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# ISPFMRA President's Message



**I. Mac Boyd, ARA**  
President  
Illinois Society of Professional  
Farm Managers and  
Rural Appraisers

The Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA) is pleased to present the 13th annual survey of Illinois Farmland Values and Lease Trends. This 2008 report presents the most accurate summary of recent land values and lease trends compiled on Illinois land. It presents data from 10 defined regions of the state, discussing and highlighting the previous year's (2007) land and lease figures. There are no other associations available in Illinois that have the access to these unique land characteristics and statistics, or which has a membership with the expertise to put together a summary of this quality.

This is the 13th Report that has been published by the ISPFMRA. Our 300-plus members manage an estimated 4.2 million acres in Illinois, which is over 18 percent of all Illinois farmland. We also appraise over a million acres of land annually, valued at over \$2 billion. Keeping in touch with current land values and lease trends in 2008 is much more difficult and critical to those who own and/or lease Illinois land. It is our hope that this annual analysis and report will become a strong part of your yearly planning and evaluation tools.

There are many people to thank in this endeavor. The commitment of our ISPFMRA members is vital to the quality of the data collected and analysis generated for this report. It underlies the value of the summary of facts presented here. Many thanks to those of you who took the time and provided data for this edition. I would also like to give special thanks to Bob Swires, who took over as Overall Chairman. He did a tremendous job of keeping everything flowing and has put together an outstanding report. Four other members each chaired individual segments of our project and need to be given special recognition for their service: Tom Wiggins, AFM, Don Cochran, ARA, Chuck Knudsen, ARA, RPRA, and Doug Deininger, AFM, all headed various committees, and made sure this report and the Land Values Conference came together. Others who made special contributions were Gary Schnitkey, Ph. D, and Bruce Sherrick, Ph. D, in a cooperative effort through the University of Illinois College of ACES. They need to be recognized for their efforts in processing the data collected and for organizing and summarizing the information into the quality report located within. With their help and assistance, these results will continue to add to the understanding and knowledge of our industry.

The Illinois Farmland Value and Lease Trends report has become a necessary reference tool and source of information for those who professionally or privately work with farms and land.

Thank you for your interest in this data. We look forward to sharing our information with you, for your consideration, and perhaps for a better understanding of the land that is so productive and bountiful in this state. We hope that you will make this an annual event and join us again in 2009 for our next Land Values and Lease Trends Report.

As questions come up in the future, we ask that you remember and refer to those professionals who made this information available and have supported this project with their expertise and advertising dollars. We look forward to cooperating with all of you toward a more profitable future for our agriculture sector and the land investment industry.

*Mac Boyd*

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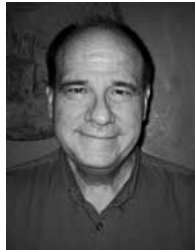


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# Illinois Farmland Values - - At a Glance

by Bob Swires, AFM  
General Chairman, 2008 Illinois Land Values Survey and Conference

Illinois is an exciting state with diversity in land, communities and an exciting group of citizens, that are all reflective of the Illinois Society of Professional Farm Managers and Rural Appraisers membership throughout the state who assist landowners in management, appraisal and all facets of farmland ownership.

The professionalism of this group is reflected in the information and details of the various regions included in this Report. The ISPFMRA regional chairs and members report activity in their “neighborhoods”, reflecting the 2007 activities for farms and land holdings. Each region is unique, and yet there are some common themes throughout the state.

As the general chairman, I have an opportunity to look at all of the reports and reflect on common trends and individual characteristics of the various regions. Following are some of those observations:

1. In 2007 the number of sales and increases started out slowly, especially during the summer months. As harvest confirmed good-to-excellent yields and with firm-to-increasing grain prices, land prices increased sharply and more farmland became available for sale during the last three months of the year.
2. More regions identified a wider range of values in each productivity category than in past years.
3. There were fewer 1031 buyers.
4. Little or no land sold for residential development. In fact, some development holdings were put back on the market. The few 1031 buyers were sellers of commercial development property, not residential.
5. The number of farmer buyers increased across each region.
6. Investors tended to buy land in the excellent-to-good productivity categories, and farmers in the good-to-average productivity categories. This may have reflected fewer dollars to invest in the lower categories and farmers as long terms holders, willing to accept less liquidity that the less productivity categories may bring.
7. Some areas saw increases in the number of auction sales versus private sales.
8. Demand for recreational properties continues to be strong across most regions, especially near metropolitan areas.
9. Rural residential sites continue to have excellent demand (people want big back yards), especially near larger cities and in areas with rural water systems.
10. Few regions mentioned any new bio-fuel activity, but several mentioned wind farms, especially the Central, North and West Regions.
11. High commodity prices pushed land values and cash rents up. People are looking over their shoulder, however, due to the yet-to-be-decided 2008 USDA programs and soaring input costs.

Farmland prices were up in 2007. The table below shows the average in each third of the state, with some steady and other categories up 20 percent. This year had one of the highest overall increases, and continues a multiple year stream of increases in overall land values. This increase appears to be driven by higher commodity prices as opposed to tax redemption (1031) issues that may have impacted supply and demand in past years.

	<b>Excellent Productivity</b>	<b>Good Productivity</b>	<b>Average Productivity</b>	<b>Recreational Land</b>
Northern Regions (1 & 2)	+12%	+6%	+7%	--
Central Regions (3, 4, 5, 6 & 7)	+17%	+13%	+13%	+10%
Southern Regions (8, 9 & 10)	N/A	+8%	+12%	+9





Several regions indicate slow-to-steady increases in the first six to eight months of 2007, followed by a strong increase in the final three months of the year. The farmer/buyers were making sure they had a good crop to harvest. Once that was in place and grain prices stayed up, they quickly became aggressive buyers.

### ***Region 1 (Northeast Illinois)***

In the Chicago Collar Counties there has been a sharp drop in demand for development land, which is reflected in the transitional tracts being down 15 percent from last year. Some developers are opting to hold the land with the increase in the overall crop rents, while others are putting this land back on the market, testing the reaction. Overall, the number of transactions in the region are down. Continued strong demand for Excellent Productivity tracts, especially from investors and farmers, has increased values (up 7 percent), with several sales in excess of \$8,000 per acre.

High grain prices and competition for additional land has pushed cash rents up sharply to \$235 per acre for the best land.

### ***Region 2 (Northwest Illinois)***

All categories here continue to experience very strong demand. The 2007 sales values were steady-to-up over the 2006 sales. The number of transactions, or land on the market for sale, appears to be steady. Top farmland in the Excellent category exceeded \$6,500 per acre with one sale in Henry County at \$7,100 per acre.

Recreational land continues to be in very strong demand as people look for hunting and rural residences away from the Chicago area. The distinction between Recreational tracts and Fair tracts tends to get blurred, especially tracts with non-recreational acres.

Ethanol plants in the area and good river transportation has improved income and is driving cash rents up. Some of the Excellent Productivity properties may command in excess of \$260 per acre cash rent.

### ***Region 3 (Western Illinois)***

Farmer/buyers are leading the way to higher land prices. They tend to concentrate in the Excellent-to-Good categories. The large recreational potential along the Illinois River has Fair Productivity ground competing with recreational buyers, depending on its location, access to water (water fowl) and the amount of tillable ground. Some of the recreational ground enrolled in the government programs of CRP and CREP help pay the bill for recreational activities. Recreational buyers tend to be local, but there are a few national outfitters who continue to be a significant force in this area.

Rents on the cropland are up sharply – some in excess of \$300 per acre. Leasing of hunting rights continues to expand with some being \$1,000 per hunter per week in some of the good areas.

### ***Region 4 (North Central Illinois)***

This committee reported a noticeable surge in land values from August to December. There was also observation of a wider range of values in the Good Productivity category, which could possibly reflect a slight lag as this market turned up very quickly at the end of the year. Most of the buyers were farmers with a few investors still in the area. Excellent ground was in excess of \$6,400 per acre with Good ground in excess of \$5,300 per acre.

The committee reported Average Productivity ground in the south part of the region was catching up with the north end. This may reflect less interest from 1031 buyers in the north end and a leveling out with the farmer/buyer and investor/buyer looking at the earnings and returns as opposed to the location or proximity to an existing farming operation.

Recreational demand was firm with the north end being a little higher due to proximity to the Chicago urban area. Transitional type tracts were limited, but generally in the \$10,000 to \$12,000 per acre category. Transitional lands were impacted by various governmental incentives to attract commercial development to the area.

Rents are more difficult to determine, leaving owners and operators to consider variable cash rent leases. Exactly how those are treated by the USDA remains a question.

Wind farms are very active in Region 4. The report includes one sale of a tract with a wind tower located on it.

### ***Region 5 (Eastern Illinois)***

The increase in Region 5 was modest in comparison to other regions. This area has always attracted outside investors. The Excellent category only had three sales in excess of \$6,000. The Champaign/Douglas County areas tended to have the highest end of the range of sales, with the other counties on the lower end of the range of values. Reasonable demand but limited supply kept values moving upward.

The Good and Average tracts tended to lag in overall value. With the higher incomes, they have started to attract the atten-

tion of farmers and investors for a more attractive rate of return. They are projecting cash rents to increase anywhere from 15 to 30 percent.

Mattoon was the winner of the FutureGen competition, but its future is now in question. There is also another coal gasification plant seeking to locate in the area.

### ***Region 6 (Central Illinois)***

Decatur is the center of this region and certainly has excellent transportation and markets for agricultural products. The Excellent tracts were topping over \$6,000 per acre. There is a limited supply of Good and Excellent tracts on the market and that is reflected by a shortening of the time required to market the tracts.

The committee reported a good mix of 1031 buyers, local and non-local investors, and farmer/buyers. The few recreational sales that occurred appear to be up over 20 percent. Cash rent has increased sharply with the excellent grain markets in the area. Compared to 2007, rents appear to be up between 20 and 30 percent. Both land buyers and farm renters appear to be unconcerned about what future USDA programs may bring.

### ***Region 7 (West Central Illinois)***

Springfield is in the north central portion of this region. This is a 10-county region of Excellent to Good farms. Excellent farm sales have exceeded \$7,000 per acre and Good farms in excess of \$5,400 per acre. The committee identified the lack of a number of Excellent tracts to buy, and that some of the demand had possibly slid into the "Good" category. The Good-to-Average category prices are increasing sharply. One committee member observed larger tracts of 320 acres or more are continuing to sell for a premium compared to smaller tracts.

Recreational land enjoys very strong demand, especially in the south end of the region, which has more urban influence for recreational property and residential property. Hunting continues to dominate the recreational land. The place for some horses and a big back yard pushes these values up in excess of 20 percent.

The committee identified cash rent ranges of \$1.75 to \$2.20 per productivity index point. On the excellent tracts (PI's 133 to 147) rents will exceed \$300 per acre. Share rents likely will get supplemental cash rent of \$20 to \$40 per acre.

### ***Region 8 (Southwest Illinois)***

The cropland in Region 8 is Average or in the Fair category. This region is located east of St. Louis, with the western portion of it coming under urban development influences. Average category farms in that area are selling in the \$5,000 to \$7,000 per acre range. As you drift east, that number declines into the \$3,500 to \$5,000 per acre range.

The Fair tracts typically have some non-tillable portions. Strictly agricultural ground sells for \$3,000 to \$3,500 per acre. Some of these tracts get blended into the Recreational type properties. Recreational ground continues to have strong demand. Land closer to urban areas is in the \$2,500 to \$4,000 category.

The value for Transitional land is continuing to drop, especially in the residential type areas. Limited demand for commercial development property is in the \$10,000 per acre range.

Cash rents are up about 5 percent. In 2007 the corn yields were good and the soybean yields were down as a result of dry weather. This made producers a little more cautious, and the rents are more reflective of the variable productivity of soils in Region 8.

### ***Region 9 (Southeastern Illinois)***

Most of the buyers are farmers adding onto existing operations. As a result, location is probably a stronger influence on price than is the productivity of the underlying soils. The number of sales is relatively steady, reflecting a pre-2006 trend of a lower number of transactions for the year. With a limited supply and good demand, prices overall are up 15 percent. Average tracts are in the \$3,600 to \$4,250 per acre range while Fair tracts are at \$3,000 per acre.

Leases in this area tend to be of the share-rent variety which have a natural increase with higher crop prices. The few cash rent leases in the area will likely increase between \$20 and \$30 per acre.

### ***Region 10 (Southern Illinois)***

The Good and Average tracts in this area are up 9 percent. The number of transactions are generally steady, possibly a little less. In the area of Gallatin and White Counties, you can find some farms with high productivity indexes that are selling at upwards of \$5,000 per acre. The committee here confirms the statewide trend of a wide range of values within the same general category (see Region 10 "Good" chart). The committee was not aware of any 1031 buyers in the area with most buyers being farmers adding to existing operations.



Farmers in the past purchased this recreational type land and utilized it for pasture or simply timber production. There continues to be excellent demand from non-agriculture buyers for recreational tracts, seeing that land rise in the \$2,000 per acre category with a 13 percent increase over 2006.

Crop share leases are the predominant lease in this area. The few cash rent leases tend to run from \$100 per acre for Average type land to \$150 per acre for Good land. Landowners in the area are beginning to more strongly consider cash rent type leases.

### ***Overall Summary***

What an exciting time to be involved in agriculture! Changes are coming at the speed of a brand new high-tech computer in an industry that only recently retired their slide rule and paper and pencil. Grain prices are setting record highs as I am drafting this report. We are also seeing record prices for inputs such as seed and fertilizer. Interest rates are some of the lowest in a long time.

All of these factors may contribute to a fairly common theme of a wide range of values of similar type land that is being reported across the state. The rapid increase in changes may have caught some sellers and some buyers in an information void and not fully aware of the land market dynamics. A rocky stock market in the sub-prime mortgage meltdown is causing some investors to look at buying tangible assets, i.e. farmland. Will a recession impact the demand and price for recreational properties and rural residential sites?

Members of the Illinois Society of Professional Farm Managers and Rural Appraisers are abreast of all of the changes of every facet of farms and farming issues.

