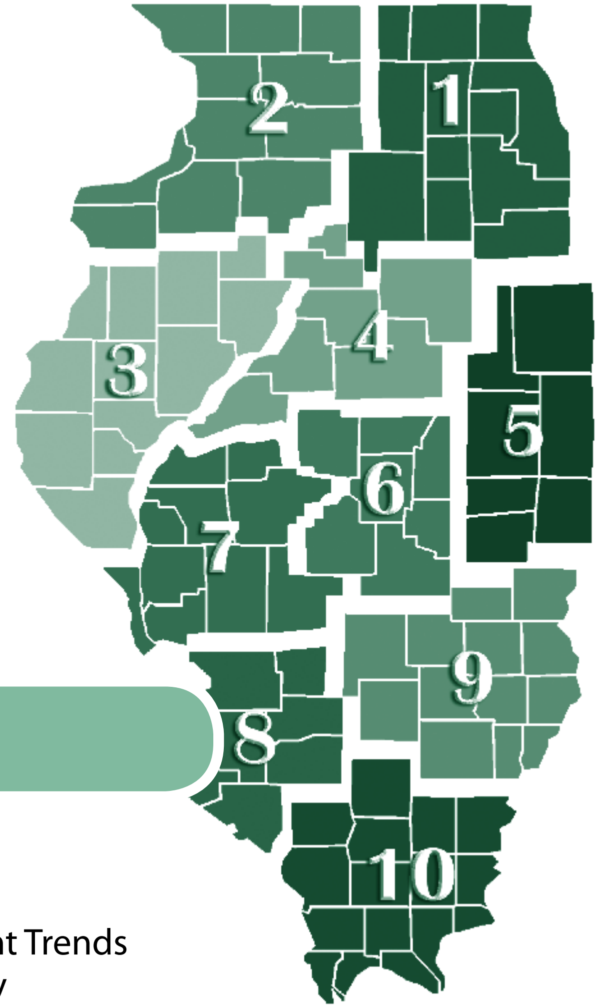


Region 8 - Southwest

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acres from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	
Good Productivity	$6,000 - $8,000	Up 15%- 20 %	Steady	$130 - $150	Steady	
Average Productivity	$6,000	$3,000- 25%	Up 20%- 5% - 10%	Down	$100 - $130	Up 5% - 10%
Fair Productivity	$2,500 $3,200	Up 10%- 20$	Down 5% - 10%	$85 - $100	Up 15% - 20%	
Recreational Land	$2,100- $3,250	Up 10%- 20%	Steady	$15 - $20	Up 50% - 100%	
Transitional Tracts	$10,000- $15,000	Up 10%- 20%	Steady			
Other Sales	$2,250 - $2,500					

Region 8 in Southwestern Illinois consists of seven counties, four of which border the Mississippi River.

St. Louis 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 the two ounties 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.

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

Most farms in the area are rented on a crop share basis. Cash rent is gradually gaining popularity but is not as prevalent as it is in other parts of Illinois. Generally, cash rental rates were steady to up $5-$10/acre in 2006 compared to 2005. Most cash rent rates were already set before the run up in grain prices in late 2006. There is a strong demand for hunting rights on recreational land which results in the going rate increasing to $15-$20/acre compared to $5-$10/acre previously.

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 2006 for the good productivity tracts in St. Clair and Madison Counties generally ranged from $6,000/acre to $8,000/acre and tended to center around $7,000/acre. The first two sales listed below were purchased by local investors who were interested in investing in the highest quality farm land available near their other holdings. The other four sales were purchased by local farmers with 1031 money who wanted to replace the land they had sold for development with good quality land that was located near enough for them to farm it themselves.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Madison	Jan	345.00	98.0	125	$5,985
St. Clair	Nov	41.00	97.0	123	$7,246
St. Clair	Jan	62.00	99.0	133	$7,150
St. Clair	Jan	43.00	100.0	130	$8,751
St. Clair	Jan	40.00	99.0	130	$8,674
Madison	Apr	80.00	99.0	125	$5,862

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 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 below selected sales, land values for average productivity tracts tend to range from $3,000 per acre to $4,000 per 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 $5,000 per acre to $6,000 per acre range 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
Madison	Jan	40.00	100.0	110	$5,800
St. Clair	Dec	40.00	100.0	115	$5,500
St. Clair	Feb	61.00	99.0	110	$5,100
Washington	Oct	80.00	94.0	105	$4,800
Madison	Oct	80.00	100.0	115	$4,375
Randolph	Jan	97.00	100.0	115	$4,000
Clinton	Aug	155.00	97.0	102	$3,806
Bond	Mar	40.00	100.0	115	$3,650
Randolph	Feb	60.00	85.0	105	$3,140

Fair Productivity Tract

Fair productivity tracts in the Region 8 area tend to be more rolling farms or creek bottom properties subject to overflow. Fields are often 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.

The fair productivity tracts are more prevalent toward the southern and eastern portions of the region and tend to be located near major creeks and streams where the topography slopes off toward the creek bottoms. Values for fair productivity tracts within the region fall in a range of roughly $2,500/acre to $3,250/acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Washington	Apr	40.00	94.0	100	$2,500
Bond	May	40.00	50.0	100	$2,750
St. Clair	Aug	32.00	94.0	100	$2,875
Randolph	June	31.00	71.0	100	$3,064
St. Clair	June	93.00	82.0	100	$3,250

Recreation Tracts

Recreational tracts in Region 8 are either completely wooded or nearly all woods. If there are tillable fields, they tend to be small and oddly shaped making them difficult to farm efficiently. There is usually little or no agricultural income associated with these tracts. Typically, 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 the region due to the large population base around St. Louis. Most of Region 8 is within an hour's drive of St. Louis, making it convenient to utilize a recreational property. Values for recreational tracts in the area have been increasing in recent years due to strong demand. As shown below, most sales of recreational properties fall within a range of $2,100 per acre to $3,250 per acre. Good advertising through a realtor or auctioneer tends to bring more bidders into competition by making non-local prospects aware that a recreational property is available for sale.

Most recreational tracts tend to be toward the southern and eastern portions of the region 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	Jan	36.00			$2,125
Randolph	Sept	91.00			$2,352
Randolph	July	36.00			$2,400
St. Clair	July	40.00			$2,626
St. Clair	June	30.00			$3,250
St. Clair	Feb	42.00	6.0	105	$3,250