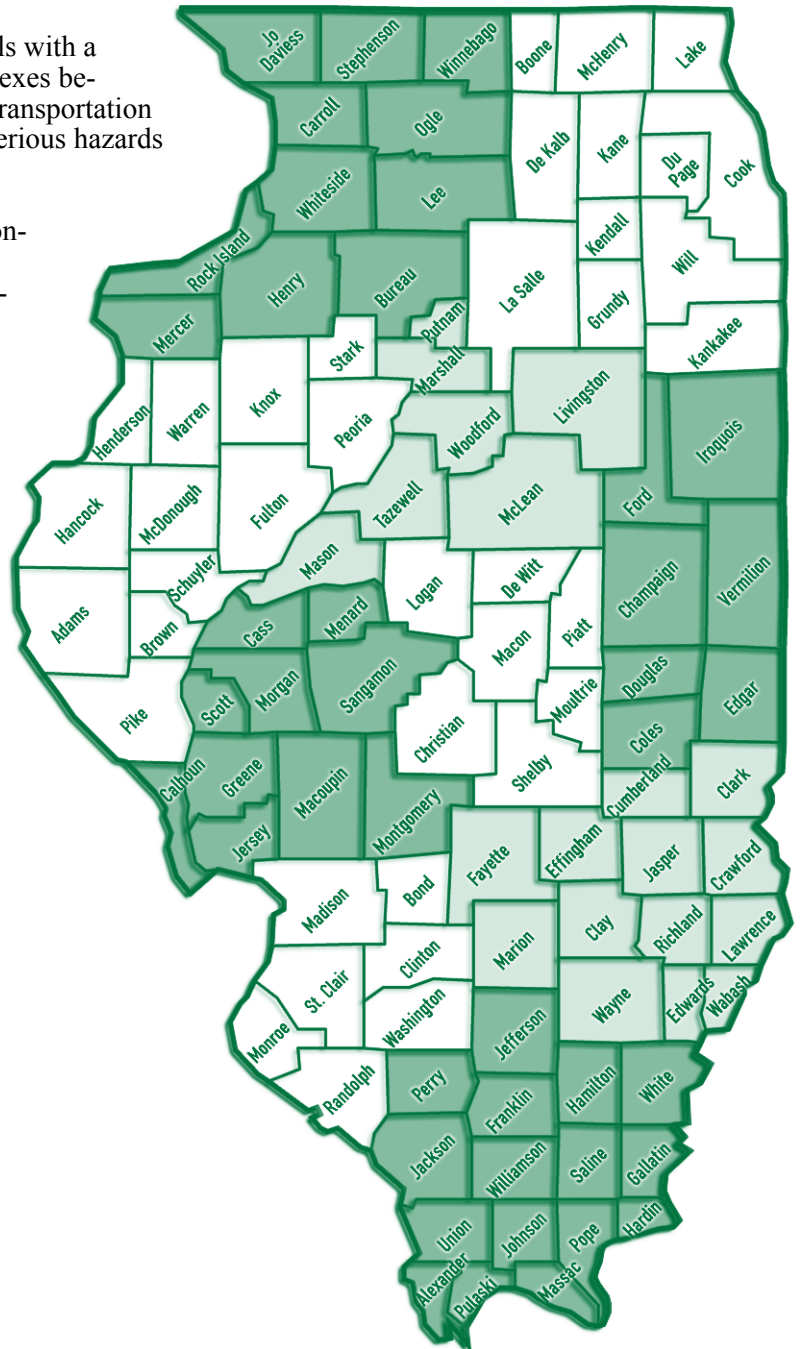
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# Farm Property Classifications & Definitions

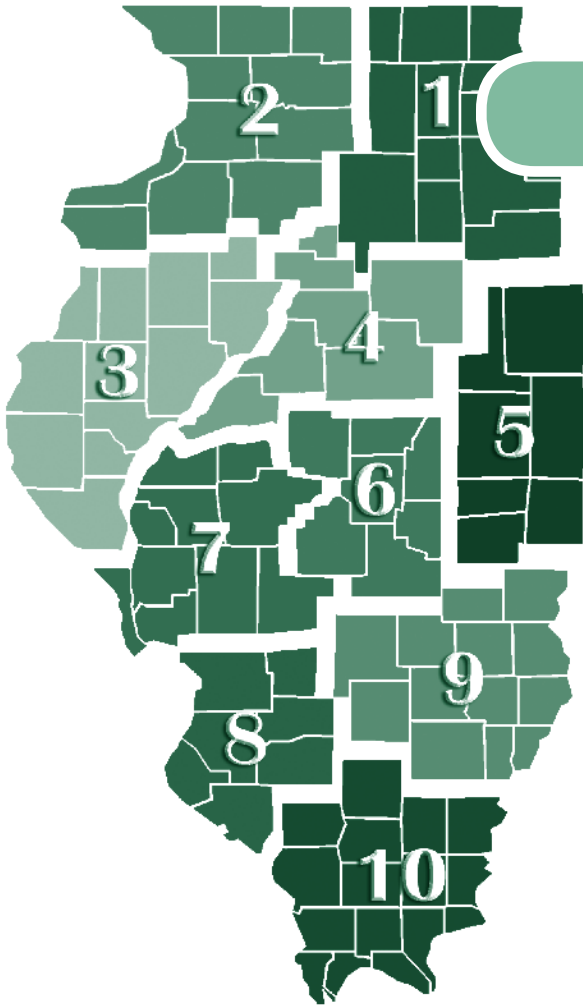
To standardize our data collection, the following definitions were used in developing the various categories. Productivity indexes based on Bulletin 811 are used in developing these profiles.

- **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 non-resident 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.



## PI Ranges

Excellent	133 - 147 (Highest)
Good	117 - 132
Average	100 - 116
Fair	Less than 100



# Region 1 - Northeast

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## Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	\$8,600	Up 7%	Down 20%	\$210	3%	\$235
Good Productivity	\$6,400	No change	Down 20%	\$190	18%	\$215
Average Productivity	\$4,900	No change	Down 20%	\$165	18%	\$190
Transitional Tracts	\$30,000	Down 15%	Down 70%			

The slowdown in demand for residential housing has led to a drop in demand for residential and commercial development and development holding land. This has resulted in a subsequent drop in value for development tracts over the last 24 months.

Over that same time period there has been a very strong demand for corn resulting from the bio-fuel industry. This demand has created consistently higher corn prices, driving demand for cropland in the Midwest Corn Belt to higher value levels.

The high demand for corn, primarily from the ethanol industry, is driving corn prices upward. This increase in corn prices is placing upward pressure on cash rental rates.

## Excellent Productivity Tracts

In areas of Region 1 with the highest land value have retained that value for excellent quality land. As you move south and west, away from areas with primarily transitional land, the values have been increasing. The demand for these tracts is from a combination of investors and farmers.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Boone	Dec	75.0	90.0	134	\$7,626
LaSalle	Feb	65.5	98.5	144	\$6,800
DeKalb	June	343.9	96.7	139	\$8,360
DeKalb	Feb	77.8	96.3	138	\$12,001
LaSalle	June	1,355.0	96.0	140	\$8,200

## Good Productivity Tracts

Good quality farms continue to show stability in most areas. The demand for these tracts continues to come primarily from farmers.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Grundy	Nov	40.48	99.0	130	\$5,125
LaSalle	Sept	142.75	95.5	129	\$5,300
Kankakee	Mar	131.81	94.4	128	\$5,500
Boone	Mar	80.3	74.0	126	\$7,000
LaSalle	Dec	97.7	96.5	131	\$5,350

## Average Productivity Tracts

There are relatively few average quality farms in this region. Most of them are in the southeastern portion of the area and these have shown moderate increases in price during 2007.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
LaSalle	Feb	80.0	89.3	119	\$3,575
Kankakee	June	148.0	98.6	110	\$5,405
LaSalle	Sept	80.3	95.6	114	\$4,025
Kankakee	Oct	40.0	96.0	110	\$4,000
Kankakee	April	37.7	96.3	109	\$5,600

## Recreation Tracts

The sale sited is along Indian Creek northeast of Ottawa. This tract has a range of potential uses and is large enough to be a rural home site under the new zoning. The cropland quality was not a factor.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
LaSalle	Feb	40.0	40.0	135	\$10,000

## Transitional Tracts

The slowdown in demand for residential housing has led to a drop in demand for residential and commercial development and development holding land. This has resulted in a subsequent drop in value for development tracts over the last 24 months. There continue to be areas of strength near commercially developing areas. In many areas of formerly strong residential development, values have dropped sharply. Many developers have enough land inventories to last four to eight years at current absorption rates. Most buyers of residential development land are planning to hold it for up to five years before possible development.

County	Sale Date	Total Acres	Total Price/Ac
Cook	Feb	92.8	\$90,894
Kane	Sept	85.1	\$23,499
Will	Mar	125.5	\$17,500
DeKalb	Feb	68.7	\$22,500
LaSalle	July	78.5	\$35,267

## Special Interest

Region 1 has a large number of development tracts on the market. The slowdown in demand for residential development tracts has led to a precipitous drop in prices for these tracts. Many of the tracts on the market are owned by developers who have over-purchased and have excess inventory of development land. There are few buyers looking for land to develop. Most buyers are willing to hold the land as farm ground hoping for a return in three to five years when the development market improves.




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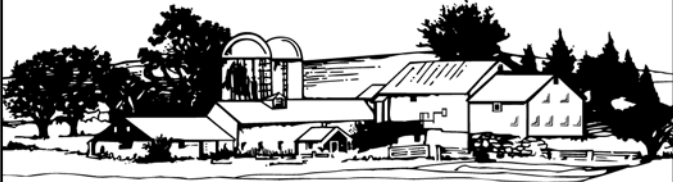
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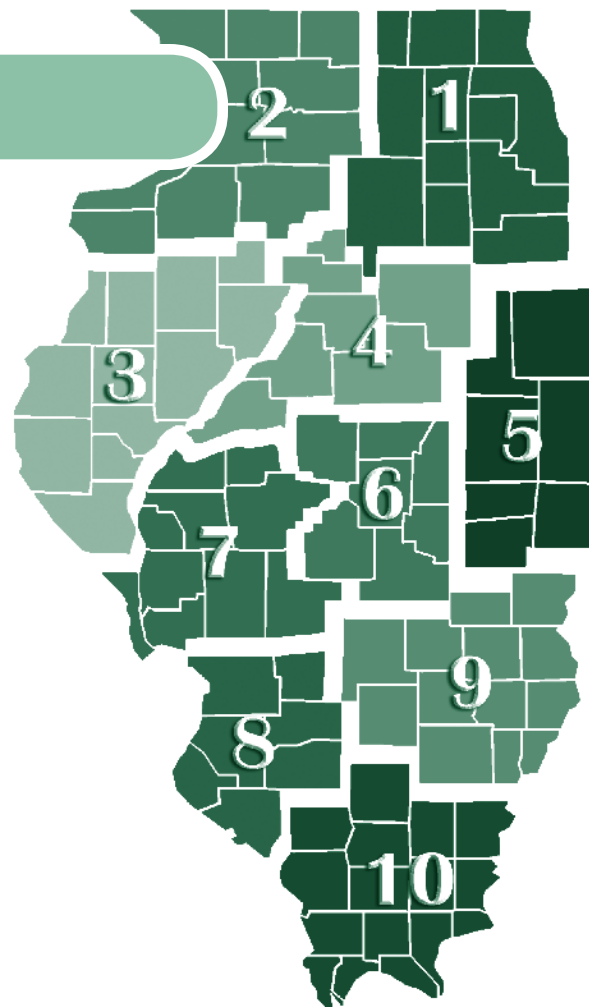
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## Region 2 - Northwest



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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	\$6,000 - \$7,000	18%	Up	\$180 - \$245	15%	\$260+
Good Productivity	\$4,000 - \$5,000	13%	Steady	\$170 - \$200	10%	\$230+
Average Productivity	\$3,600 - \$4,500	14%	Steady	\$135 - \$160	Minimal	\$180+
Fair Productivity	\$2,500 - \$3,200	10%	Steady	\$130 - \$140	Minimal	\$150+
Recreational Land	\$3,000 - \$5,500	Minimal	Up			
Transitional Tracts	\$6,000 - \$10,000	Minimal	Steady			
Other Sales	\$3,000 - \$7,000	Minimal	Steady			

**F**ourth quarter land sales and auctions appeared to show strong support from farmers in land purchases. Excellent yields along with strong grain prices have provided renewed interest in land purchases by farmers. One sale in Henry County topped \$7,100 per acre.

Demand remains strong with farmers beginning to dominate the purchases given the slowdown in the residential real estate market, and thus fewer exchange buyers from the collar counties are observed in the market. Cash rent/lease negotiation was the most talked about topic in the land sector in the last quarter of 2007. Excellent productivity land has shown the largest percentage increase. There

has been a limited number of Fair Productivity land sales. Most of these farms have either been put into CRP or are being used for recreational/hunting usage rather than as farmland. Recreational land sales remain strong.

The Marquis Energy facility in Hennepin and Patriot Renewable Fuels in Annawan are both scheduled to begin processing in 2008.

Another wind turbine project is being constructed in southern Bureau/northern Marshall Counties. There appears to be potential for substantial increase in this activity throughout the region.

## Excellent Productivity Tracts

Market values for tracts with excellent productivity continue to rise. It appears that excellent productivity tracts have reached the \$6,000 per acre level with numerous sales over \$6,000 per acre and one sale in Henry County reaching \$7,100 per acre. In contrast, most sales in 2006 were selling in the \$5,000 per acre level.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Mar	80.96	98.1	142	\$6,023
Henry	Mar	77.32	97.3	145	\$4,200
Lee	Mar	80.0	96.3	141	\$5,938
Whiteside	Sept	155.08	98.8	134	\$5,800
Ogle	Mar	237.0	98.1	131	\$6,780

## Good Productivity Tracts

Good Productivity tracts were selling in the \$4,000 per acre level in 2006 and now have reached the \$5,000 per acre level. These tracts are typically purchased by farmers who are not looking for the "perfect" flat, black tract and look to these farms as an alternative to the higher priced Excellent Productivity farms.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Aug	65.19	98.6	122	\$4,700
Henry	Aug	71.06	99.9	128	\$4,975
Lee	Dec	97.0	99.2	122	\$6,000
Whiteside	June	120.41	99.8	127	\$4,800
Ogle	July	93.0	95.7	123	\$6,129

## Average Productivity Tracts

There was quite a range of sale prices of Average Productivity tracts throughout Region 2. There appears to be other buying motivations on some of these purchases other than for agriculture production.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	May	77.21	90.3	112	\$3,100
Henry	May	135.41	82.4	113	\$4,250
Lee	Aug	93.0	97.8	102	\$4,450
Whiteside	June	72.69	60.0	109	\$3,500
Ogle	Jan	184.32	78.6	113	\$5,800

## Fair Productivity Tracts

Very few Fair Productivity tracts were reported. This land class sells primarily as recreational land and most tracts that are in this category have been either enrolled in CRP or are being used for hunting/recreational purposes.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henry	Mar	207.8	86.9	96	\$3,200
Whiteside	July	80.0	92.1	92	\$2,525
Rock Island	Sept	76.88	75.6	99	\$5,100
Stephenson	Sept	49.74	98.9	97	\$3,000

## Recreational Tracts

Numerous sales were reported in the northwestern portion of the State, along the Wisconsin border. This land class remains stable as high income individuals continue to buy tracts for hunting or weekend "get-a-ways". It will be interesting to see if this land class will remain strong if the economy slows. An 830-acre duck hunting area along the Illinois River sold to a private individual for approximately \$3,131 per acre. Sales of recreational land throughout Region 2 remain strong with most buyers being out of the area given our close proximity to the Chicago suburbs.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Sept	830.00	n/a	n/a	\$3,131
Rock Island	Nov	60.0	na	na	\$3,500
Mercer	Nov	64.34	48.8	108	\$2,906
Jo Daviess	Sept	82.0	54.4	95	\$5,463
Ogle	July	62.0	n/a	n/a	\$5,000

## Transitional Tracts

The majority of these tracts were purchased for rural, single-family residential home construction. The sales appear to show a close range throughout Region 2. No sales were reported for any future subdivisions, commercial buildings, etc.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henry	Jan	15.06	100.0	n/a	\$7,968
Henry	Jan	10.0	100.0	n/a	\$6,000
Stephenson	Mar	46.23	100.0	n/a	\$7,571
Rock Island	Sept	34.76	99.3	na	\$7,700
Whiteside	July	40.0	100.0	n/a	\$7,200

## Other Tracts

The first tract listed at the top of the next page was a strictly wooded, deer hunting tract that sold for \$5,429 per acre in Bureau County. The second tract was purchased by an adjacent landowner who paid a substantial premium for a 44-acre tract to have better access to farm/recreational land that they already owned. The tract in Lee County that sold had a cell tower on it, which provided rental income. The two tracts in Henry County were enrolled in the CRP Program. One of them was 100 percent in CRP and the buyers intend to withdraw the farm from the CRP program, given the currently strong commodity prices.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Jan	35.0	0	n/a	\$5,429
Bureau	May	44.07	55.4	123	\$7,500
Lee	June	135.67	92.5	112	\$6,000
Henry	Aug	80.0	93.5	108	\$3,050
Henry	Dec	80.0	90.9	110	\$3,650



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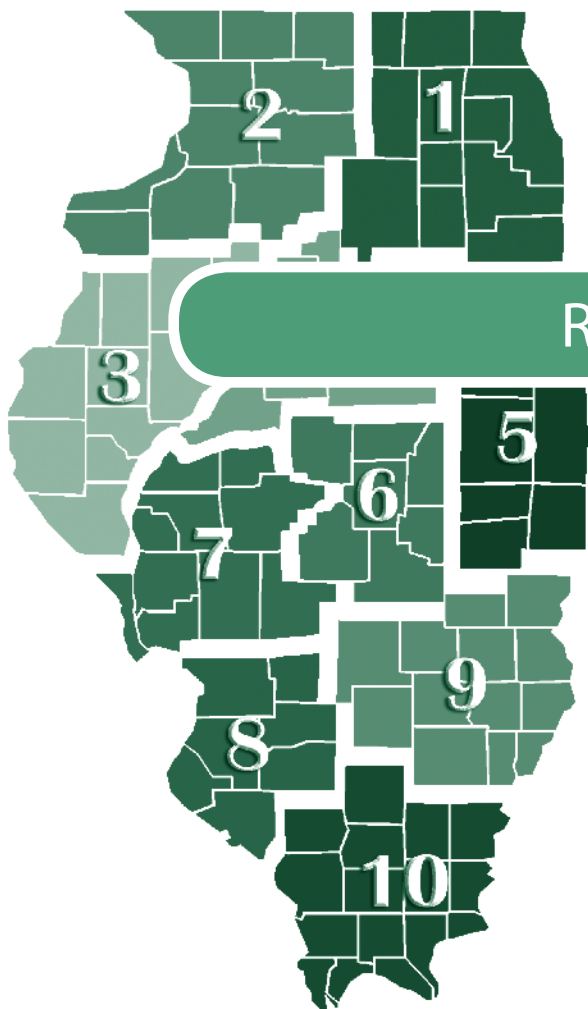
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## Region 3 - Western

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	\$5,500 - \$7,525	Up 35% - 45%	Steady	\$200 - \$280	Up 25% - 33%	\$200 - \$280
Good Productivity	\$3,700 - \$6,600	Up 10% - 40%	Steady	\$150 - \$220	Up 15% - 25%	\$150 - \$220
Average Productivity	\$3,200 - \$4,050	Up 10% - 25%	Steady	\$120 - \$160	Up 15% - 20%	\$120 - \$160
Fair Productivity	\$2,800 - \$3,900	Up 20% - 40%	Steady	\$75 - \$150	Up 15% - 20%	\$75 - \$150
Recreational Land	\$2,700 - \$3,600	Up 10% - 20%	Steady	\$25 - \$50	Steady	\$25 - \$50
Transitional Tracts (River Bottom)	\$3,200 - \$5,300	Up 12% - 40%	Down Steady			

Cash rents in the region were up with the surge in corn and bean prices. The higher grain prices are causing a big increase in landlord expectations and many rumors of cash rents. The farm managers indicate that there is a duel market in cash rents. Landlords with existing tenant relationships appear to be asking for \$30 to \$40 per acre increases in rents. Landlords who have just bought land or are changing tenants are asking and receiving \$60 to \$80 increases in rental rates. During our discussions, there seemed to be a perception that some landlords are concerned that the higher operating margins will be absorbed by higher input costs along with recogni-

tion of some recent years when the tenants came up short on profits.