Transitional Tracts

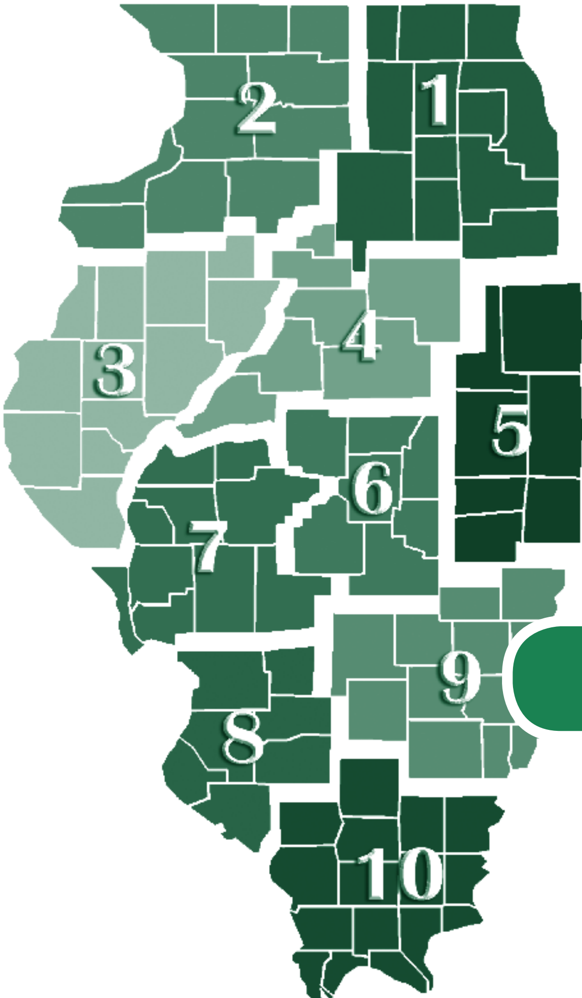
Transitional properties are well located farm land tracts usually located near small towns or along major traffic routes. These well-located properties may have potential for residential or commercial development at some point in the future, but are not expected to be developed immediately. Usually, these types of properties lie in the path of expected future city utilities, but it may be several years before adjoining properties are fully developed to make utilities available to the subject. During the interim holding period they are likely to continue to be used for agricultural production. As noted in the list of sales below, the range of values is from approximately $10,000 per acre to about $15,000 per acre and is centered around $12,000 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clinton	Feb	37.00	100.0	130	$12,768
Clinton	July	59.00	100.0	105	$12,000
St. Clair	April	102.00	100.0	120	$16,941
Monroe	July	40.00	100.0	125	$15,630
Monroe	June	104.00	77.0	120	$9,692
Monroe	Jan	100.00	90.0	100	$12,040

Other Tracts

The three tracts listed above and located in Bond County are enrolled in the Conservation Reserve Program and sold from $2,250 to $2,500 per acre. The fourth sale in Randolph County is a mixture of pasture and woods.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bond	Apr	60.00	CRP		$2,500
Bond	Sept	63.00	CRP		$2,400
Bond	Aug	80.00	CRP		$2,250
Randolph	Mar	40.00	Pasture/Woods		$2,500



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Region 9 - Southeast

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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acres from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005	Ave. Cash Rent/Ac on recently negotiated leases
Average Productivity	$2,900	5% - 10%	-25%	$130	10%	$135
Fair Productivity	$1,900	5% - 10%	-25%	$100	10%	$110
Recreational Land	$1,850	10%	-10%			
Bottom Land	$2,200	5% - 10%	-25%	$110	10%	$120

Region 9 is located in Southeastern Illinois and contains thirteen counties. Most soils are formed from prairie and timber vegetation in the Illinois glacier till. Several areas include bottomland soils located along the Kaskaskia, Little Wabash, Embarras and Wabash Rivers.

Interstate highway access is available to Region 9. Interstate 57 is located in the western part of the region, Interstate 70 runs through the northern counties and Interstate 64 serves a part of the southern counties.

Region 9 has seen reduced sales activity in the past year. Total sales were down 20-25% across the region. This region 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 cropland can vary from $2,200 to $3,600 per acre in our region. Recreational land will also vary from around $2,000 per acre in the north to as low as $1,300 per acre in the south.

Most of the increase in sales prices occurred in the first quarter of 2006. Prices appear to have remained flat during the spring and summer months, but fall sales are again increasing. The southern part of Region 9 appears to have seen a stronger increase in pricing over the northern area.

Demand for rural residential and recreational land would appear to remain strong. Some farmers have been selling off non-tillable acres for residential and recreational uses as prices increase for this sector.

Good Productivity Tracts

No recent sales have occurred in the Good Productivity category. 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.

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 2006, sale prices ranged from around $19.00 per PI point in Wayne County to $34.00 in Clark County.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Effingham	Nov	120.00	91.8	109	$3,163
Marion	May	80.00	97.8	101	$2,700
Jasper	July	240.00	96.9	100	$2,650
Clark	Sept	38.00	100.0	116	$3,638
Cumberland	June	80.00	100.0	114	$3,200

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 2006, sale prices ranged from around $24.00 to $46.00 per PI point.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Richland	May	40.00	73.3	99	$2,029
Jasper	Apr	80.00	91.5	100	$2,000
Crawford	Apr	80.00	83.0	98	$2,104
Clark	Feb	86.20	62.0	99	$1,952
Clay	Mar	40.00	82.5	100	$2,000

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. Wayne County has seen a recent trend of more buyers from outside the area than local buyers of recreational land.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Lawrence	Jan	80.00			$1,500
Crawford	Aug	39.60	35.0	102	$1,902
Wayne	Jan	80.00			$1,925
Marion	Mar	47.30			$1,800
Clay	Apr	37.50			$1,750

Other Tracts -- Bottomland

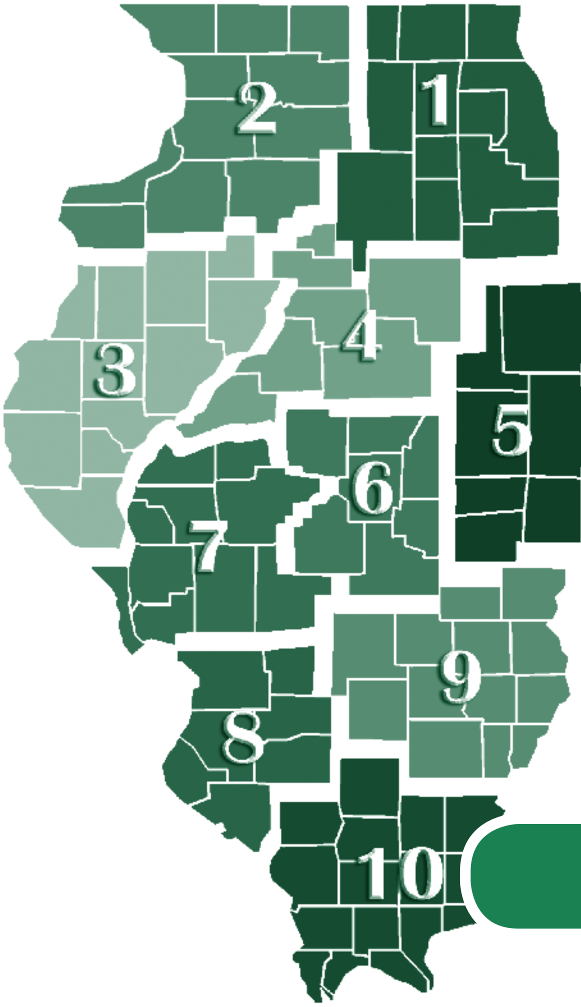
Many of the higher productivity soils in our region are located in river bottoms. Values of these sales vary widely due to potential flooding and drainage problems.

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
Jasper/levee	Jan	40.00	97.5	114	$3,375
Wayne	Apr	39.30	100.0	116	$1,867
Clark	Apr	140.00	80.0	120	$2,544
Edwards	Feb	57.80	96.1	115	$2,800
Wabash	June	18.40	96.8	117	$3,500

Special Interest Information

Bio-fuels are a major interest in today's market. There currently is an ethanol plant in production at Robinson, IL and another plant is rumored for the area. A bio-diesel plant is planned for a location in the Newton Industrial Park. Currently, all but $2,000,000 of the $30,000,000 projected cost has been raised to start the plant. Once the initial funds are raised, the plant could be in production in 12 months and have an annual capacity of 300,000 gallons.



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Region 10 - Southern

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2005	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2005
Good Productivity	$3,600 - $4,000	Up 14%	Down 5%	$120 - 150	Steady
Average Productivity	$2,000	Up 17%	Up 5%	$75 - $100	Up 10%
Fair Productivity	$1,800	Up 48% over 2-year period	Up 10%	$50 - $75	Steady
Recreational Land	$1,800	Up 12%	Steady		

Observed land values have increased for all levels of productivity throughout the region during the year. Crop yields were again strong through the region with average 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.

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 County and Northern Saline Counties. Sales of this quality of land in the area are not common and are primarily due to deaths or retirements. The majority of the buyers of Good Productivity land are local farmers purchasing for expansions. In 2005, the average values were in the range of $3425 per acre. In 2006 the average values are $3900 which is approximately an increase of 14% from 2005 observed values. There were no known sales in this category driven by 1031 exchanges.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
White	Dec	160.00	98.0	145	$4,000
Gallatin	Feb	529.60	96.0	135	$3,600
Gallatin	Dec	71.88	99.00	131	$4,000
Gallatin	Dec	23.39	100.00	131	$4,000

Average Productivity Tracts

A variety of sales methods are used for this type of farm in the area. This is by far the most common quality of crop production 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 $1,486 to $3,236 per acre, but tended to group into two separate ranges of $1,486 to $2,500 and $2,250 to $3,236 per acre. Farms selling in the $1,486 to $2,500 per acre range are those most representative for this quality in Region 10.

The simple average of the most representative sampling of 18 sales of this quality is $1,960 per acre which is up 17 percent from an average of $1669 per acre for the sampling from a year ago. Sales in the $2,250 to $3,236 per acre range are from stronger farming and sales “pockets” which are scattered through the Southern Region. The simple average of a sampling of 17 sales which are the representative of this group is $2,761 per acre, which is up 11 percent from the $2,479 per acre average from a year ago. Below is a sampling of sales from the most representative group discussed.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Hamilton	Jan	40.00	98.0	97	$1,650
Hamilton	Jan	80.00	95.0	96	$2,063
White	Feb	20.00	88.0	89	$2,000
White	Mar	70.00	77.0	99	$1,714
Hamilton	Mar	118.00	86.0	98	$1,521
Jackson	Apr	100.00	78.0	81	$1,626

Fair Productivity Tracts

The fair productivity farms sell mostly by private treaty. Most buyers are local farmers who are expanding their farming operations while the sellers are mostly retired farmers and estates. These farms typically have sloping topography and/or weak soil types. They have typically had a lower percentage of tillable land than do the good and average productivity farms in the area. The below listed fair productivity sales indicate values per PI ranging from $17.41 to $25.57 with an average $21.95. The average price of the below six sales is $1,762 per acre.

No fair productivity tract sales were reported in the 2005 study. The average price of the 2004 study was $1,190 per acre. Comparing the averages, an increase of 48 percent is observed from the 2004 study to the 2006 study.

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 consist 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 $1,815 per acre as compared to the $1,615 per acre from the 2005 study which is an increase of 12 percent.

County	Sale Date	Total Acres	% Tillable Ac	P / I on Tillable Ac	Total Price/Ac
Franklin	Jan	120.00	44.0		$1,500
Hamilton	Feb	40.00			$2,150
White	Feb	46.60	29.0		$1,825
Pope	July	80.00			$2,050
Pulaski	Nov	99.00	55.0		$1,818

Other Tracts (CRP Land)

Sales of CRP land are being included with this year’s study to attempt to track the value trend of this land type. Most of these farms are recreational quality with percentages of tillable land similar to recreational tracts. Buyers on these tracts vary between local farmers and recreational users.

County	Sale Date	Total Acres	% Tillable Ac	P / I on Tillable Ac	Total Price/Ac
Franklin	Jan	20.00	67.0		$1,625
Gallatin	Mar	120.00	93.0		$1,358
Hamilton	Apr	40.00	86.0		$1,600
Williamson	May	425.00	68.0		$1,847
Franklin	Sept	65.00	92.0		$1,846

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Biofuels: Status and Issues

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Background

Beginning in the early 1970s, the production of corn-based ethanol was promoted as a way to use the surplus of low priced corn. However, the technology and economics of ethanol production were not sufficient to support production at a very high level. Beginning at 5 million bushels in 1975-76, corn used for fuel production grew to 35 million bushels in 1980-81. Growth remained steady, however, reaching 714 million bushels in 2001.

The motivation for producing and using biofuels began to change rapidly in the 21st century. Policy makers began to see biofuels as a way to reduce the U.S. dependence on imported crude oil. While the process of manufacturing inputs, growing crops, and processing those crops into ethanol does not produce a lot of "net energy" it does transform more abundant energy sources such as natural gas, coal, electricity, methane, and sunlight into liquid fuels that substitute for gasoline made from imported crude oil. National policy to support biofuels production became much more aggressive in 2004 and 2005.

The Energy Policy Act of 2005 (H.R.6) was signed into law on August 8, 2005. That Act established standards (mandates) for the use of renewable fuels for the period 2006 through 2012. The mandates, in billions of gallons are as follows:

2006 – 4.0	2010 – 6.8
2007 – 4.7	2011 – 7.4
2008 – 5.4	2012 – 7.5
2009 – 6.1	

Beyond 2012, the Act requires that renewable fuels at least maintain the proportion of total fuel production achieved in 2012 and that a minimum of 250 million gallons per year of cellulosic-derived ethanol be included in the renewable fuels standards, with each gallon of cellulosic-based ethanol or waste-derived ethanol credited as 2.5 gallons of renewable fuels.

Among other things, the Act supported cellulosic-based ethanol production through a Loan Guarantee Program of $250 million per facility, a $650 million Grant Program for cellulosic ethanol, and an Advanced Biofuels Technologies Program of $550 million. The Act also created a $36 million program to convert sugar cane to ethanol in Hawaii, Florida, Louisiana and Texas; a $750 million Loan Guarantee Program for sugar-to-ethanol facilities, and a $50 Loan Guarantee Program for sugar cane-to-ethanol facilities. In addition, the Act extended provisions of the Volumetric Ethanol Excise Tax Credit (VEETC) that was signed into law on October 22, 2004. The tax credit is $.51 per gallon for ethanol, $1.00 per gallon for agri-biodiesel and renewable diesel, and $.50 per gallon for biodiesel. The production and use of renewable fuels is further enhanced by provisions of the Act that creates a new credit of $.10 per gallon on the first 15 million gallons of agri-biodiesel produced by those firms with capacity not exceeding 60 million gallons and creates a credit, up to $30,000, that permits taxpayers to claim a 30 percent credit for installation of E85 and B20 refueling property.

In addition to the Renewable Fuels Standard, production and use of renewable fuels are supported by a variety of state- level mandates and tax incentives. Further, the domestic ethanol industry is supported by a $.54 per gallon duty imposed on imported ethanol.

Current Status

The combination of legislative mandates, subsidies, and import duties; escalating gasoline prices; a rush to replace the oxygenate MTBE with ethanol; and the President's call for aggressive expansion of renewable fuels production to reduce the U.S. dependence on imported crude oil set off a rapid expansion in production of biofuels, primarily corn-based ethanol, over the past two years. In January 2007, the President called on Congress to become even more aggressive in establishing mandates for the production and use of renewable fuels. A goal of 35 billion gallons by 2017 was suggested.

Ethanol

The Renewable Fuels Association reported that as of February 2, 2007, 113 ethanol "bio-refineries" were in operation in the United States. Those plants had estimated production capacity of 5.583 billion gallons of ethanol, implying an average capacity of about 49 million gallons, requiring an average of 18 to 20 million bushels of corn per plant. For firms with capacity estimated for individual plants, capacity ranged from 400,000 gallons per year (using brewery waste as a feedstock) to 115 million gallons. The firm with the largest capacity (Archer Daniels Midland) accounted for 19.3 percent of the total capacity distributed among 7 plants.