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

### Excellent Productivity Tracts

These properties get most of the attention with the highest prices in the market. New highs were set in the fall of



2007 with the range between \$5,500 and \$7,525 per acre in this class of farms. The fall of 2006 range was \$4,000 to \$5,400. The 2005 range was \$4,100 to \$5,100 while the 2004 range was \$4,200 to \$5,250 per acre. This indicates a wider range in prices this year than in recent years.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac	
Henderson	Aug	157.0	98.0	145	\$6,314	
Hancock	Sept	160.0	100.0	145	\$6,375	
Stark	Aug	80.0	99.0	144	\$6,000	
Hancock	Apr	80.0	100.0	144	\$6,187	
Peoria	Mar	76.0	97.0	143	\$6,505	
Mc Donough	Nov		82.0	98.0	142	Ø
Mc Donough	Oct		82.0	99.0	142	Ø
Warren	Mar	254.0	96.0	141	\$5,000	
Mc Donough	Nov		82.0	98.0	141	Ø
Stark	Nov	80.0	99.0	140	\$6,450	
Mc Donough	Dec		81.0	99.0	140	Ø
Knox	Nov	155.0	96.0	139	\$5,486	
Adams	Nov	82.0	98.0	139	\$7,011	
Fulton	Mar	176.0	97.0	138	\$5,445	
Hancock	Nov	185.0	99.0	138	\$6,270	
Fulton	Dec	131.0	97.0	134	\$6,100	

### Good Productivity Tracts

These properties typically have good soils but will have some blemishes in waterways, poor drainage and rolling topographies. These farms tend to 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. 2007 range in prices was \$3,700 to \$6,600 per acre. 2006 range in prices is \$3,300 to \$4,700 per acre. In 2005 the range in prices was \$3,000 to \$4,000+ per acre while 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	
Pike	Jan	81.0	100.0	126	\$5,000	
Adams	Nov	120.0	99.0	127	\$4,750	
Fulton	Dec	49.0	98.0	131	\$6,200	
Warren	Jan	57.0	98.0	130	\$5,810	
Knox	Nov	80.0	97.0	131	\$5,275	
Pike	Jan	79.0	97.0	125	\$4,930	
Pike	Feb	127.0	97.0	124	\$4,400	
Peoria	Mar	80.0	96.0	129	\$4,880	
Peoria	Mar	69.0	94.0	124	\$4,710	
Adams	Nov	75.0	93.0	127	\$4,200	
Schuyler	Nov	135.0	91.0	130	\$5,000	
Fulton	Aug	297.0	91.0	124	\$4,268	
Hancock	Mar	84.0	90.0	132	\$4,000	
Adams	Nov	344.0	90.0	131	\$5,228	
Peoria	Nov	80.0	89.0	131	\$7,375	
Hancock	Oct	115.0	86.0	127	\$4,425	
Mc Donough	Sept		83.0	82.0	128	Ø
Pike	Aug	115.0	79.0	127	\$4,188	
Mc Donough	Aug	258.0		78.0	131	Ø
Adams	Nov	88.0	74.0	118	\$5,275	
Fulton	Oct	140.0	66.0	130	\$3,964	

### Average Productivity Tracts

The sale prices for the properties in this category during 2007 ranged from \$3,200 to \$4,050 per acre. 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. These properties typically are more susceptible to adverse weather conditions and 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. Farms with less than 50 percent tillable land in this group tend to sell as recreational land.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Stark	Apr	73.0	93.0	111	\$3,450
Brown	Aug	106.0	89.0	114	\$3,700
Warren	Aug	80.0	86.0	112	\$3,250
Adams	Nov	98.0	85.0	108	\$3,175
Pike	Feb	325.0	84.0	114	\$3,075
Pike	Feb	84.0	80.0	114	\$3,550
Schuyler	May	94.0	80.0	101	\$3,000
Pike	Feb	40.0	78.0	115	\$3,250
Adams	Apr	52.0	71.0	101	\$3,150
Pike	Feb	160.0	68.0	106	\$2,775
Adams	Aug	52.0	67.0	115	\$3,500
Adams	June	160.0	55.0	108	\$3,800

### Fair Productivity Tracts

The land in this class sells primarily as recreational land in this region. This category of sales typically is rolling land but has more tillable land than recreational buyers prefer. The 2007 range for this class is \$2,800 to \$3,925 per acre. The 2005 range for this class is \$2,000 to \$2,700. 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

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Pike	Apr	202	80	97	2819
Schuyler	Feb	60	72	91	2000
Adams	Aug	40	90	91	3800

### 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 2007 typical range for these farms was \$2,700 to \$3,600 per acre. 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. These properties are usually bought by non-farmers and paid for with non-farm income. The higher priced land in this category tends to have at least enough tillable acreage 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
Knox	Dec	30.0	0	0	\$3,925
Hancock	Oct	22.0	0	0	\$6,521
Adams	Sept	174.0	0	0	\$3,400
Fulton	May	30.0	8.0	112	\$3,000
Knox	Oct	71.0	11.0	112	\$3,163
Mc Donough	May	76.0	14.0	100	\$0
Schuyler	Apr	133.0	20.0	113	\$3,200
Adams	Nov	67.0	25.0	100	\$3,000
Schuyler	Feb	80.0	26.0	116	\$2,500
Peoria	Sept	190.0	30.0	115	\$3,500
Henderson	Aug	66.0	38.0	104	\$3,195
Fulton	Mar	182.0	42.0	114	\$3,005
Mc Donough	May	37.0	43.0	110	\$0
Fulton	Aug	400.0	48.0	114	\$4,050
Adams	Aug	60.0	52.0	114	\$3,250
Schuyler	May	109.0	53.0	113	\$2,750
Adams	June	160.0	55.0	108	\$3,800
Schuyler	May	180.0	57.0	124	\$2,778
Peoria	Apr	133.0	35.0	120	\$2,867
Schuyler	Apr	71.0	28.0	118	\$2,800
Fulton	July	103.0	19.0	127	\$3,961
Warren	June	129.0	10.0	118	\$3,178

## 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 2007 was \$3,500 to \$5,300 per acre. 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	Nov	100.0	91.0	132	\$3,500
Hancock	Mar	270.0	95.0	130	\$4,267
Hancock	Feb	200.0	97.0	109	\$2,400
Hancock	Feb	291.0	93.0	109	\$1,505
Hancock	Feb	68.0	97.0	109	\$3,300
Pike	June	1037.0	98.0	128	\$5,346

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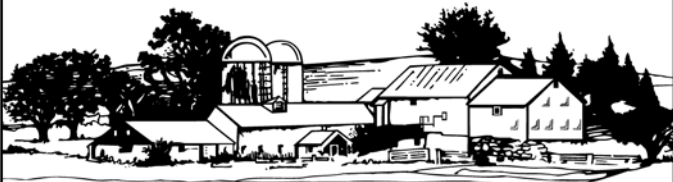
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## Region 4 - North Central

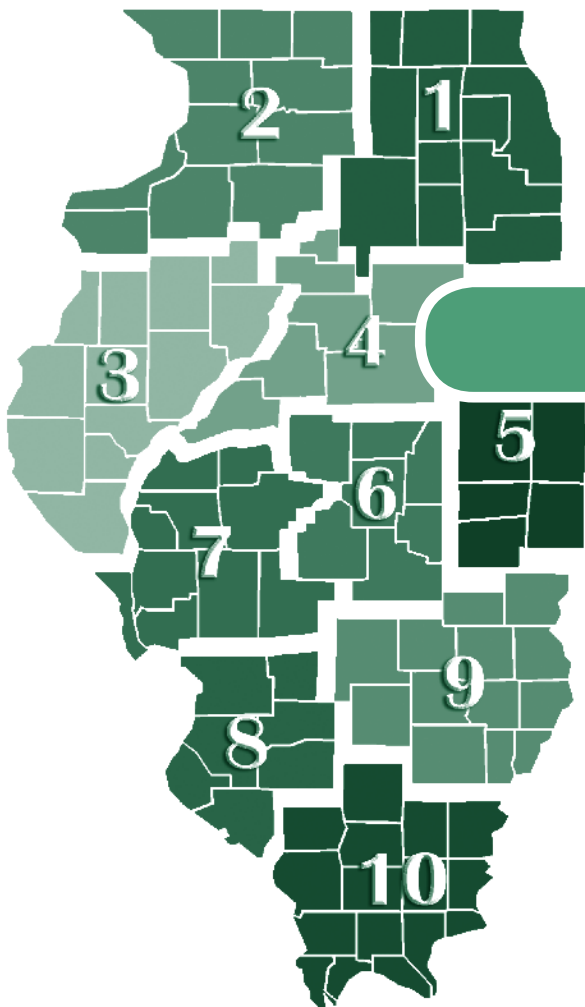
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**R**egion 4 has a variety of soils, crops and location influences which can lead to great ranges in value from one end of the region to the other. The northern portion of Marshall, Putnam and Livingston Counties are heavily influenced by the 1031 buyers coming from the collar counties of Region 1. The center of the region has some impact from Bloomington, Morton and Pekin. The southwestern portion tends to be less influenced by reinvestment dollars and more influenced by the general agricultural economy. This was particularly noticeable in 2007 as those areas “caught up” with values of similar soil quality in the northern portion of the region.

The first quarter of 2007 showed an adequate supply of farmland for the marketplace. 1031 exchange buyers were not as prevalent in the first two months of the year, but began to compete with general investors who recognized the coming improved returns to agriculture at auctions held in March. Interest rates had also softened and this renewed farmers’ opinions about acquiring land. Land quality and characteristics became a significant factor in prices paid, leading to a continued wide trading range in farmland values for Region 4 into the summer and early fall. A significant portion of farmland value increases came as we headed toward harvest. The majority of this region experienced near record or record production in 2007. High grain prices combined with bountiful production prospects and drove demand. Modestly sized tracts of 40 to 80 acres at-

tracted the highest demand from farmers once again. This was a shift from the trend in past years where the larger sized tracts were receiving a premium at auctions.

In the final quarter of 2007, land sales continued to be particularly strong in the northern portion of the region, which is closer to the majority of the more limited 1031 tax-deferred exchange buyers. An additional influencing factor that may come in 2008 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. We will look forward to reporting more on this in next year’s summary.

Cash rent rates increased. 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 strictly investor buyers looking for a competitive return. In looking toward 2008, lease rates will continue to increase based on the potential economic return that farmers can estimate with current cash grain prices and despite higher input costs. Determining cash rent values has become more difficult in this region, and has raised the call from many operators for some form of a variable cash rent lease. Some owners have also begun to once again look at alternative leases where they share in the crop production to address this concern.



## Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	\$5,800 - \$6,400	21%	Steady	\$200	Up 18%	\$240
Good Productivity	\$4,600 - \$5,100	13%	Steady	\$175	Up 7%	\$190
Average Productivity	\$3,600 - \$4,200	32%	Increase 20%	Variable based on irrigation availability		
Recreational Land	\$3,500 - \$3,700	None	Down 20%			
Transitional Tracts	\$9,000 - \$43,000	None	Down 30%			

### Excellent Productivity Tracts

Excellent Productivity farmland led the way to new price levels in 2007. Bare farmland values climbed steadily higher and picked up the rate of change from August through December. Sellers bringing publicly advertised, high quality, high-percentage-tillable tracts to the market in the third and fourth quarter in Region 4 typically received over \$6,000 per acre. The steady-to-tight supply in this land class best met demand as auction sales. Privately negotiated sales typically lagged auction values. As the year moved along, fewer large-scale transactions occurred, but the increase in commodity values brought farmers into the marketplace after hesitating to purchase land the past three years. By year end, most Excellent Productivity farmland sold between \$5,700 and \$6,400 per acre throughout Region 4, an increase of over 20 percent from year-end 2006.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Woodford	Jan	77.4	97.0	140	\$5,000
McLean	Mar	232.71	95.4	140.8	\$5,000
McLean	Apr	162.39	98.0	140.8	\$5,250
McLean	Apr	573.36	99.0	139.1	\$6,000
Marshall	May	79.54	93.0	141	\$5,750
Marshall	May	128.34	96.0	141	\$4,986
Mason	July	85.6	96.0	134	\$4,822
McLean	Aug	276.9	98.0	140	\$6,400
Woodford	Aug	159.0	98.0	139	\$6,200
Woodford	Aug	98.9	97.0	141	\$6,400
Mason	Sept	153.07	98.0	138	\$4,900
Livingston	Sept	80.0	99.0	138	\$5,700
McLean	Sept	180.23	98.8	141	\$5,550
Tazewell	Oct	46.64	98.0	143	\$6,000
McLean	Nov	157.0	98.0	137	\$6,000
McLean	Dec	66.02	99.2	141	\$6,000
Livingston	Dec	80.0	99.0	137	\$7,000

### 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 Excellent Productivity farms. This land class widened

its value range by late summer when demand for excellent quality soils took off and prices headed for a new level. We found this land class had the greatest number of acres brought to the market in Region 4 and was a steady supplier to the marketplace. Most farms sold from \$4,600 to \$5,100 per acre. The majority of the sales in this land class were negotiated purchases, not auctions. .

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Tazewell	Jan	158.0	96.0	138	\$4,518
Livingston	Jan	73.1	97.0	126	\$4,000
McLean	Jan	160.0	96.56	118.5	\$4,500
McLean	Feb	194.4	96.9	135	\$5,025
Livingston	Feb	91.85	95.0	119	\$3,900
McLean	Mar	77.0	99.0	137.1	\$4,675
McLean	Apr	520.39	96.9	132.4	\$4,722
Livingston	May	158.0	99.0	128	\$5,300
Livingston	July	100.0	95.0	119	\$3,800
Marshall	Sept	75.0	98.0	134	\$4,800
Woodford	Sept	99.55	96.0	127	\$5,050
Marshall	Oct	72.98	98.0	131	\$4,750
Mason	Oct	78.67	98.0	128	\$4,640
Tazewell	Nov	73.71	91.0	136	\$4,400
McLean	Nov	237.34	96.0	135.5	\$5,125
Mason	Dec	234.14	94.75	134.6	\$4,300
McLean	Dec	298.0	95.3	135.0	\$5,750

### Average Productivity Tracts

Two major areas in Region 4 have sales in this land class. They include an area 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 Productivity farmland firm in this area. Typically, the distance from the Chicago "Collar Counties" played a significant role in this land class. However, in 2007 we found particular strength for this land class as outside investors began competing for Average Productivity land in Mason and Tazewell Counties. Irrigation played a factor at times, but in December two Mason County sales were particularly notable as they did not have existing irrigation, and still brought over

\$4,000 per acre. We found that, as a region, this land class not only experienced an increase in the number of acres on the market as compared to 2006, but also saw price levels increase dramatically for the price paid in the western part of the region. Most of the volume increase came in the number of tracts that contained irrigation units. This likely played a significant part in our final range of values being 32 percent higher than 2006. By the end of the year the most common prices paid for Average Farmland in Region Four ranged from \$3,600 to \$4,200 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Livingston	Mar	155.0	95.0	116	\$3,300
Livingston	May	80.0	84.0	106	\$2,825
Mason	Aug	245.2	98.0	94	\$3,345
Livingston	Sept	78.95	84.0	113	\$3,850
Livingston	Oct	235.41	92.0	117	\$4,000
McLean	Nov	118.99	88.0	123.7	\$3,750
Mason	Dec	77.0	95.0	112	\$4,300
Mason	Dec	82.0	97.0	117	\$4,850

## 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. We estimated value ranges remained the same for in recreational land in 2007 despite a decrease in the number of parcels for sale. The limited number of sales to compare from year to year, and the uniqueness of each tract limit our analysis of this land class in the region.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
McLean	July	83.56			\$3,300
McLean	Aug	10.0			\$2,200
Livingston	Sept	22.2			\$4,525
Woodford	Oct	52.17	82.0	118	\$4,792
Livingston	Nov	33.0			\$3,939
Marshall	Dec	21.0			\$3,500
Marshall	Dec	129.0			\$3,200

## 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.

County	Sale Date	Total Acres	Location Future Use	Total Price/Ac
McLean	Jan	14.5	Near Reg'l airport, health club, existing sewer and water	\$228,186
McLean	Apr	43.13	Near existing subdivision/farmland	\$8,800
Livingston	Apr	79.31	Adjacent to Pontiac	\$12,609
McLean	June	68.89	Near residential development	\$21,994
McLean	July	227.85	Adjacent to Mitsubishi Mfg.	\$11,000
McLean	Aug	165.44	Near North Bridge Subdivision/Normal	\$9,500
McLean	Jan	10.249	Com. development near airport	\$76,230

## Wind Turbine Option Tracts

Region 4 contains several proposed "wind farms" that we plan to track as they are developed. In 2007 only one arms-length transaction occurred that we could verifiably track on bare land. It is highlighted below but will serve as a barometer for future sales as the multiple projects are completed.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price /Ac	Turbines
McLean	Apr	120.57	95.2	127	\$4,436	1

## Special Interest

Small tract auction prices began to increase at year-end. A sale of multiple tracts in northern Livingston County on December 8 occurred with significant competition. Local farmer competition was spirited, including a known farmer from outside the area with 1031 exchange money participating. All the proceeds were going to the Flanagan Park District. The farms had electrical lines and the highest and best use was agriculture only. New price levels were set at the auction for high quality, bare farmland in Region Four as the auction of 40- and 80-acre tracts ranged from \$7,000 to \$9,100 per acre. This appeared to be a continuing trend in the region as area lines of farm operations continue to spread further from their "home base" and the number of excellent farmland tracts available are limited within an area. A similar occurrence happened in November in southern McLean County when an auction of 40 acres reached \$6,340 per acre, a price well above other recent sales in the area.

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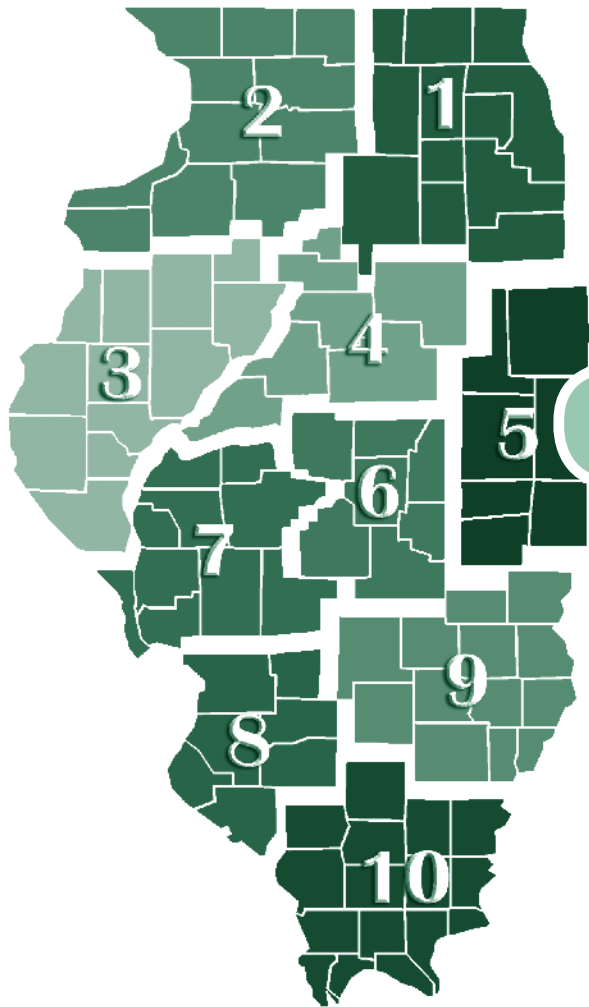
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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	\$4,900 - \$6,000	Up 7 - 10%	Steady	\$230 - \$250	25 - 30%	\$250
Good Productivity	\$3,800 - \$4,800	Up 0 - 6%	Steady	\$170 - \$180	3 - 6%	\$180
Average Productivity	\$3,000 - \$3,700	No change	Steady	\$140 - \$150	0 - 5%	\$150
Recreational Land	\$2,000 - \$3,000	Up 0 - 10%%	Steady			
Transitional Sales	\$6,500 - \$20,000	Steady	Steady			

**R**egion 5 consists of seven counties in east-central Illinois with Iroquois and Ford to the north, Vermilion and Champaign centrally located, and Edgar, Douglas and Coles to the south end of the Region. These counties all contain a high percentage of soils in the Excellent and Good Productivity categories with a strong level of interest from all types of buyers. There are fewer areas with soils rated in the Average category in Region 5.

In general, land prices continued to be strong-to-increasing throughout 2007, showing increases as high as 10 percent in some areas. Interest from buyers remained steady throughout the year, both from investors and from farmer buyers. Purchasers interested in recreational and hunting properties continued to be active in the market, although there is a shorter supply of these types of land in Region 5 as compared to other areas of the state.

It appears that the supply of land on the market was about the-same-to-slightly-less than that shown in 2006. The available tracts for sale tended to be smaller in size; most of the sales in the Excellent category ranged from 40-150 acres, with a few exceptions. Several years ago there were more tracts available in larger sizes when there was significant demand for those types of tracts. That higher demand mainly came from a 1031 Exchange investors looking for replacement tracts and resulted in more sellers of larger-sized tracts taking advantage of the relatively high prices being paid at that time. While 1031 Exchange buyers still make purchases in Region 5, the greatest increase in category of buyers in 2007 came from farmers. Commodity prices reaching very high levels encouraged the surge of interest from farmers late in 2006, and that interest has continued throughout 2007. Only a few farmers were purchasing land in 2004 and 2005 when land values increased significantly, but income levels didn't increase at the same rates. With the rise in commodity prices in late 2006 through 2007, increased income levels made higher-priced land more attractive to the pent-up demand from farmer-purchasers.

The Excellent Productivity category reflected the largest increases in sales prices, generally showing a seven to 10 percent rise in value. It appears that premiums continue to be paid for larger-sized tracts, especially in this category. The Good Productivity category also experienced an increase in value, although to a lesser degree, from zero to six percent. This was similar to the increase shown for recreational properties, up from zero to five percent. Land in the Average Productivity classification is less prevalent in Region 5, and the few sales reported showed no change from the prior year.

There remains a significant discrepancy in prices being paid within each land productivity category in Region 5. Marketing methods and sellers' awareness of land values appear to be responsible for some of these price variations. Sales that were completed by land auctions and professional land brokers in 2007 appear to have sold at higher prices than many of those tracts sold by landowners directly, including some without advertising. In a land market of increasing values with strong interest from both farmers and investor-buyers, marketing by the auction method has paid good dividends to sellers.

Region 5 continues to attract buyers from all sources. With excellent yields in 2007, higher commodity prices, and cash rents at an all-time high, this Region attracted significant interest from all investors as well as farmers. With the significant increases in the commodity markets, income levels have made attractive leaps. As a result, cash rents have taken a positive jump in 2007, especially in the Excellent Productivity category which generally reflected an increase from 25 to 35 percent, or even higher in the case of some larger-sized farms. These higher rent levels are catching up from 2005 and 2006 when it appears that land values increased as a faster pace than cash rents.

## Excellent Productivity Tracts

Region 5 has always attracted outside investors for excellent productivity tracts, with significant premiums being paid for larger-sized tracts and those parcels without detriments. Sales prices for this category generally occurred in the \$4,900 to \$6,000 per acre price range, although there were scattered sales both above and below that range throughout the Region. Sales in the middle-to-higher end of the sales range occurred in Champaign and Douglas Counties, while the balance of the Region recorded more of the sales in the middle-to-lower end of the range. Several sales above \$6,000 per acre happened towards the middle-to-latter part of the year. A somewhat lower supply of land in this category, in combination with a strong demand, resulted in some record prices being paid.

County	Sale Date	Total Acres	% Tillable Ac	P / I on Price/Ac	Total
Champaign	Jan	52.66	99.0	143	\$4,800
Champaign	Jan	40.0	99.0	144	\$5,000
Champaign	Jan	136.5	99.0	144	\$4,950
Champaign	Jan	40.0	98.0	144	\$5,000
Champaign	Jan	80.0	96.0	144	\$6,000
Champaign	Jan	120.0	97.0	143	\$5,000
Coles	Jan	40.0	100.0	144	\$4,800
Douglas	Jan	159.5	98.0	143	\$5,175
Vermilion	Jan	50.0	99.0	140	\$3,500
Vermilion	Jan	102.5	99.0	143	\$4,244
Champaign	Feb	78.0	97.0	144	\$4,700
Champaign	Feb	40.0	95.0	142	\$4,350
Champaign	Feb	82.31	97.0	135	\$5,050
Champaign	Feb	58.86	96.0	137	\$5,000
Champaign	Feb	158.0	99.0	138	\$4,300
Vermilion	Feb	40.0	95.0	144	\$4,650
Vermilion	Feb	88.99	99.0	144	\$4,639
Champaign	Mar	125.73	98.0	136	\$5,350
Coles	Mar	80.0	100.0	144	\$5,200
Douglas	Mar	75.0	99.0	140	\$5,700
Douglas	Mar	180.0	97.4	142	\$5,675
Edgar	Mar	283.61	97.9	140	\$5,438
Iroquois	Mar	40.0	95.0	135	\$4,875
Vermilion	Mar	41.0	99.0	13	\$4,800
Vermilion	Mar	80.0	99.0	138	\$4,900
Champaign	Apr	168.95	98.0	143	\$5,151
Champaign	Apr	158.95	99.4	144	\$6,135
Champaign	Apr	51.0	98.0	137	\$4,700
Champaign	Apr	241.0	98.8	141	\$4,950
Edgar	Apr	160.0	97.9	136	\$4,350
Ford	Apr	152.96	95.0	143	\$5,325
Ford	Apr	142.54	97.0	142	\$5,350
Vermilion	Apr	146.49	98.0	143	\$4,000
Vermilion	Apr	94.18	98.0	133	\$3,905
Champaign	May	40.0	98.0	143	\$5,390
Coles	May	262.38	99.1	141	\$5,396
Ford	May	80.0	99.0	137	\$4,300
Champaign	June	40.0	99.0	144	\$6,943
Champaign	June	112.8	99.3	143	\$6,943
Edgar	June	77.34	97.7	143	\$5,000
Edgar	June	301.91	100.0	139	\$5,100
Douglas	July	69.9	98.0	135	\$5,775
Coles	Aug	82.09	100.0	139	\$5,500
Coles	Sept	78.76	96.7	136	\$5,000

Douglas	Sept	197.59	98.8	140	\$5,979
Champaign	Nov	183.0	96.2	140	\$5,750
Douglas	Nov	162.0	99.0	144	\$6,000
Edgar	Nov	459.32	99.3	144	\$5,715
Edgar	Nov	80.0	98.0	144	\$5,200
Edgar	Nov	60.0	99.0	138	\$4,567
Edgar	Nov	64.33	100.0	139	\$4,548
Champaign	Dec	228.0	99.6	144	\$6,700
Edgar	Dec	98.0	96.1	144	\$4,400

## Good Productivity Tracts

Sales of properties in the Good Productivity category also showed a wide variation in sales prices, although generally the sales ranged from \$3,800 to \$4,800 per acre. Variations in prices paid can be attributed to the diverse nature of the soils and locations within the region. Purchasers are drawn to these tracts because of the attractive returns anticipated. Investors can generally acquire more acres than land in the Excellent Productivity category and/or a reduced total capital investment required for purchases. A greater number of these farms are found in Iroquois and Ford Counties which do not have as many farms in the Excellent Productivity category.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jan	80.78	95.0	120	\$4,300
Ford	Jan	40.04	82.0	122	\$3,550
Iroquois	Jan	38.6	96.0	119	\$3,456
Iroquois	Jan	92.03	98.0	124	\$4,450
Iroquois	Jan	166.49	97.0	128	\$4,913
Vermilion	Jan	198.92	97.0	127	\$2,500
Champaign	Feb	27.0	96.0	127	\$4,500
Ford	Feb	198.7	99.0	126	\$3,500
Ford	Feb	80.0	99.0	126	\$4,200
Ford	Feb	273.82	98.0	121	\$4,200
Ford	Feb	63.0	79.0	126	\$2,698
Iroquois	Feb	143.3	98.0	121	\$4,000
Iroquois	Feb	200.0	98.0	132	\$4,000
Vermilion	Feb	120.0	100.0	124	\$2,875
Champaign	Mar	114.4	96.0	132	\$5,000
Douglas	Mar	39.15	96.0	130	\$4,400
Ford	Mar	76.5	96.0	126	\$3,400
Ford	Mar	88.58	97.0	128	\$4,394
Vermilion	Mar	41.0	98.0	132	\$4,900
Douglas	Apr	90.0	100.0	130	\$4,475
Edgar	Apr	142.69	97.0	126	\$3,504
Ford	Apr	80.0	96.0	129	\$2,875
Iroquois	Apr	200.0	98.0	129	\$5,280
Iroquois	Apr	38.4	97.0	119	\$3,700
Vermilion	Apr	238.56	93.0	119	\$3,041
Ford	May	160.0	96.0	125	\$4,100
Iroquois	May	75.0	96.0	117	\$3,300
Vermilion	May	50.0	96.0	122	\$3,800
Douglas	June	106.5	99.0	131	\$4,742
Douglas	July	60.0	94.0	132	\$5,075
Iroquois	July	73.75	96.0	121	\$4,800
Ford	Aug	80.0	99.0	127	\$4,350
Iroquois	Aug	160.0	98.0	132	\$4,825
Vermilion	Aug	46.54	95.0	119	\$4,000
Douglas	Nov	400.0	99.0	130	\$5,200

## Average Productivity Tracts

Sales prices for land within the Average Productivity classification generally ranged from \$2,900 to \$3,700 per acre. Most of the land in this category is found in uplands along the streams and rivers and in the outlying areas, as well as at the southern end of the region which did not have the benefits of the same glaciation to enhance soils. Buyers of these farms are usually neighboring farmers and landowners who already own other tracts nearby.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Ford	Apr	140.0	94.0	116	\$3,440
Ford	Apr	80.0	96.0	110	\$2,900
Champaign	May	53.7	97.0	111	\$3,724
Champaign	Oct	35.68	94.0	111	\$3,621
Iroquois	May	155.0	96.0	115	\$4,000

## Recreational Tracts

Recreational properties generally consist of tracts having lesser-quality soils with fewer tillable acres, and most often have some woodlands, ponds, creeks/rivers, and/or rolling topography. Buyers looking to purchase recreational land are mainly interested in hunting, fishing or other recreational activities. Demand for these properties remained strong in 2007. The supply of recreational land is not prevalent in Region 5, but generally, most tracts are found in remote areas, often with a significant amount of timber or brush, and sometimes subject to overflow of nearby rivers or streams.