Plant locations ranged from California to New York, from Texas to North Dakota, and from Georgia to Washington. Iowa was the home to more plants than any other state and field corn was the dominant feed stock nationally. However, feed stock included seed corn, barley, milo, wheat, sugar, brewery waste, cheese whey, and waste beer.

The RFA also reported that seven of the existing plants were expanding capacity and that 76 bio-refineries were under construction. Those had an estimated annual capacity of 6.139 billion gallons, or an average of about 74 million gallons per facility. Of the 189 plants in operation or being built, 42 are in Iowa, 22 in Nebraska, 19 in Minnesota, 14 in South Dakota, 12 in Kansas, and 10 each in Illinois and Wisconsin.

The USDA estimated that corn used for ethanol production has increased sharply since 2001-02, growing to 1.603 billion bushels in 2005-06 and forecast at 2.15 billion bushels for the 2006-07 marketing year. Based on plants currently in operation and those under construction, ethanol production capacity will soon be at about 11.72 billion gallons, with corn as the dominant feed stocks. That capacity implies the need for about 4.3 billion bushels of corn per year in the very near future, double the amount projected for use during the current marketing year. Production of 11.72 billion gallons of ethanol would have the BTU equivalent of about 7.85 billion gallons of unleaded gasoline. Americans currently consume in excess of 140 billion gallons of gasoline per year. Ethanol, then, will soon account for about 5.6 percent of domestic use.

Biodiesel

The National Biodiesel Board reported (September 13, 2006) that 85 companies had invested in biodiesel manufacturing plants and were marketing biodiesel. Biodiesel production totaled 15 million gallons in 2002, 20 million gallons in 2003, 25 million gallons in 2004, and 75 million gallons in 2005. Those plants had an estimated capacity of 580 million gallons per year. An additional 65 companies reported plants currently under construction and 13 existing plants reported that capacity was being expanded. The estimated capacity of the new construction is 1.4 billion gallons; bringing total capacity by mid 2008 to nearly 2 billion gallons.

Beginning in January 2006, the Census Bureau started reporting the amount of once-refined soybean oil used in the production of biodiesel. Additional, smaller quantities of crude oil are used in biodiesel production, but those quantities are not reported separately. The monthly quantities of soybean oil used for biodiesel production and the percentage of total consumption of U.S. soybean oil (domestic and exports) were as follows:

Month	Million Pounds	Percent of Total
January, 2006	87.9	5.9
February	77.8	5.5
March	104.4	7.4
April	106.6	6.9
May	146.0	9.2
June	169.0	10.7
July	121.2	7.8
August	165.1	9.7
September	157.2	9.1
October	142.6	7.7
November	137.5	8.2
December	154.0	8.8
TOTAL	1,564.3	8.0

Based on these limited number of observations, it appears that there may be some seasonality to the use of biodiesel and that use is sensitive to the price of soybean oil. Use is likely less in the winter months when biodiesel tends to "gel". The escalation of soybean oil prices beginning in July 2006 and continuing through November 2006 might have negatively impacted use of biodiesel.

Implications

There are a number of implications of the rapid expansion in biofuels production capacity, particularly the capacity to produce corn-based ethanol. The implications for the agricultural sector are primarily in the area of price level, production decisions (United States and the rest of the world), and policy decisions in the areas of energy and price/income support programs.

The immediate result of the rapid expansion of corn based ethanol production is the much higher price of corn. The price increase has been accelerated by strong export demand and a 2006 U.S. harvest that was 580 million bushels (5 percent) smaller than the early forecast. There is some expectation that corn prices, and prices of other commodities, have permanently moved to a higher level, much as occurred in the early 1970s. Whether or not that is the case depends on the longer term growth in biofuels production and the amount of cropland acreage required for its production.

The longer term viability of biofuels production, in turn, hinges on the level of crude oil prices (and resulting prices of unleaded gasoline), the relationship of ethanol prices to unleaded gasoline prices, and the level of government subsidies and/or mandates for biofuels production. The level of political support for biofuels production may hinge on public satisfaction with the level of success in reducing U.S. dependency on imported crude oil. The level of contribution of ethanol to the U.S. fuel supply will be impacted by the next generation of ethanol technology, widely assumed to be cellulosic ethanol using plant biomass as the feedstock. It is not clear, however, that production of ethanol per acre can be expanded through the use of crop cellulose. Much progress will be required in technological development and logistics of biomass production, storage, and handling.

Higher prices of corn and other commodities currently being experienced will have a negative impact on some nonethanol users of corn, particularly livestock feeders. To the extent that profitability of livestock production is negatively impacted, livestock production will be reduced to the level that will result in higher livestock prices and a positive profit margin. Reduced supplies and higher livestock prices will likely result in some increase in retail meat prices. The timing and magnitude of the increase are difficult to forecast.

A second, immediate impact of higher crop prices is the likelihood of higher incomes for crop farmers, particularly in 2007 and 2008. Higher incomes suggest that land values and rental rates will be on the increase.

In the area of production, higher prices now being experienced are expected to result in an increase in corn acreage in the U.S. beginning in 2007 and likely continuing at least into 2008. Additional increases may be required, depending on the pace of construction of new corn-based ethanol facilities and the success in developing alternative feedstocks for ethanol production. The extent of the "needed" increase in corn acreage will hinge to some degree on the rate at which the average corn yield increases. Over the past 30 years, the trend increase in the U.S. average yield has been about 1.9 bushels per year. There is some optimism that the trend will increase at a faster rate with the development and adoption of new seed technology and management practices. However, growing season weather will still be the most important yield factor.

... a continued expansion of biofuels production suggests that some former cropland currently idled under the Conservation Reserve Program may be needed for crop production...

The increase in corn acreage in the U.S. will likely come at the expense of a number of crops but largely at the expense of soybeans. A reduction in soybean acreage in 2007 will not be problematic, assuming an average yield near trend value. U.S. and world inventories of soybeans are record large and the prospects are for another record large harvest in South American in 2007. A continued expansion in corn acreage in the U.S. at the expense of soybean acreage will require that South American continue to expand production. Prices approaching $8.00 per bushels for the spring/summer of 2008 are likely high enough to encourage expansion next year.

The high crop prices now being experienced will likely have some impact as the 2007 "farm bill" is written. The high prices, if expected to continue for an extended period of time, suggests that baseline projections of extending current price and income support programs will show a relatively small budget exposure. Those programs would likely cost much less over the next 5 years than over the past 5 years. The potential "savings" suggest that policy makers may support agendas other than price and income support. These programs would likely be in the areas of conservation and support for biofuels. In addition, programs to make U.S. policy more WTO friendly will likely be pursued.

Longer term, a continued expansion of biofuels production suggests that some former cropland currently idled under the Conservation Reserve Program may be needed for crop production, particularly if cellulosic ethanol becomes an effective alternative. In addition, current restrictions on imports of biofuels may have to be re-considered. If policy makers are serious about substituting renewable fuels for a significant portion of petroleum based fuels, imports of renewable fuels will likely be needed. The current $.54 per gallon import duty on imported ethanol, for example, may be difficult to justify in the longer term. The level of ethanol production capacity currently in operation or under construction, 11.72 billion gallons, is equivalent to about 5.6 percent of annual U.S. consumption of unleaded gasoline. To reach the level of renewable fuel use now being discussed in Washington may be difficult, even with imports of renewable fuels and or other feedstocks.