Prices paid for recreational properties can vary greatly, and it is sometimes difficult to analyze the reasons for this fact. Sometimes personal or emotional reasons are used for purchasing rather than sound appraisals of market value. For example, prices can vary for locations, amount of commercial timber that may be present, potential multiple uses a tract may have including those with sites for buildings, scenic features, accessibility, quality of hunting or fishing, amount of overflow acreage, and other factors. Typically, these purchases are not paid for with farm income, and often a buyer's financial position will determine the sales price levels being paid. The prices paid in 2007 for reported sales ranged from \$1,710 per acre to \$5,764 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jan	43.3	54.0	117	\$5,196
Coles	Jan	170.0	45.0	127	\$3,229
Coles	Feb	46.84	32.0	125	\$5,764
Coles	Apr	37.13	16.0	121	\$1,710
Vermilion	May	139.0	30.0	100	\$3,417
Edgar	July	22.89	27.0	112	\$2,818
Iroquois	Nov	40.0	70.0	116	\$3,532
Vermilion	Nov	20.0	45.0	118	\$3,017
Vermilion	Nov	88.02	51.0	125	\$3,017
Vermilion	Nov	38.65	54.0	118	\$3,017
Coles	Dec	170.0	45.0	127	\$3,229



## Transitional Tracts

Demand for tracts in this category was strong in 2007. Land that is being farmed near cities and towns with good locations, availability of utilities, and favorable access often sell for the highest prices. Purchasers of this land classification are looking for properties which can be used for residential, commercial, or industrial development. Higher prices are paid for those tracts with the most attractive features as mentioned above, although scenic features become more important for residential development. Large-sized properties or those with less favorable features generally sell for lower prices. Quality of soils and amount of tillable land are not usually factors for sales prices being paid. Sales prices for transitional land in Region 5 ranged from \$5,500 to \$20,042 per acre. The 22-acre Douglas County sale at \$20,000 per acre had U.S. Route 36 frontage and was located less than one-half mile from access to Interstate 57. The 10-acre sale north of Mattoon in Coles County is the site of the proposed Family Farmers Meats Certified Organic meat processing facility. It will be the only Certified Organic facility in the United States processing both poultry and livestock in the same plant. The 96-acre sale in Coles County was located adjacent and near subdivision land to the south of the Coles County Airport. Southwest of Tilton in Vermilion County, the 55.75-acre sale was one of the tracts purchased by VeraSun Tilton, LLC, a leading producer of renewable fuels. It is assumed that this may be a location for an ethanol facility, although the project has yet to be announced.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jan	126.76	95.0	144	\$7,889
Champaign	Jan	19.0			\$20,042
Champaign	Feb	77.12	97.0	144	\$7,550
Douglas	May	22.0	99.0	139	\$20,000
Champaign	June	104.0	99.0	143	\$18,500
Coles	Oct	96.0	60.5	135	\$5,500
Coles	Oct	10.0	100		\$10,000
Champaign	Dec	60.0	98.0	144	\$6,350
Vermilion	Dec	55.75			\$7,570

## Other Tracts

The 651.34-acre sale in Champaign County was adjacent to the south and north sides of Brookhill Gold course north of Rantoul. It included improvements valued at \$88,400. The Ford County sale included 18 acres of woods, three acres of pasture and an older building site with improvements of no value. The Iroquois County sale which occurred in June included 32.91 acres of pasture and 3.85 acres of roads/waste.

Sale County	Total Date	% Acres	P / I on Tillable	Total Tillable Ac	Price/Ac
Ford	Feb	324.21	90.0	127	\$4,000
Iroquois	June	153.95	76.0	108	\$3,100
Vermilion	Nov	563.85	95.0	142	\$5,400
Iroquois	Dec	320.0	96.0	125	\$5,550
Champaign	Feb	651.34	98.0	127	\$5,450

## Special Interest

In December, 2007 the city of Mattoon in Coles County was selected as the site of the FutureGen project. The site was one of four competing locations for the project. The others were two in Texas (Jewett and Odessa), and Tuscola in Douglas County, also in Region 5. FutureGen is a \$1.8 billion experimental emissions-free coal-fueled power plant that aims to provide electricity and hydrogen energy while capturing and storing carbon dioxide which will be injected under pressure into the pores of an underground rock formation. The research provided by the proto-type FutureGen project will result in new technologies that can be applied at commercial-scale projects throughout the country. The site just west of Mattoon was selected because it met dozens of criteria, including access to rail, water and electric transmission lines that would connect to the regional power grid. The project's future is uncertain, but if completed, could create over 1,200 construction jobs and 200 permanent jobs for the next 30 years.

Another project in Region 5 is a proposed \$2 billion coal-to-synthetic transportation fuel plant near Oakland in the southeastern corner of Douglas County announced by American Clean Coals Fuels. Like FutureGen, this plant is slated to use gasification technology and to sequester the resulting carbon dioxide. The intention of this plant is to be the first producer in the United States, if not the world, that is producing carbon neutral diesel fuel and jet fuel. Included in the proposal of this plant is the development of a coal mine for the fuel needed and to integrate a cellulosic ethanol plant to increase the efficiencies of all operations. This project is scheduled to go online by 2012, and the resulting plants will create an industry cluster for energy development for the area.



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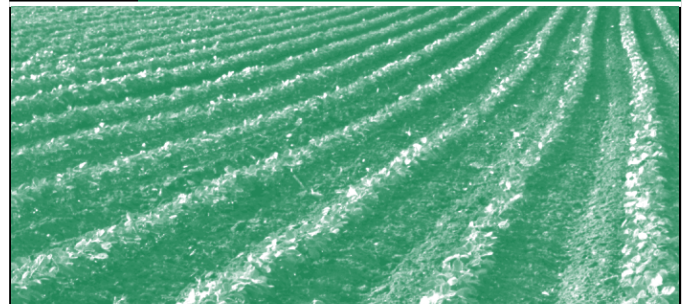
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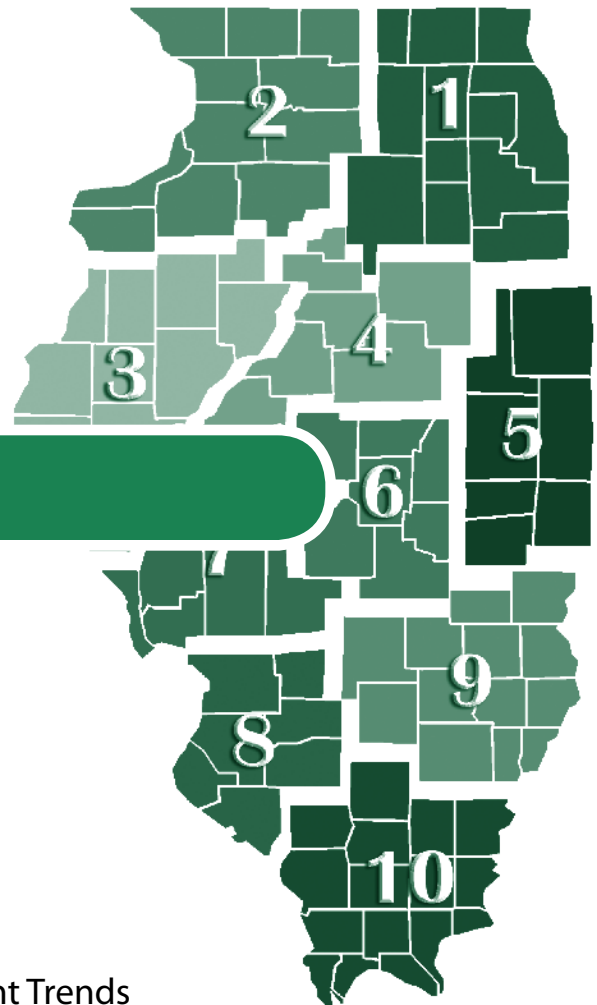
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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	\$5,400 - \$6,000	Up 15 - 20%	Down 10%	\$225	Up 20%	\$250
Good Productivity	\$3,500 - \$5,000	Up 15 - 20%	Down 10%	\$200	Up 20%	\$220
Good Productivity	\$2,500 - \$4,000	Up 10%	Steady	\$150	Up 20%	\$175
Recreational Land	\$2,000 - \$4,000	Up 15%	Steady			
Transitional Sales	\$6,000 - \$25,000		Steady			

**R**egion 6 consists of seven central Illinois counties: Macon County at Decatur is located in the center of the region and is surrounded by Logan, DeWitt, Piatt, Moultrie, Shelby, and Christian counties. These all contain excellent soils, a large agribusiness support network, and high levels of interest from the non-agricultural sector. The majority of the soils found in Region 6 are primarily from two soil associations: Drummer Flanagan and Catlin silt loam, and Tama, Ipava, and Sable silt loam. The soil in this region is generally well-managed with good surface drainage, soil conservation practices, and well-balanced fertility.

Title to the land in this area of the state is very tightly held, and when it does become available, there is generally an excellent demand. There is good access to strong grain markets in the area with ADM, Staley (Tate & Lyle), Cargill, and Illinois cereal mills and other handlers. The markets help provide improved prices for this part of the state. These features are reflected in farming income and land values.

The table above summarizes land values and cash rents in the central region of the state. The values for all categories of farmland appear to be up during 2007. Cash rents paid

by farmers also show a significant increase. Much of the region reported all-time high corn yields, and near-record high soybean yields. This year, as for the past few years, the number of sales in the region was high, but possibly not as high as the most recent couple of years. The amount of land on the market at the end of 2007 was lower than one year ago.

Some observations about the year just completed include:

--Values in this region of the state were actually stable-to-somewhat-soft at the end of 2006. There was a good increase in values during the first quarter of 2007, and those increases appeared to carry throughout the year, ending the fourth quarter extremely strong.

--There appears to have been less Excellent Productivity land on the market at the end of the year.

--The marketing period for available land is much shorter than a year ago.

--There are still a good number of 1031 exchange buyers in the market.

--Although at times difficult to measure, there is a premium for good-to-excellent-quality farmland.

--The majority of the area had excellent yields, which, coupled with a strong commodity prices, helped to fuel the market.

--Sale prices obtained at auctions were very strong.

--There is a good mix of buyers in the market, including those from 1031 exchanges, local investors, and farmers.

--Cash rents throughout the area are extremely strong. There would appear to be some correlation between the premium in the market for larger tracts and the cash rent paid on those tracts.

--It would appear that the amount of the payments projected for the government farm program have little or no effect on the market. There is, however, considerable concern in the market about possible changes in payment limitations and the determination and number of entities that can be paid.

## Excellent Productivity Tracts

We chose 15 sales in the Excellent Productivity category representing typical transactions for the farmland selling in the seven-county area included in this region. The prices range from \$5,000 per acre to \$6,250 per acre, with an average price of \$5,591 per acre. This value compares to the 2006 average in this region of \$4,862 per acre. The indicated increase in sale price is 15 percent. The tracts ranged in size from 40 to 400 acres. The sales used were 95.4 percent to 100 percent tillable, and the indicated average sale

price per tillable acre is \$5,729. The average productivity index for this category was 141.15 based on the University of Illinois Circular 811. The indicated sales price per PI on the tillable acreage was \$40.59, which compares to \$35.07 in 2006, an increase of approximately 15.75 percent.

This increase is based on the average price received throughout 2007, but this figure is likely very conservative. If comparisons are made between sales made at the end of 2006 for around \$5,000 per acre and sales at the end of 2007 at around \$6,000 per acre, an increase of around 20 percent could be supported.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Macon	Aug	313.0	97.4	141.1	\$5,712
Macon	Nov	400.0	98.0	140.9	\$5,640
Macon	Dec	143.11	95.4	143.4	\$6,250
Christian	Nov	80.0	97.4	133.2	\$5,450
Shelby	Nov	240.0	97.0	143.8	\$5,488
Moultrie	Nov	375.0	98.5	141.3	\$5,725
Piatt	June	80.0	96.0	144	\$5,200
Piatt	Apr	75.0	100.0	144	\$5,000
Piatt	Apr	40.0	96.0	136	\$6,056
Piatt	Nov	80.0	98.0	143.2	\$5,700
Macon	Nov	80.0	96.0	142.7	\$6,000
Logan	May	156.56	99.0	141	\$5,475
Macon	May	80.0	99.0	141.8	\$5,350
DeWitt	Apr	75.07	98.0	141.8	\$5,472
DeWitt	Aug	40.0	98.0	139.1	\$5,350

## Good Productivity Tracts

The 10 sales in the Good category for this region ranged in price from \$3,000 to \$5,000 per acre, with an average price of \$4,213. The average price indicated in this category for 2006 was \$3,585 per acre indicating an increase of 17.5 percent. Sales cited range in size from just over 18 acres to slightly over 237 acres, which were 91.7 to 100 percent tillable. The indicated sales price per tillable acre was \$4,332. The average productivity index in this category was 125.08. The average price per P.I. based on the tillable acreage was \$34.65, as compared to \$29.61 in 2006, representing an increase of more than 17 percent.

The sales in this category tend to have somewhat more rolling and sloping land, with some erosion and drainage issues as compared to the Excellent category. In general, this category also has a smaller percentage of tillable land, which responds well to good management but requires more intensive management to produce optimum yields.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Shelby	Nov	40.0	98.0	127.6	\$5,000
Logan	Dec	237.07	91.7	122.2	\$3,000
Logan	Apr	99.2	92.8	124	\$3,478
Shelby	Nov	77.7	99.6	123.7	\$4,750
Macon	Nov	29.53	96.4	129.9	\$3,976

Macon	Nov	28.78	100.0	128.4	\$3,983
DeWitt	Mar	238.0	98.0	125.6	\$4,988
DeWitt	Feb	18.08	98.0	126.8	\$4,150
DeWitt	Apr	37.21	99.8	121.1	\$4,811
Shelby	Dec	80.0	95.1	121.5	\$4,000

### Average Productivity

This region only reported one sale in this category which was a 259-acre tract that was approximately 79 percent tillable. The average weighted productivity index was approximately 116. The sales price was \$2,857 per acre, or \$3,604 based on the tillable acreage. The indicated sales price per P.I. unit was \$30.83. Although it is the committee's opinion that the values in this category are also up, no real conclusions could be based on the limited amount of data.

Sale County	Total Date	% Acres	P / I on Tillable	Total Tillable Ac	Price/Ac
Shelby	Jun	259.0	79.3	116.9	\$2,857

### Recreational Tracts

Our committee cited three sales in the recreational category for the seven-county area. These sales ranged in size from just over 37 acres to more than 168 acres. The sales prices reported were between \$2,750 and \$4,800 per acre. The sales tracts were between 33.2 percent and 57.4 percent tillable with an average P.I. on the tillable acreage of 121.8. The average price in this category of \$3,633.33 compares to the average price received last year of \$2,817 per acre, indicating an increase of around 29 percent from the past year.

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.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
DeWitt	Apr	37.2	48.9	124.6	\$4,800
DeWitt	Dec	168.45	33.2	113.7	\$2,750
Shelby	Sep	38.82	57.4	127	\$3,350

### Transitional Category

The committee cites only one sale in the Transitional category. It is a smaller tract which is 100 percent tillable. The sales price was \$10,000 per acre. In 2006 the committee cited three sales with an average price of \$9,396 per acre. This would indicate an increase in price of 6.4 percent. Although the committee feels that this increase is probably accurate, there is not sufficient data to make any definite determinations. The sales in the transitional category are generally sales of land currently being farmed near cities, towns or villages, where the highest and best

use is changing to development or other purposes, such as residential, industrial or commercial use. It is our opinion that the sales in this category have been steady-to-slightly up. 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
Piatt	Jul	20.0	100.0	NA	\$10,000

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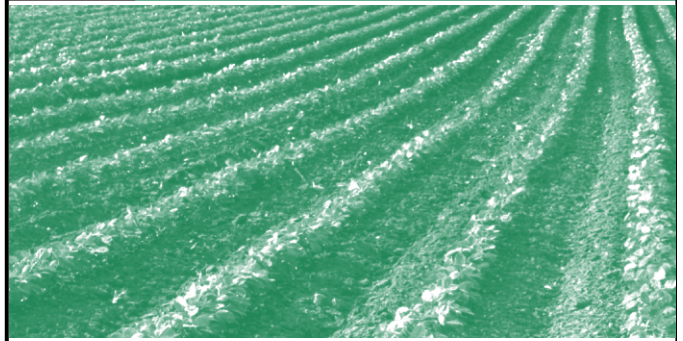
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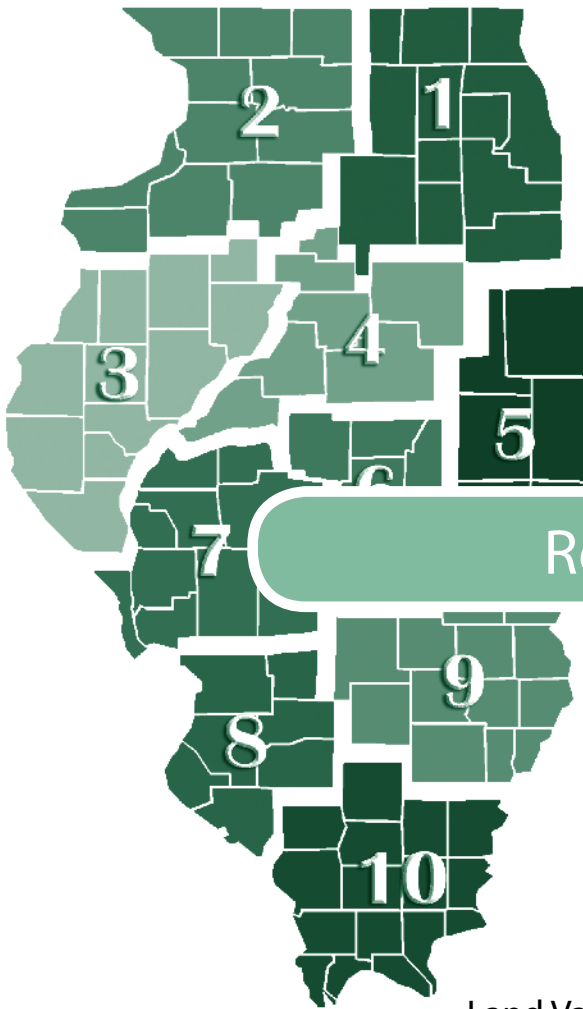


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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Excellent Productivity	\$6,000	Up 20%		\$280 - \$300	Up 30%	
Good Productivity	\$4,800	Up 20%		\$230 - \$250	Up 20%	
Average Productivity	\$4,000	Up 20%		\$180 - \$200	Up 10%	
Fair Productivity	\$3,000	Steady		\$130 - \$150	Up 10%	
Recreational Land	\$2,800	Up 20%				
Transitional Land	\$7,000	Steady				

#### Late Breaking News --- Morgan County

160 acres sold in January 2008 at \$7,800 per acre setting new high price for farm and in the area.

**R**egion 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, Herick and Harrison soils south of the line. The rolling area

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



Sale prices varied widely in 2007 in the West Central Area. Sangamon, Menard, Montgomery, Morgan, and Calhoun Counties saw significant appreciation in values. These counties all have one or more sales exceeding \$5,000 per acre for agricultural usage. Sangamon and Morgan Counties saw sales exceed \$6,500 per acre. Land sales for development in these counties would frequently sell at double the farmland value and more, although subdividing has slowed significantly.

Overall in the 10-county, West Central Region, land prices were higher-to-extremely-higher in 2007. The demand for Class I land remained extremely strong, as did the demand for recreational use lands. Factors that contributed to the strength of the market included:

- High commodity prices
- Extremely good crop yields.
- Low interest rates.
- Significant interest in purchase of recreational-use properties.
- Participation in both auctions and private sales were strong. In most cases, demand is greater than supply.

Farmland values in Region 7 continued to show strength throughout 2007. By and large, local farmers outbid outside investors to enlarge their operations.

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

Using the University of Illinois Circular #811 to establish Production Index's, cash rent bidding has frequently been \$1.75 per P.I. to as high as \$2.30 per P.I., mostly by local farmers.

### Excellent Productivity Tracts

This land, generally described as flat, black and square, is in great demand. Particularly in Sangamon, Morgan, Montgomery, Macoupin and Menard Counties. The principle buyers have been operating farmers. One of the largest tracts to sell in years was 2,152 acres in Macoupin County selling in December 2007 for \$5,979 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Calhoun	May	117.0	95.0	126	\$4,572
Calhoun	May	200.0	95.0	124	\$4,250
Cass	Jan	410.0	96.0	127	\$5,136
Cass	Jan	241.0	97.0	133	\$5,125
Cass	Mar	240.0	98.0	130	\$4,801
Greene	Mar	116.0	97.0	130	\$4,800
Greene	June	282.0	96.0	129	\$5,393
Jersey	Mar	87.0	98.0	135	\$5,500
Macoupin	Apr	138.0	99.0	134	\$5,000
Macoupin	Dec	2152.0	98.0	134	\$5,979
Menard	Mar	213.0	95.0	138	\$5,385
Menard	Mar	316.0	97.0	138	\$5,250
Morgan	Mar	109.0	99.0	139	\$6,351
Morgan	Sept	91.0	99.0	140	\$6,475
Montgomery	Apr		89.0	98.0	141 <del>\$</del>
Montgomery	Aug	382.0		96.0	137 <del>\$</del>
Sangamon	Apr	120.0	99.0	138	\$6,383
Sangamon	Oct	56.0	98.0	129	\$6,172

### Good Productivity Tracts

In 2007 we saw two large tracts of leveed bottomland adjacent to the Illinois River sell from \$3,080 to \$3,271 per acre. Although highly productive, these farms are always at risk of flooding.

Properties in this category generally have sold from \$400 to \$600 per acre less than the Class I farms. Generally speaking, this class of land will sell between \$3,500 and \$4,500 per acre. This class usually has one or more hazards including: lower 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	May	277.0	80.0	120	\$3,861
Cass	Mar	198.0	85.0	118	\$3,873
Cass	June	54.0	88.0	119	\$3,774
Greene	Nov	1492.0	95.0	124	\$3,083
Greene	Apr	79.0	96.0	126	\$3,488
Jersey	Mar	239.0	92.0	123	\$4,706
Jersey	Aug	1141.0	30.0	111	\$4,191
Macoupin	Jan	363.0	99.0	127	\$3,646
Macoupin	May	167.0	99.0	128	\$4,000
Macoupin	Aug	80.0	97.0	130	\$5,375
Menard	Jan	155.0	96.0	127	\$4,927
Menard	Apr	178.0	96.0	125	\$4,894
Morgan	Mar	78.0	99.0	135	\$5,028
Morgan	Mar	99.0	96.0	132	\$4,702
Montgomery	Mar	158.0		98.0	131 <del>\$</del>
Montgomery	July	113.0		99.0	133 <del>\$</del>
Sangamon	Jan	100.0	99.0	135	\$5,050
Sangamon	Feb	80.0	99.0	136	\$5,000
Sangamon	May	157.0	99.0	139	\$5,858
Scott	Jun	80.0	96.0	127	\$4,300
Scott	Feb	912.0	94.0	120	\$3,276

## Average Productivity Tracts

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

## Recreational Property

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

An 1,180-acre tract of land in Greene County south of Eldred, sold in April at \$2,881 per acre. The Illinois DNR purchased 1,141 acres in Jersey County in August for \$4,191 per acre.

Values become particularly attractive to investors when consideration is given to CRP or CREP programs offered by the USDA, but not limiting recreational uses. This combination oftentimes creates markets as high as \$2,500 to \$3,000 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 range of \$1,000 per hunter per week.

## Special Use Properties

Calhoun County represents one of the unusual counties in this area. There is strong rural residential development in the south, influenced by the St. Louis area, and in the north there is pressure for recreational use, carried over from Pike County. Jersey County is also experiencing rural residential pressures.

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. Area sale barns provide an outlet for the smaller cattle producers.

## 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: 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 \$20 per acre to \$40 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 \$1.75 per production index point average to a high of \$2.20 per P. I.

Examples would be:

Ipava Soil - P.I. of 142 x \$1.75 = \$250 per acre  
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Ipava Soil - P.I. of 142 x \$2.20 = \$315 per acre

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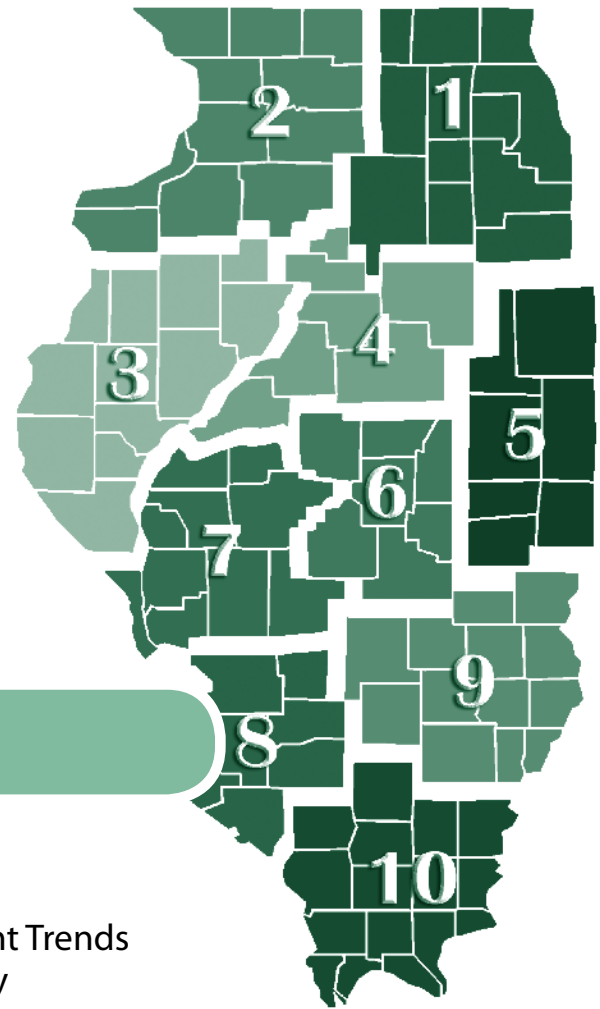
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## Region 8 - Southwest

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acre from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Good Productivity				\$135 - \$155	Up 0 - 5%	\$185
Average Productivity	\$3,500- \$7,000	Up 15 - 20%	Up 15 - 20%	\$115 - \$135	Up 0 - 5%	\$165
Fair Productivity	\$3,000 \$3,500	Up 10% - 15%	Up 10 - 15%	\$90 - \$115	Up 0 - 5%	\$135
Recreational Land	\$2,500- \$3,250	Up 20 - 25%	Steady	\$10 - \$20	Steady	\$10 - \$20
Transitional Tracts	\$9,000 - \$20,000	Steady	down 30 - 40%			
Other Sales	\$3,725 - \$5,350					

**R**egion 8 in Southwestern Illinois consists of seven counties, four of which border the Mississippi River. The counties are Madison, Bond, St. Clair, Clinton, Washington, Monroe and Randolph. St. Louis is located across the river from Madison and St. Clair counties. 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. Madison and St. Clair counties together have over 500,000 in population. Prior to 2007 new residential development on the Illinois side of the river was taking farm land out of production for development at a fairly brisk

pace. Since then, the pace of new residential development has backed off considerably. Nevertheless, the population in the St. Louis area still has a strong positive influence on the economy of the region and an influence on land values depending on location. With a large population within easy driving distance, recreational land is also in high demand in Region 8. The Kaskaskia River flows through the eastern and southern portions of the region and the Mississippi River forms the western boundary. Together, these two major river basins and their tributaries provide a large area of wooded acreage suitable for recreational use. Agricultural land in Region 8 is mostly of average productivity and is mostly used for raising corn, soybeans, and wheat.



Most farms the region are rented on a crop share basis. While crop share leases still dominate the area, cash rent leases continue to increase in popularity. Cash rent levels increased only slightly in 2007 (approximately 5 percent) due to the below average yields in 2006. The economics of “average yields x today’s prices” can justify significant increases in cash rents for 2008. However, most of Region 8’s soils are very susceptible to too little or too much moisture, so farmers are less willing to gamble with high cash rents. Therefore, some landowners will likely consider bonus cash rent clauses or even possibly switching to custom farm leases.

## Good Productivity Tracts

There were insufficient sales of Good Productivity tracts to provide representative information.

## 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 the counties of St. Clair, Madison, Monroe, and the western portion of Clinton tend to be higher than values for the same land type in counties further from St. Louis. As shown by the below selected sales, land values for average productivity tracts closer to the St. Louis urban fringe influence tend to be in the range of \$5,000 per acre to \$7,000 per acre depending on location. Further away from the urban fringe influence in the eastern and southern portions of Region 8, farm land values tend to range from about \$3,500 an acre to \$5,000 per acre 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 further away from the metropolitan area toward the east and south.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clinton	Apr	121.0	88.0	103	\$3,645
Randolph	Nov	70.0	90.0	110	\$3,986
Bond	May	95.0	100.0	102	\$4,307
St. Clair	May	42.0	100.0	105	\$4,750
Bond	Nov	184.0	98.0	116	\$5,250
Clinton	June	38.0	97.0	102	\$5,429
Madison	Oct	41.0	95.0	105	\$5,800
St. Clair	Mar	77.0	98.0	111	\$6,000
Clinton	Mar	36.0	97.0	116	\$6,444
Clinton	Feb	40.0	100.0	112	\$6,525
St. Clair	Sept	67.0	99.0	116	\$7,066

## Fair Productivity Tract

Fair Productivity tracts in Region 8 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. Fair Productivity tracts are more prevalent toward the southern and eastern portions of Region 8 and tend to be located near major creeks and streams where the topography slopes off toward the creek bottoms. Values for Fair Productivity tracts fall in a range of roughly \$3,000 an acre to \$3,500 an acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bond	Oct	33.0	93.0	100	\$2,997
Randolph	Apr	65.0	70.0	90	\$3,000
Bond	Aug	79.0	81.0	100	\$3,100
Madison	July	70.0	74.0	100	\$3,200
Clinton	Apr	92.0	77.0	95	\$3,322
Clinton	Jan	53.0	85.0	100	\$3,471

## Recreational Tracts

Recreational tracts in Region 8 are usually 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 or instead, the buyers of these recreational properties are typically non-farmers and hunters looking for the recreational opportunities rather than agricultural production of the tract. There is a strong demand for recreational tracts in Region 8 due to the large population base around St. Louis. Most of the region is within an hour’s drive of St. Louis, making it convenient to utilize as recreational property. Values for recreational tracts in Region 8 have been increasing in recent years due to strong demand. As shown above, most sales of recreational properties fall within a range of \$2,500 an acre to \$4,000 an 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 area and 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 the region and much of the wooded area follow along the Kaskaskia and its tributaries.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Monroe	Jan	25.0	0.0		\$2,456
Clinton	Mar	20.0	12.0	100	\$3,000
Clinton	Dec	36.0	5.0	100	\$3,145
Randolph	May	50.0	0.0		\$3,970

## 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. Prices for transitional tracts can vary widely depending on location and expectations for future use. The number of Transitional property sales taking place backed off noticeably during 2007 coinciding with the slowdown in residential subdivision development.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Madison	Apr	44.0	100.0	138	\$9,000
Madison	Aug	30.0	94.0	116	\$9,030
St. Clair	May	120.0	67.0	110	\$10,500
St. Clair	June	56.0	80.0	103	\$20,625