Potential

For the next few years, renewable fuels production in the U.S. will continue to be dependent primarily on corn-based ethanol production. The economic viability of corn-based ethanol production will hinge primarily on the price of corn, the price of crude oil, and the relationship between the price of unleaded gasoline and the price of ethanol. The price of co-products will have a marginal impact on the profitability of ethanol production.

The USDA's Agricultural Marketing Service reports the price of ethanol, distillers dried grains, and corn at Iowa points so that a gross crush margin can be calculated on a daily basis. That calculated margin was over $4.00 per bushel in late December 2006, with ethanol prices at the plant quoted at $2.34 per gallon and corn at $3.50 per bushel. By early February 2007, that margin was calculated at $2.48 per bushel with ethanol price at $1.79 per gallon and corn at $3.71 per bushel.

Ethanol prices have generally carried a premium to unleaded gasoline prices as blenders rushed to meet mandated levels of use and to replace MTBE in the blends in certain markets. Ethanol production will soon be at the level that exceeds the mandated level of use and the level sufficient to replace MTBEs. When that happens, ethanol prices may lose the premium over unleaded gasoline. In theory, once those levels are exceeded, additional use of ethanol would be economic only if the price was competitive with unleaded gasoline. That price is about two-thirds the price of unleaded gasoline (because of less BTUs per gallon) plus $.51 per gallon (blender tax credit). Ethanol prices at that level would likely cap the expansion in production. It appears likely, however, that policy makers will increase mandated levels of use of biofuels, including ethanol, perhaps preventing the collapse in prices.

Beyond corn based ethanol, the success of biofuels as an alternative for imported crude oil may hinge on the development of alternative feed stocks. Hopes seem to lie with cellulosic-based ethanol production with private and public sector investment in that technology likely to increase rapidly. At this time, there are more questions than answers about the potential of that technology and the economic viability of large scale biomass production.

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Current State of the Farm Bill Debate

by Robert L. Thompson[1]

Sometime in the second half of 2007 Congress will pass legislation that either extends or modifies the 2002 Farm Bill. A year ago most farm organizations were on record favoring extension of the 2002 Farm Bill unchanged except for some possible tweaking of target prices and perhaps loan rates. Some organizations expressed willingness to change the commodity programs if, but only if, significant increases in overseas market access for U.S. farm products is achieved in the Doha Round of WTO trade negotiations. What a difference a year makes!

With massive subsidies reinforced by tariff protection from cheaper imports, the ethanol industry has experienced explosive growth in the last year. The growth in corn consumption in ethanol production has bid up the price of corn, soybeans and other grains and oilseeds to levels well above those that would trigger loan deficiency payments or counter-cyclical payments. Producers of these commodities see little prospect for receiving anything from the present structure of farm programs in coming years. Simple extension of the 2002 Farm Bill has begun to look less appealing to many farm organizations.

Extension of the 2002 Farm Bill has become less likely for other reasons as well. In March 2007, the Congressional Budget Office will take its annual snapshot of what federal outlays would be over the next decade if all present legislation were extended unchanged through that decade. This "budget baseline" establishes the budget constraints for all future legislation that Congress may consider, including the 2007 Farm Bill.

With higher grain and oilseeds prices expected over the next several years due to the ethanol boom, the expenditures authorized for agricultural commodity programs is like to fall by around half – from $20 billion per year to perhaps as little as $8-10 billion per year. The new Democratic leadership of Congress has pledged "pay as you go" government. If a Congressional committee wants to spend more on some program than is in the budget baseline, that committee must come up with the money by cutting some other programs) under its jurisdiction. The March budget baseline is likely to put a straight jacket on the farm commodity programs authorized in the 2007 Farm Bill.

World Trade Organization

The Doha Round of World Trade Organization (WTO) negotiations has been in a stalemate for most of the last year over how much more agricultural imports the European Union (E.U.) would accept and how much the United States would cut its "trade-distorting agricultural supports." At issue is not the amount of federal support given to U.S. agriculture, but the criteria on which it is provided. The negotiations are concerned only with support that is linked to current production or prices of *specific* commodities, i.e. those that have the most potential to affect farmers' decisions on what crops to grow each year. Direct payments that cannot be influenced by farmers' annual cropping decisions are not at issue, nor are federal investments in "public goods" like agricultural research and infrastructure. The negotiations were suspended indefinitely in July 2006 and only recently have been officially restarted. This round of trade negotiations will not be concluded unless the U.S. accepts some reduction in farm support that is linked to the production of specific commodities.

A second WTO issue is also affecting the 2007 Farm Bill debate. Brazil has successfully challenged the consistency of the U.S. cotton support program with WTO rules of international trade. Brazil alleged that the marketing loans, loan deficiency payments and counter-cyclical payments provided to our cotton growers had stimulated larger production of cotton in the U.S. than would otherwise have occurred and that, when this production was pushed out into the world market with export subsidies, it had depressed the world market price, from which Brazil's cotton growers receive their entire income. Brazil won the case, and the U.S. was instructed to change the offending policies, or pay Brazil compensation for its damages. Congress has repealed the export subsidy, but has not yet changed the commodity program provisions to bring them into line with the WTO ruling. It will need to in the 2007 Farm Bill.

The basic structure of the cotton program also applies to grains and oilseeds. If we don't change them, other countries are likely to challenge the WTO legality of these similar commodity programs. Canada has already taken the first step in taking a case to the WTO against our corn program, and Uruguay is reportedly readying a rice case. The threat of more WTO cases and the fact that the present farm programs are unlikely to provide benefits to American farmers in the anticipated price environment increase the likelihood of real change in our commodity programs.

New Players

An unprecedented number of new players have entered this farm bill debate. There has been a drumbeat of negative articles and editorials in newspapers across the country calling for reform of farm policy. Most prominently, the Washington Post published a series of 15 front-page articles it entitled "Harvesting Cash"[2] in the second half of 2006. Many groups not traditionally engaged in the farm policy debate – from Bread for the World to the American Farmland Trust to the Chicago Council on Global Affairs[3] – have produced proposals for changes in U.S. farm policy. With so many non-traditional players involved, the writing of this farm bill promises to be unlike any before.

Products that have never had commodity programs, such as fruits and vegetables, have also entered the 2007 farm bill debate. Participants in commodity programs have been banned from growing fruits or vegetables on land receiving direct payments. The WTO ruled in the Brazil cotton case that this fruit and vegetable exclusion violates the necessary condition for decoupled direct payments to avoid being counted against the cap on trade-distorting support. If our direct payments were counted as trade-distorting support, the U.S. would be in violation of its cap. Because the fruit and vegetable exclusion must be repealed, fruit and vegetable growers are demanding some compensation for giving up this protection. Specifically, they are asking for more federal support for research and product promotion for their commodities.

Historically the only part of animal agriculture that has enjoyed federal support has been dairy. However, with the high feed prices that have resulted from rapidly growing consumption of corn in ethanol production, poultry and livestock producers, particularly swine, expect to suffer significant losses. This may well bring them into the farm bill debate seeking some compensation for the higher costs they are suffering as a result of the nation's attempt to increase its energy independence by making renewable fuels out of agricultural commodities. Therefore we may have more commodities competing for a shrinking pot of resources for farm programs.

It is not clear how American consumers are likely to view the trade-off between higher food prices and reduced dependence on petroleum imports...