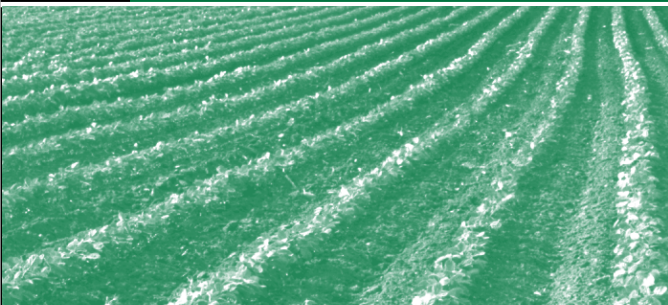
## Other Tracts

The area experienced a noticeable increase in conservation interests in the Metro-East area in 2007. In November, the Illinois Department of Natural Resources purchased five tracts totaling 160 acres at public auction in Monroe County. They were the high bid over individuals who were viewing the 40 acre parcels as rural home sites. The state wanted the site to protect a Federally endangered cave species that had been found on the property, and it was the headwaters to a karst system in the limestone bluffs adjacent to the Mississippi River basin. A few individual landowners also created conservation easements on their privately owned land to protect the parcels from future development.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Monroe	Nov	40.0	57.0	108	\$5,350
Monroe	Nov	10.0	26.0	108	\$6,200
Monroe	Nov	30.0	31.0	108	\$4,533
Monroe	Nov	40.0	57.0	108	\$3,725
Monroe	Nov	40.0	37.0	108	\$5,000



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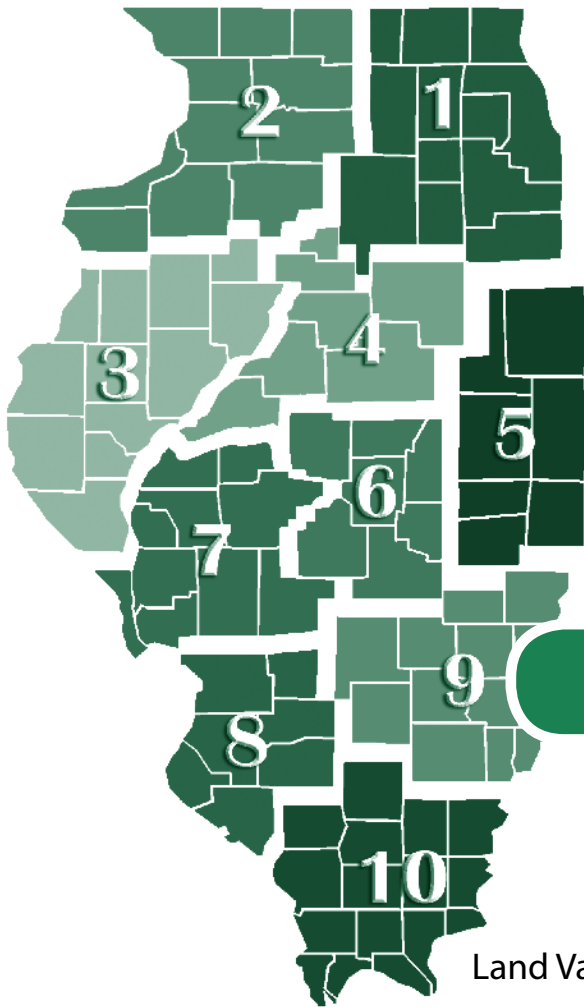
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## Region 9 - Southeast

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acres from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Good Productivity	\$3,600	15%	Steady	\$150	10%	\$170
Average Productivity	\$3,300	12%	Steady	\$135	10%	\$150
Fair Productivity	\$2,500	24%	Steady	\$110	10%	\$125
Recreational Land	\$2,200	16%	Steady			
Transitional Tracts		\$8,000-12,000	3-5%	Steady		
Bottomland		\$2,500	12%	Steady	\$110	10% \$130

**R**egion 9 is located in Southeastern Illinois and contains 13 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, Embarrass and Wabash Rivers. 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.

Sales activity in 2007 was similar to 2006, but both years had fewer transactions than earlier years. Region 9 has seen large variations in the number of properties sold as well as the price per acre. In many counties demand for cropland is above the available supply. Location of the property offered for sale is a major influence on value in this market. Many buyers are also operators and willing to

pay higher prices for land located near their existing operations. As such, most operators will weigh location above soil productive in their purchase decision.

Land prices in the spring remained relatively stable; a continuation of the fall 2006 market. As the fall 2007 sales occurred, however, significant price increases were seen. Most buyers are farm operators and higher grain prices have increased optimism of the future of the land market.

### Good Productivity Tracts

Most of the Good Productivity soils are located along the Wabash River and there are small areas of Shiloh and Ebbert soils located in prairie uplands. Most soils in this region have a productivity level below 115, so there are few sales of Good Productivity soils.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Cumberland	Mar	31.0	100.0	132	\$2,823
Lawrence	Oct	74.7	91.0	122	\$4,693

## 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 2007, sale prices ranged from around \$21.00 per PI point in Wayne County to \$48.00 in Clark County.

In addition to the stronger pricing we saw in the fall, our southern counties experiences even stronger gains and the gap from northern to southern counties has narrowed.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Marion	Dec	60.0	92.7	101	\$3,000
Wabash	Jan	40.0	82.3	101	\$3,175
Cumberland	Oct	48.0	94.0	113	\$3,975
Jasper	Sep	40.0	100.0	107	\$3,700
Wayne	Sep	40.0	100.0	102	\$3,500
Effingham	Dec	54.0	100.0	102	\$5,111
Clark	Dec	34.2	96.2	110	\$2,881
Clark	Nov	45.5	81.1	108	\$4,265
Jasper	Sept	40.0	100.0	109	\$3,650
Jasper	Sept	57.9	98.3	110	\$4,495
Jasper	Sept	103.4	100.0	109	\$4,500
Edwards	July	81.0	92.8	102	\$2,790
Lawrence	Mar	218.0	96.4	112	\$2,963

## 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 2007, sale prices ranged broadly from \$20.00 to \$64.00 per PI point.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Richland	Dec	22.0	87.7	99	\$3,409
Crawford	Sept	40.0	100.0	99	\$2,775
Effingham	Oct	40.0	76.0	99	\$3,000
Wabash	Jan	112.0	94.6	95	\$2,900
Effingham	Mar	20.0	99.5	99	\$4,000
Marion	Apr	39.0	100.0	98	\$2,000

## Recreational Tracts

Recreational land sales have been strong in this market with typical tract size around 60 acres. Prices vary from \$2,500 per acre in the north to as low as \$1,600 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
Effingham	Dec	40.0	59.8	100	\$4,250
Marion	Nov	96.0	0.0	N/A	\$2,208
Marion	Aug	78.0	34.0	111	\$2,150
Edwards	Aug	40.0	0.0	N/A	\$1,950
Cumberland	July	80.0	0.0	N/A	\$2,400
Jasper	June	40.0	12.8	101	\$2,150
Wayne	May	137.5	37.7	110	\$1,714
Effingham	Mar	40.0	0.0	N/A	\$2,500

## Transitional Tracts

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

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

Vandalia, the county seat of Fayette County has seen new commercial development around the west Interstate 70 interchange. A Wal-Mart store and a Holiday Inn Express located here recently and several new commercial sites have development in the adjoining farmland.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Effingham	Aug	19.1	100.0	97	\$8,900
Fayette	May	8.3	100.0	108	\$30,000
Fayette	Mar	9.8	100.0	108	\$34,989
Marion	Feb	29.6	100.0	100	\$3,966

## 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. The two



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Wayne County sales involved the same buyer and seller, but were recorded as separate transactions for the same amount.

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
Effingham	Dec	40.0	59.8	100	\$2,017
Wayne	Oct	549.0	41.0	111	\$2,205
Wayne	Oct	844.0	84.5	110	\$2,205
Edwards	Sep	81.8	59.3	124	\$2,750
Crawford	Apr	60.0	97.0	139	\$4,000
Fayette	Mar	237.4	67.4	118	\$2,015
Edwards	May	99.0	78.6	117	\$2,402
Fayette	May	119.0	75.6	126	\$2,016

### Special Interest Information

Most cropland leases in Region 9 are crop share leases, but cash rent is becoming more popular. With the recent increase in land prices, negotiated rents experienced strong increases last fall. While rents tend to vary throughout the region, a \$20 to \$30 per acre increase could be expected through Region 9.

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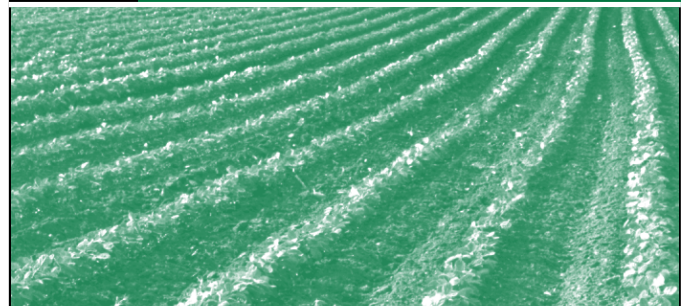
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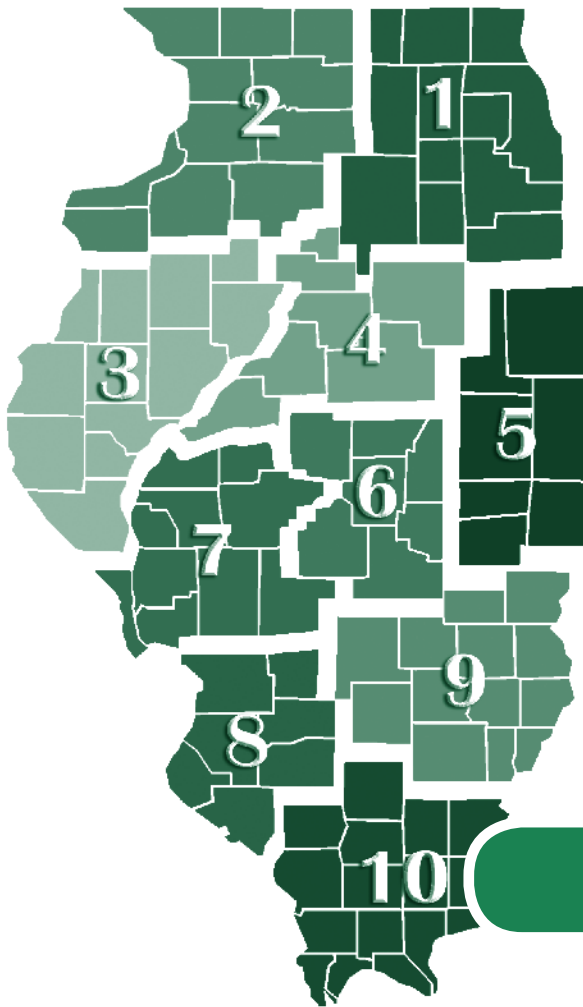
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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in \$/Acres from 2006	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2006	Ave. Cash Rent/Ac on recently negotiated leases
Good Productivity	\$4,300	up 10%	steady	\$150	up 10%	\$150
Average Productivity	\$2,100	up 8%	down 5%	\$100	up 10%	\$100
Fair Productivity	\$1,950	up 10%	down 5%	\$75	steady	\$75
Recreational Land	\$2,050	up 13%	up 10%	n/a		
Other Sales (CRP Land)	\$2,050	unchanged	down 10%	n/a		

Observed land values have increased for all levels of productivity throughout the region during the year. 2007 corn yields were strong in most areas within the region while soybean yields were mostly lower due to the lack of moisture during the latter part of the growing season.

Crop share leases are still the predominant cropland rental method, but there is much more discussion of cash rents being negotiated for 2008. Cash rents previously in place have been reportedly increased for the next year. 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, 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 this quality of land are local farmers purchasing for expansions. In 2006, the average values were in the range of \$3,900 per acre. In 2007 the average values are \$4,296 representing an increase of approximately 10 percent from 2006 observed values.

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

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Gallatin	Feb	40.0	98.0	144	\$5,690
Gallatin	Apr	19.5	94.0	131	\$3,622
Gallatin	Nov	40.0	99.0	132	\$3,750
White	Feb	80.0	100.0	145	\$3,500
White	Mar	40.0	94.0	117	\$4,000
White	Sep	298.0	96.0	131	\$5,211

## Average Productivity Tracts

A variety of sales methods are used for this type of farm in the area. This category clearly represents 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, along with some retiring farmers. Observed sales of this quality of farm were in a wide range from \$1,669 to \$3,500 per acre, but tended to group into two separate ranges of \$1,669 to \$2,525 and \$2,600 to \$3,500 per acre. Farms selling in the \$1,669 to \$2,525 per acre range are those most representative for this quality in Region 10.

The simple average of the most representative sampling of 20 sales of this quality is \$2,119 per acre which is up eight percent from an average of \$1960 per acre for the same quality sales a year earlier. Sales in the \$2,600 to \$3,500 per acre range are from stronger farming areas and sales "pockets" which are scattered through the Southern Region. The simple average of a sample of 10 sales which the representative of this group is \$3,074 per acre, up 11 percent from the \$2,761 per acre average from a year ago. The sales shown are representative of the group discussed. There were no known 1031 exchanges among these sales.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Hamilton	June	40.0	92.0	100	\$1,813
Hamilton	Aug	40.0	99.0	110	\$2,000
Hamilton	Nov	210.0	95.0	104	\$2,000
Massac	Mar	71.0	99.0	116	\$2,199
Saline	Mar	39.0	99.0	114	\$2,179

## Fair Productivity Tracts

The Fair Productivity farms sell mostly by private treaty. Many of these farms with lower percentages of cropland are selling for recreational uses. The buyers of the higher cropland percentage farms are still mostly local farmers while the buyers of the lower percentage cropland farms are recreational buyers from larger metropolitan areas. 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 average price of the Fair Productivity farms in this survey is \$1,933 per acre; up about 10 percent from the average price of \$1,762 per acre in 2006.

County	Sale Date	Total Acres	% Tillable Ac	P / I on Tillable Ac	Total Price/Ac
Franklin	Mar	60.0	92.0		\$1,833
Massac	May	39.0	77.0		\$1,762
Franklin	Mar	80.0	73.0		\$2,000
Franklin	Dec	49.0	90.0		\$2,041
Hamilton	May	40.0	36.9		\$2,325
White	Feb	209.0	61.0		\$1,636

## Recreation Tracts

Most of the sales of recreational tracts in the region are through realtors and the primary recreational use for these properties is 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 sample is \$2,044 per acre as compared to the \$1,815 per acre from the 2006 study, representing an increase of 13 percent.

County	Sale Date	Total Acres	% Tillable Ac	P / I on Tillable Ac	Total Price/Ac
Alexander	June	72	52.0		\$2,232
Gallatin	Mar	46.5	37.0		\$2,000
Hamilton	Feb	80.0	0		\$2,250
Pope	Apr	40.0	25.0		\$2,000
White	Aug	180.5	41.0		\$2,200

## Other Tracts (CRP Land)

Sales of CRP land were included in last year's study 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. The average of the three sales below is \$2,052 per acre, nearly unchanged from the CRP Land in the 2006 valued at \$2,066 per acre.

County	Sale Date	Total Acres	% Tillable Ac	P / I on Tillable Ac	Total Price/Ac
Franklin	May	40.0	34.0		\$2,150
Franklin	Apr	69.0	52.0		\$2,000
Franklin	Aug	200.0	78.0		\$2,005

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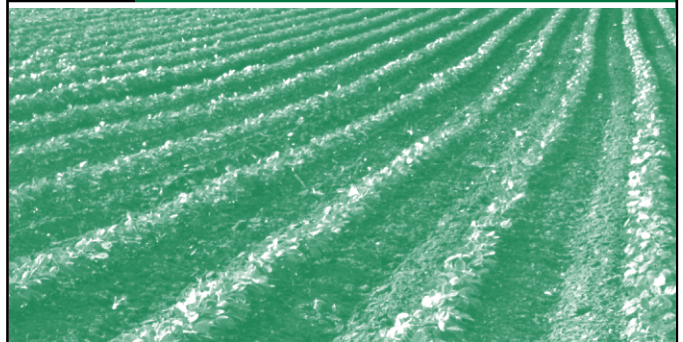
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# Expect Farmland Values to Continue to Increase

by: Gary Schnitkey, Ph. D.  
University of Illinois

Department of Agricultural and Consumer Economics

The Illinois Society of Professional Farm Managers and Rural Appraisers annually conducts a survey in which it asks knowledgeable individuals about the Illinois farmland market. This year, survey respondents were asked how much they expect farmland prices to increase from the beginning to the end of 2008. Overall, survey respondents expected farmland prices to increase by 10 percent during the year. Thus, survey respondents expect 2008 to continue a string of strong growth years.