The Bush Administration has also been active in the 2007 Farm Bill debate. Secretary of Agriculture Mike Johanns regularly touts three criteria that the next farm bill should address: equity, predictability and WTO compliance. He never misses an opportunity to emphasize that the producers of only five commodities receive 93 percent of all farm program payments or that over 60 percent of American agriculture receives no government payments. He also emphasizes that exports are critical to the future profitability of American agriculture, that our farm programs must be in compliance with international trade law, and that the current round of WTO trade negotiations is important to future export performance. He argues that, to achieve greater market access overseas and to get the European Union to give up its export subsidies, we will have to accept discipline on our trade-distorting forms of support. In fact, in its WTO proposal, the Administration offered to completely eliminate all forms of trade-distorting domestic support over a 15-year period in exchange for significant increases in access to foreign markets for our agricultural products.[4]

New Directions?

Once the farm bill budget constraint is set in March, Congress will have to address two fundamental philosophical issues. First, how much of this support should go to farmers as individuals and how much should be invested for the greater good of agriculture and rural America in things like agricultural research and rural infrastructure, such as universal broadband internet access in rural America? Second, of that part which flows to farmers as individuals, how much should be linked to the production or prices of *specific* commodities and how much should be allocated by some other criterion, such as overall farm revenue.

The various proposals for new directions in U.S. farm policy can be grouped under two central themes. The first starts from the position that agriculture is an inherently risky business due to the variability in crop yields and commodity prices and that farmers need the federal government to provide a safety net beyond that available from income averaging, cash accounting, and the futures market. There are several proposals circulating which would establish some form of federally-subsidized farm revenue insurance program. These proposals are built on the premise that it is revenue, the product of yield times price, not price or yield separately, that matters to a farmer. The various proposals range from commodity-specific to whole farm (i.e. all commodities) revenue insurance. Some proposals would insure gross revenue and others, net revenue. They would be funded from what is being spent on some combination of marketing loans, loan deficiency payments, counter-cyclical payments, disaster payments and the crop insurance program subsidy.

As part of the safety net the federal government provides to American farmers, House Agriculture Committee Chairman Collin Peterson has proposed a permanent disaster program. Virtually every year disaster strikes a significant geographic area somewhere in the country, and Congress responds by passing an ad hoc disaster assistance bill. Chairman Peterson notes that each year's disaster assistance bill gets loaded up like a Christmas tree with authorizations to spend money on numerous Congressmen's pet projects that have nothing to do with the disaster. He estimates that each year's disaster bill costs twice as much as goes to the farmers who suffered the disaster. To avoid these annual ad hoc bills, he would grant the Secretary of Agriculture permanent authority to provide assistance to farmers in the areas impacted by the real disaster.

The second central theme of the new proposals acknowledges that farmers and ranchers are the stewards of about half of the land surface of the United States and that this provides important environmental services to the rest of the American public for which they deserve to be compensated. The focus of these proposals is generally on "working lands," i.e. lands presently in agricultural production.[5] Producers would receive some form of direct payments linked to provision of conservation or environmental services. For example, the European Union has moved much of its agricultural support away from trade-distorting forms linked to the production or prices of specific commodities and shifted it to acreage-based payments. Farmers receive fixed payments per acre of land for which there is no link to what's grown of the land. There is, however, an aggressive conservation cross-compliance provision that must be satisfied to qualify for the payment.

With the great public interest in using renewable fuels to reduce U.S. dependence on imported petroleum, there will be an energy title in the 2007 Farm Bill. It will likely authorize significant increases in resources for research to accelerate development of technologies that allow ethanol to be economically produced from cellulosic feedstocks. It is less clear whether the 2007 Farm Bill will authorize much increase in incentives to expand biofuels production capacity. Animal agriculture is being adversely impacted by the higher feed costs that have resulted from the growth that has already occurred. Meat prices will have to rise, and after the higher ingredient costs have worked their way through the rest of the food system, we are likely to see higher food prices. It is not clear how American consumers are likely to view the trade-off between higher food prices and reduced dependence on petroleum imports, especially when it becomes obvious that renewable fuels can reduce our petroleum imports by at most a small percent.

Conclusions

Until recently I have been saying that the commodity programs in the next farm bill are likely to look a lot like those in the 2002 Farm Bill. With the makeup of the House and Senate agriculture committees, this is probably still the case. However, with the explosive growth in the agricultural-commodity-based biofuels industry, we are the midst of what may turn out to be the biggest shock to hit American agriculture in the last three decades. There are at least five reasons why a more fundamental change in U.S. farm policy will occur this year:

- The budget baseline will be significantly lower
- More and more farm groups are questioning the value of extending current commodity programs,
- Many of the new participants in the debate are contributing well articulated farm bill proposals,
- The WTO agricultural trade negotiations are limping back to life.
- There are likely to be more WTO cases filed against our present commodity programs if we extend them unchanged.

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[2] http://www.washingtonpost.com/wp-dyn/content/linkset/2006/07/10/LI2006071000403.html

[3] http://www.thechicagocouncil.org/taskforce_details.php?taskforce_id=1

[4] The U.S. offered to reduce the present cap on trade-distorting ("amber box") support by 60 percent over five years, to be followed by a five-year period for adjustment, and then full elimination of the rest over years 11 to 15.

[5] These proposals assume that the long-term Conservation Reserve Program is addressing the needs related to fragile and erodible soils.

Continued Increases in Farmland Prices Are Foreseen

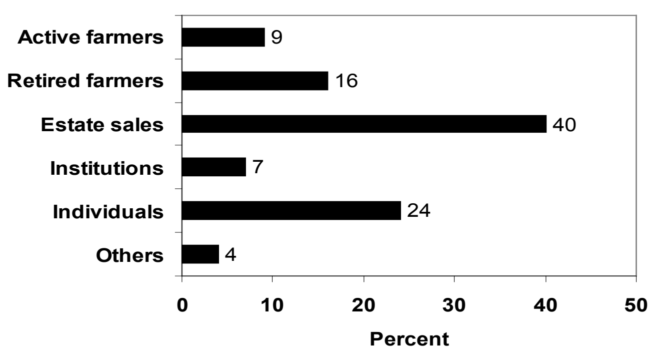
by: Gary Schnitkey, Ph. D.

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 is 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, and 3) projections for 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 40 percent of the sales and were, by far, the largest category of sellers (see Figure 1). Estate sales were followed by farmer, making up 24 percent of sellers. Sixteen percent of those farmers were retired and 9 percent were active farmers. Individual investors accounted for 24 percent of the sellers, followed by institutions (7 percent) and others (4 percent).

Figure 1. Sellers of Farmland, Illinois, 2006.

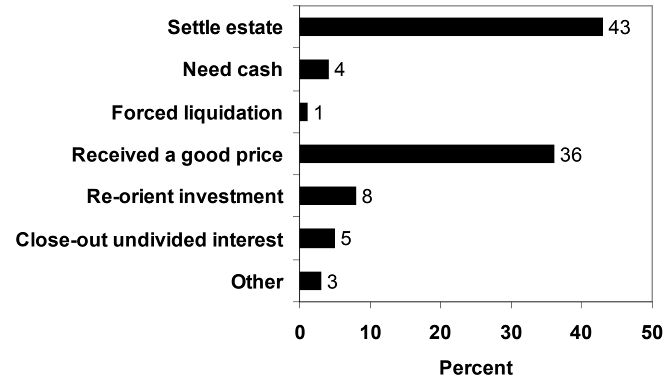


Survey respondents were asked to identify reasons why farmland was sold. The major reason for selling farmland was to settle estates, accounting for 43 percent of the farmland sales (see Figure 2). "Receiving a good price for farmland" was the next highest reason with 36 percent of the sales. Remaining reasons were to re-orient investments (8 percent), close-out undivided interest (5 percent), need cash (4 percent), other (3 percent), and forced liquidation (1 percent). Overall, most sales occurred to free up funds for other uses and were not the result of financial stress.

Methods used for selling farmland included private treaty (64 percent of sales), public auction (23 percent), multi-parcel auction (7 percent), and sealed bid (5 percent).

Overall, percentages shown in figure 1 and 2 vary little across years. For example, estate sales have made up the largest category of sellers for the last several years of the Illinois survey. Stability in these percentages is indicative of a stable source of sellers of farmland resulting from changes in life stages. Generally, sellers either represent estates or farmers and others coming to the end of a career. In either of these cases, the number of sellers will not change greatly over time as a result of changes in the farmland market. Rather, the major portion of sales will come from a stable source that results in a relatively low number of farmland sellers.

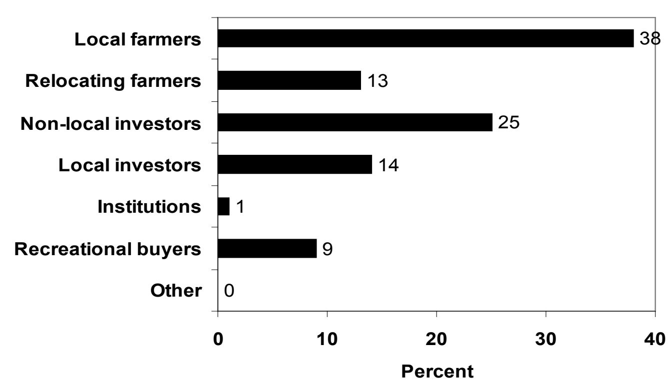
Figure 2. Reasons for Selling Farmland, Illinois, 2006.



Buyers of Farmland

Survey respondents were asked to classify buyers into categories as farmers, investors, institutions, or recreational buyers. Farmers accounted for 51 percent of the purchasers, with 38 percent being local farmers and 13 percent being relocating farmers (see Figure 3). Individual investors who would not farm the land were the next largest group. Non-local investors accounted for 14 percent of the buyers and local investors accounted for 25 percent. Individuals who were purchasing farmland for recreational reasons accounted for 9 percent of the purchasers. Institutions represent 1 percent of purchasers. Overall, most buyers were individuals, accounting for close to 99 percent of farmland buyers.

Figure 3. Type of Farmland Buyers, Illinois, 2006.



Overall, there has been a shift in buyers in 2006. Survey respondents indicated that farmers represented 41 percent of the buyers in 2005. This year, farmers make up 51 percent of the buyers, an increase of 10 percentage points. The increase in farmer purchases came at the expense of non-local investors, which decreased from 36 percent of the buyers in 2005 down to 25 percent in 2006.

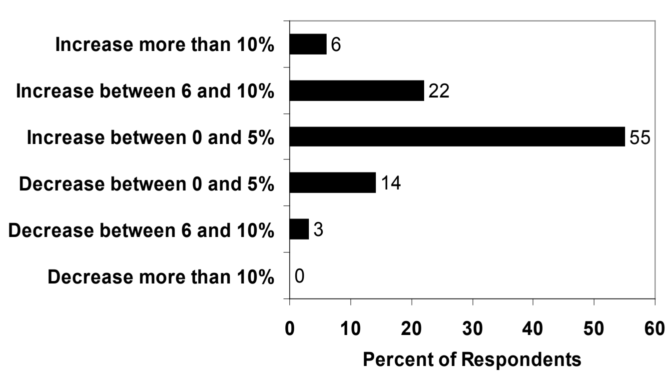
Survey respondents indicated that 43 percent of the buyers used 1031 tax deferred exchange funds to buy farmland in 2006. While still a large portion of buyers, the percent of 1031 exchange buyers decreased in 2006. In 2005, survey respondents indicated that 56 percent of buyers used 1031 exchange funds. Overall, the individuals purchasing farmland has switched away from 1031 buyer. More buyers now are local farmers not using 1031 exchange funds.

Respondents indicated that 53 percent of buyers required debt financing. This 53 percent is higher than last year's response of 38 percent. This indicates that more buyers required debt to purchase farmland, most likely as a result of more of the buyers being farmers. Of the buyers using debt financing, respondents indicated that 55 percent obtained funds from Farm Credit Services, 35 percent from banks, and 10 percent from other sources.

Expectations for 2007 and Beyond

Survey respondents were asked to indicate whether they expected farmland prices to increase during 2007. Overall, respondents were bullish on farmland prices. Eighty-three percent of survey respondents believed that farmland prices will increase during 2007, with 28 percent believing that prices would increase by over 6 percent (see Figure 4). A minority of respondents believed that farmland prices will decrease, with 14 percent believing that the decrease

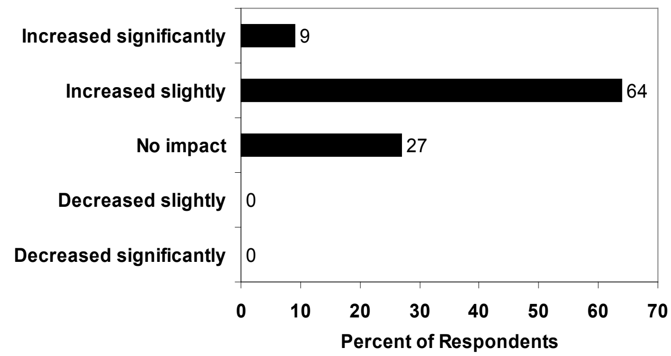
Figure 4. Expected Change in Farmland Price During 2007, Illinois.



will be between 0 and 5 percent, and 3 percent believing the decrease will be between 6 and 10 percent. Overall, Society members are more bullish on farmland prices in 2007 than in 2006. Compared to last year's survey, more respondents expect farmland prices to rise during 2007 than did the respondents for the 2006 year.

Much of the reason for higher price expectations is higher commodity prices. Even though commodity prices did not increase until relatively late in 2006, survey respondents

Figure 5. Impact of Commodity Price Increases on 2006 Farmland Prices, Illinois.



believed that the higher commodity prices had an impact on 2006 prices, with 65 percent indicating that higher commodity prices increased farmland prices slightly and 9 percent indicating that higher commodity prices increased prices significantly (see Figure 5). Overall, higher commodity prices likely would have had more of an impact if they had occurred earlier in 2006.

Going forward, commodity prices likely will have more of an impact on farmland prices. Survey respondents were asked how much land prices would increase in 2007 if corn prices remained above $3.00 per bu. Respondents indicated that farmland prices would increase by an average of $317 if corn price remain above $3.00 per bu. Survey respondents were asked to estimate land prices in 2010 given than corn prices remained above $3.00 per bu or if they returned to their historical level of $2.40 per bu. Survey respondents indicated that farmland prices would be an average of 24 percent higher in 2010 if corn prices remain above $3.00 per bu.

Summary

Shifts in buyers of farmland occurred in 2006. More buyers were farmers while fewer buyers were non-local investors. Moreover, the number of buyers using 1031 exchange funds decreased. These trends are indicative of a softening of the demand for real estate for development. In past years, sellers of land used in development often have purchased farmland elsewhere. The number of these buyers has decreased. Picking up the slack have been farmers who have entered the farmland market buoyed by higher commodity prices.

Society members are bullish on farmland prices in 2007. This replaces a somewhat more conservative mood during the first parts of 2006. There was some concern that land prices may have reached a plateau as demands for land for development cooled. This plateau may not occur because of higher commodity prices. If commodity prices remain above historical levels, continued increases in farmland prices could be seen over the next several years.

Cash Rents Increasing in Illinois

by: Gary Schnitkey, Ph. D.

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey concerning farmland leasing in Illinois. This year's survey was conducted against a backdrop of higher corn and soybean prices resulting from an increase in demand for bio-fuels. Increases in commodity prices potentially lead to higher returns to farmland. For landlords in cash rental arrangements to share in these increasing returns, cash rents must increase. Survey results suggests that these rents are increasing.

Increases in Cash Rents

Table 1 shows per acre cash rents for the 2007 crop year. Average cash rents are broken out by four different land quality classes: excellent, good, average, and fair quality (see the front of this booklet for the definition of the different land quality categories). Society members were asked to divide out cash rents by the high 1/3, mid 1/3, and low 1/3 of cash leases.

Table1. Per Acre Cash Rents for Top 1/3, Mid 1/3 and Low 1/3 Cash Rent Leases by Land Quality, 2007

	Land Quality			
Least Type	Excellent	Good	Average	Fair
	$ per acre			
High 1/3	212	187	163	136
Mid 1/3	183	164	144	120
Low 1/3	157	140	122	102

As can be seen in Table 1, there is a great deal of variability in cash rents for a given land productivity. For example, the average cash rent for the mid 1/3 group on excellent quality farmland was $183 per acre (see Table 2). The high 1/3 of leases, however, averaged $212 per acre, $29 higher than the mid 1/3 group. Similarly, the low 1/3 group averaged $157 per acre, $26 lower than the mid 1/3 group. From the high 1/3 group to the low 1/3 group, there is a $55 per acre difference in average rents. Similar ranges exist across good ($47 from the high 1/3 to low 1/3 averages), average ($41 per acre), and low ($33 per acre) quality farmland classes.

Rents for 2007 shown in Table 1 are considerably higher than 2006 cash rents. In 2006, the average cash rent for the mid 1/3 group with excellent quality farmland was $170 per acre, $13 below the 2007 average of $183 per acre. Similarly, the rent for the mid 1/3 group in 2007 was $14 than in 2006 for good quality farmland ($164 in 2007 compared to $150 in 2006), $14 per acre higher for average quality farmland ($144 in 2007 compared to $130 in 2006), and $10 higher for the fair quality group ($120 in 2007 compared to $110 in 2006). Overall, rents increased between 8 and 11 percent between 2006 and 2007. Society members expect cash rent increase to continue into 2008. In 2008, Society members expect cash rents on excellent quality farmland to increase to $218 per acre (see Table 2), and increase of about $35 over 2007 levels. Good quality farmland is expected to have a cash rent of $191 per acre, $27 higher than the 2007 average. Expected rent for fair quality farmland is $167 per acre, $23 higher than the 2007 average. And expected rent for fair quality farmland is $140 per acre, $20 higher than in 2007.

Table 2 Expected Rents in 2008

Land Quality	$ per Acre
Excellent	218
Good	191
Average	167
Fair	140

A continuation of above average prices into 2009 will lead to increases in cash rents into 2009. Overall, Society members expect cash rents to increase by an average of $17 in 2009 compared to 2008.

Higher cash rents are based on commodity prices that are above historical averages. Respondents were asked to indicate their expectations for corn and soybean prices through 2009. They expect corn prices to be $3.44 in 2007, $3.28 in 2008, and $3.08 in 2009 (see Table 3).

These expectations compare to an average corn price of $2.40 over the past 30 years. Society members indicate that they expect soybean prices to average $6.99 in 2007, $6.96 in 2008, and $6.77 in 2009. Soybean prices have averaged near $6.00 over the past 30 years.

Table 3 Average Commodity Prices Expected by Illinois Society Members

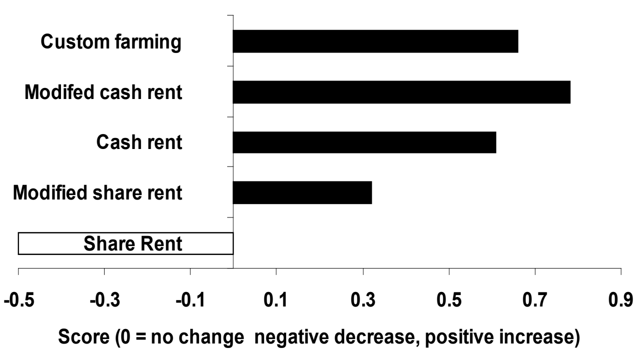
Year	Corn	Soybeans
2007	$3.44	$6.99
2008	3.28	6.96
2009	3.08	6.77

Besides increasing cash rents, Society members expect to see a continuation of the movement away from cash rent leases (see Figure 1). As a result of higher commodity prices, use of share rent leases is expected to decline. At the same time, use of cash rent, modified crop share, modified cash rent, and custom farming arrangements are expected to increase.

2007 Incomes Increase

Survey respondents were asked to estimate average incomes landlords received from alternative leases in 2006. Average incomes equaled gross revenue less all expenses,

Figure 1. Changes in Lease Types



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 2006 are reported in Table 4 for four different land qualities: excellent, good, average, and fair. 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 $154 per acre for cash rent compared to $130 for crop share, a difference of $24 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 4. Per Acre Farm Income that Landlords Receive for Different Lease Types and Land Qualities, 2006

	Land Quality				
Lease Type	Excellent	Good	Average		Fair
		$ per acre			
Traditional crop share		130	114	95	15
Cash rent	154	136	119	109	
Custom farming	171	150	137	117	

Custom farming arrangements had the highest returns for landlords in 2006. For example, net income for custom farming was $171 per acre for excellent quality farmland, $17 higher than net income from cash rental arrangements. Custom farming returns likely were higher in 2007 due to the increase in commodity prices toward the end of the crop growing year.

Overall, net incomes were higher in 2006 than in 2005. Crop share returns were, on average, 11 percent higher in 2006 than in 2005. Custom farming returns were 8 percent higher in 2006 than in 2005. Cash rental incomes increased slightly in 2006 compared to 2005. Both share-rental and custom farming arrangement incomes were higher because of higher commodity price during the later part of 2006.

Other Survey Findings

Other survey findings include:

- Most Society members indicated that Farm Service Agency (FSA) regulations concerning the splitting of commodity payments inhibit use of variable cash rent arrangements. Currently, FSA technically requires splitting of commodity payments under a variable cash rent arrangements. Twenty-three percent of respondents indicated that these regulations decreased substantially the use of variable cash rent while another 57 percent indicated that those regulations decreased somewhat the use of variable cash rents.
- Society members indicate that about 18 percent of cash rent leases are put out for bid at renewal.
- Society members indicated that 12.5 percent of the leases for the 2007 production year were negotiated during summer 2006, 37.5 percent during fall 2006, and 50 percent during winter 2007.
- Most newly negotiated cash rent leases for 2007 have either a one- or two-year term. Society members appear to be reducing lease length to see what will happen to commodity prices.
- The typical charge for improved pasture is $41 per acre.
- The average net income from hunting leases is $26 per acre.

Summary

Changes in the farmland rental markets are occurring as a result of higher prices resulting from the demand for bio-fuels. Higher commodity prices may cause farmland returns to increase substantially. As a result, cash rents will increase if higher commodity prices persist into the future. There were relatively modest increases in cash rents between 2006 and 2007. According to survey responses, continued relatively high commodity prices will result in more substantial increases in cash rents for the 2008 crop year. Further increases likely will occur in the following year as well.

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 that 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 Mangers 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 ASFMRA 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 RPRAs 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

Advertiser Directory

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