Nearly two-thirds (65 percent) of survey respondents indicated that they were bullish on the possibility of land price increases over the next five years. Nearly a third (30 percent) indicated that they were neutral on increases in farmland prices. Only five percent of respondents indicated that they were bearish on farmland price increases.

Survey respondents were asked about the possibility of farmland price declines over the next five years. Thirty percent of survey respondents indicated that land price declines were “not very likely” while 70 percent indicated that land price declines were “somewhat likely”. No respondents indicated that land price declines were “not possible”. Neither did respondents indicate that land price declines were “very likely”.

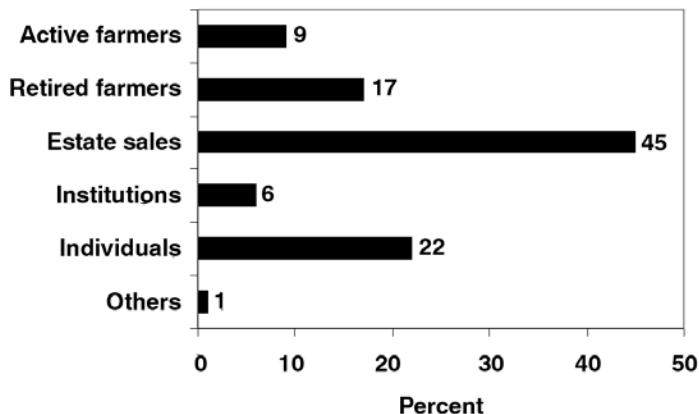
When asked about potential reasons for price declines, survey respondents indicated that none were likely. The survey listed seven items that might potentially lead to farmland price declines (see Table 1, next page). “Lower commodity prices” was the reason most respondents listed as most likely to have a negative impact: 61 percent of respondents listed “lower commodity prices” as somewhat likely to happen while 30 percent indicated that “lower commodity prices” were very likely to happen. Following “lower commodity prices” was “higher production costs” and “changes in tax law” as reasons for price declines.

Overall, survey respondents indicated that they expect farmland prices to continue to increase. Few respondents expected a downturn in farmland prices this year or in the next five years.

## *Sellers of Farmland*

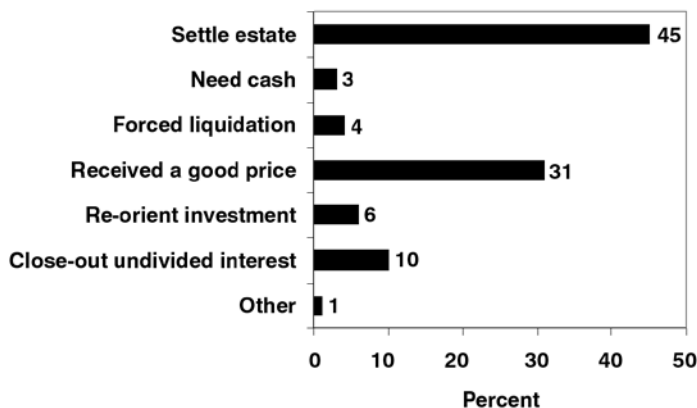
Survey respondents were asked to divide sellers of farmland into six categories: active farmers, retired farmers, estate sales, institutions, individual investors, and others. Estate sales accounted for 45 percent of the sales and were, by far, the largest category of sellers (see Figure 1). Estate sales were followed by farmer, making up 26 percent of sellers. Seventeen percent of those farmers were retired and 9 percent were active farmers. Individual investors accounted for 22 percent of the sellers, followed by institutions (6 percent) and others (1 percent).

Figure 1. Sellers of Farmland, Illinois, 2007



Survey respondents were asked to identify reasons why farmland was sold. The major reason for selling farmland was to settle estates, accounting for 45 percent of the farmland sales (see Figure 2). “Receiving a good price for farmland” was the next highest reason with 31 percent of the sales. Remaining reasons were to close-out undivided interest (10 percent), re-orient investment (6 percent), forced liquidation (4 percent), need cash (3 percent), and other (1 percent). Overall, most sales occurred to free up funds for other uses and were not the result of financial stress.

Figure 2. Reasons for Selling Farmland, Illinois, 2007



Methods used for selling farmland included private treaty (51 percent of sales), public auction (22 percent), multi-parcel auction (12 percent), and sealed bid (8 percent). Sales by private treaty declined while the other methods increased in 2007.

Table 1. Survey Responses to Potential Responses for Farmland Price Declines

Reason	Response				Average Response <sup>1</sup>
	Not Possible	Not Likely	Somewhat Likely	Very Likely	
	Percent of Respondents				
Lower commodity prices	0	9	61	30	2.2
Higher interest rates	0	33	52	15	1.8
Increases in inflation	10	38	52	0	1.4
Higher production costs	0	14	66	20	2.1
General farm recession	0	52	36	12	1.6
Change in capital gains	0	42	36	22	1.8
Changes in tax law	0	26	52	22	2.0

<sup>1</sup> Weighted where not possible equals 0, not likely equals 1, somewhat likely equals 2, and very likely equals 3.

On average, the tract size averaged 125 acres. There was a 2.1 percent premium for 160-acre tracts over 80-acre tracts. A 320-acre tract has a 3.7 percent premium over an 80-acre tract. A 640-acre tract had a 6.5 percent premium.

Overall, percentages shown in Figure 1 and 2 vary little across years. For example, estate sales make 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. Generally, sellers either represent estates or farmers coming to the end of their careers. 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.

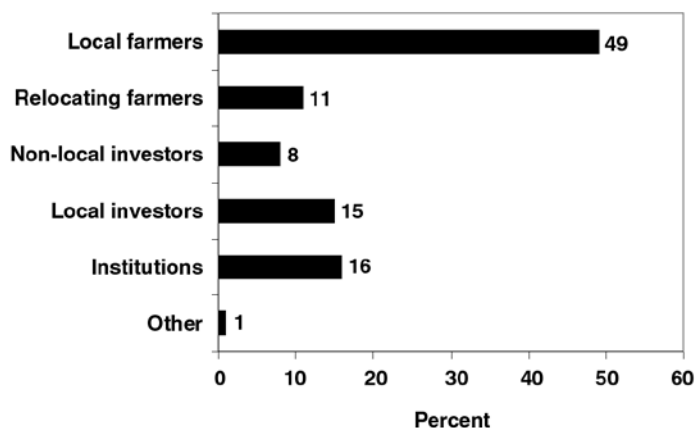
### Buyers of Farmland

Survey respondents were asked to classify buyers into categories as farmers, investors, institutions, or recreational buyers. Farmers accounted for 60 percent of the purchasers, with 49 percent being local farmers and 11 percent being relocating farmers (see Figure 3). Institutions accounted for 16 percent of sales. Individual investors who would not farm the land were the next largest group. Non-local investors accounted for 15 percent of the buyers and local investors accounted for 25 percent.

Overall, there was a shift in buyers that began in 2006. Survey respondents indicated that farmers represented 51 percent of the buyers in 2005. This year, farmers make up 60 percent of the buyers, an increase of nine percentage points. Moreover there was an increase in institution activity. Institutions accounted for one percent of sales in 2006 while they accounted for 16 percent of the buyers.

Survey respondents indicated that 34 percent of the buyers used 1031 tax-deferred exchange funds to buy farmland in 2007. While still a large portion of buyers, the percent of 1031 exchange buyers decreased in 2007. In 2006, survey respondents indicated that 43 percent of buyers used 1031 exchange funds. Overall, the individuals purchasing farmland switched away from 1031 buyer. More buyers now are local farmers not using 1031 exchange funds.

Figure 3. Type of Farmland Buyers, Illinois, 2007



### Summary

Society members are bullish on farmland prices in 2008. The bullishness generally extends out for the next five years. Shifts in buyers of farmland occurred in 2007. More buyers were farmers and institutions while fewer are individual investors. Farmers are likely purchasing farms because a strong financial outlook for agriculture. This strong outlook is leading to farmland price growth.

# Cash Rents Continue Increase

by Gary Schnitkey, Ph. D.

University of Illinois  
Department of Agricultural and Consumer Economics

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey concerning farmland leasing in Illinois. This year's survey suggests that incomes were much higher in 2007 than in 2006. This has led to increasing cash rents in 2008.

## 2007 Incomes Increase

Survey respondents were asked to estimate average incomes landlords received from alternative leases in 2007. Average incomes equaled gross revenue less all expenses, including a deduction for property tax.

Alternative leases are:

1. share rent leases – landlord and farmer share in crop revenues and crop expenses,
2. cash rent leases – farmer pays 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 expenses.

Net incomes for 2007 are reported in Table 1 for four different land productivity qualities: Excellent, Good, Average, and Fair. For excellent quality farmland, traditional crop shares had average income of \$204 per acre, cash rent had \$186 per acre, and custom farming had \$316 per acre.

Table 1. Per Acre Farm Incomes that Landlords Receive for Different Lease Types and Land Qualities, 2007

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
Traditional crop share	204	186	160	131
Cash rent	186	165	136	114
Custom farming	316	285	235	199

Several items are striking about incomes in 2007:

1. Incomes for all lease types are much higher in 2007 than in 2006. Incomes for crop share leases increased by about 55 percent between 2006 and 2007, incomes for cash rents increased by 19 percent, and incomes for custom farming arrangements increased by 84 percent.
2. Crop share leases had higher net incomes than did cash rent leases. Higher prices and good yields across the state in 2007 lead to higher share rent incomes than cash rent incomes.
3. Custom farming had the highest incomes for land owners. Under these arrangements, land owners bear

most of the risk and receive most of the gain from yield and price changes. Because 2007 was a good revenue year, land owners did well with custom farming.

## Increases in Cash Rents

Table 2 shows per acres cash rents for the 2008 crop year. Average cash rents are broken out by four different land productivity classes: excellent, good, average, and fair quality (see the front of this booklet for the definition of the different land productivity 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.

Table 2. Per Acre Cash Rents for Top 1/3, Mid 1/3 and Low 1/3 Cash Rent Leases by Land Qualities, 2008

Category	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
High 1/3	295	258	201	155
Mid 1/3	241	207	172	138
Low 1/3	200	173	148	120

As can be seen in Table 2, 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 Productivity farmland was \$241 per acre (see Table 2). The high 1/3 of leases, however, averaged \$295 per acre, \$54 higher than the mid 1/3 group. Similarly, the low 1/3 group averaged \$200 per acre, \$41 lower than the mid 1/3 group. From the high 1/3 group to the low 1/3 group, there is a \$95 per acre difference in average rents. Similar ranges exist across Good (\$85 from the high 1/3 to low 1/3 averages), Average (\$53 per acre), and Low (\$35 per acre) Productivity classes.

This variability has increased since 2007. At that time, respondents indicated that there was a \$55 difference between the high 1/3 and low 1/3 averages for Excellent Productivity farmland. This difference increased to \$95 in 2008. This increase in variability likely results because of increased price variability, causing difficulty in setting rents.

Rents for 2008 shown in Table 2 are considerably higher than 2007 cash rents. The average cash rent for the mid 1/3 group with Excellent Productivity farmland in 2008 was \$241 per acre, \$58 higher than the 2007 average of \$183 per acre. Similarly, the rent for the mid 1/3 group in 2008 was \$43 than in 2007 for Good Productivity farmland

(\$207 in 2008 compared to \$164 in 2007), \$28 per acre higher for Average Productivity farmland (\$172 in 2008 compared to \$144 in 2007), and \$18 higher for the Fair Productivity group (\$138 in 2008 compared to \$120 in 2007). Overall, rents increased between 15 and 31 percent between 2007 and 2008.

Society members expect cash rent increases to continue into 2009 and 2010. In 2009, Society members expect cash rents on Excellent farmland to increase from \$252 in 2008 up to \$275 in 2009, an increase of \$23 per acre (see Table 3). In 2010, Society members expect farmland prices to average \$300 per acre, given that corn prices are at \$4.50 per bushel. The \$300 expected cash rent in 2010 would be a \$25 per acre increase over 2009 levels.

Table 3. Projected Cash Rents by Land Quality

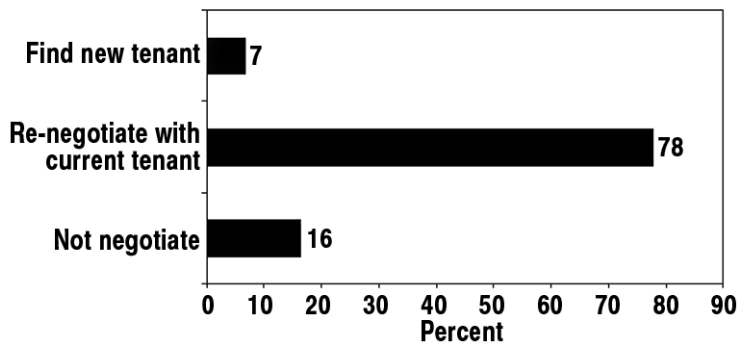
Land Quality	Year		
	2008	2009	2010 <sup>a</sup>
Excellent	252	275	300
Good	217	237	259
Average	179	107	218
Fair	145	158	170

<sup>a</sup> Based on corn prices remaining at \$4.50 per acre

### Renegotiating Cash Leases

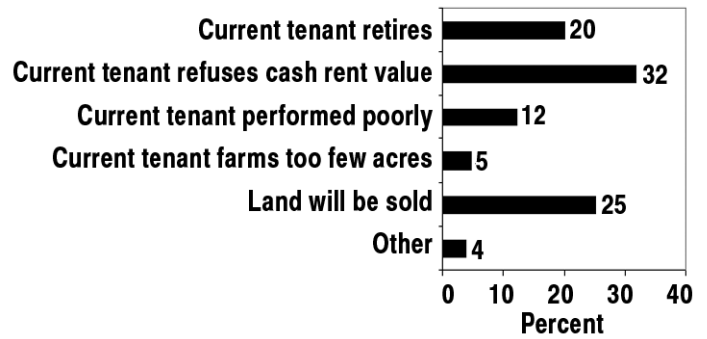
In 2008, Society members expect to re-negotiate cash rent leases on all but 16 percent of their cash leases (see Figure 1). Most of the leases will be re-negotiated with the current tenant for a higher cash rent (78 percent of leases). On seven percent of the leases, a new tenant will be found.

Figure 1. Renewal of Cash Leases in 2008



The major reason for finding a new tenant is that the current tenant refuses to pay the asked for cash rent value. This reason accounts for 32 percent of the times a current tenant will be replaced (see Figure 2). The highest ranked reason for replacing a tenant is because the land will be sold (25 percent). The current tenant retiring accounts for 20 percent of the time a tenant is replaced.

Figure 2. Reasons Current Tenant is Replaced



### Other Survey Findings

Other survey findings include:

- On share rent leases, ground applications of fertilizer and chemicals typically are paid for by the tenant. Usually, the landlord and tenant share in aerial applications of pesticides.
- The average supplemental rent is \$19.50 for share-rent leases with supplemental rents. The expected corn yield is 184 bushels per acre for land with supplemental rents.
- Survey respondents did not indicate strong movements to or from a particular lease type. More interest was expressed in variable cash rent leasing arrangements.



# Wind Energy Device Valuation Standardized in Property Tax Code

by Thomas A. Jennings, Attorney

The new instructions for Wind Energy Device Valuation are now available from the State of Illinois to each county beginning with the definition of the wind energy device which is any device with a nameplate capacity of at least 0.5 megawatts that is used to process and convert kinetic energy from the wind to generate electric power for commercial sale, which makes the same synonymous with a wind turbine.

Starting January 1, 2007 the wind turbine devices are valued at \$360,000 per megawatt and nameplate capacity per turbine. After January 1, 2008 each chief county assessment officer will add the amount allowed as an inflationary increase called a "trending factor" to the 2007 value which then creates a "trended real property cost basis".

The depreciation amount is subtracted from the trended real property cost basis to determine the taxable value for the current assessment year. This trending factor is an annual inflationary percentage increase in fair cash of the wind energy device. For wind energy devices this trending factor is the annual increase in the consumer price index (U.S. city average for all items) published by the Bureau of Labor Statistics before the January 1st assessment date, divided by the consumer price index U.S. City average for all items published by the Bureau of Labor Statistics for December 2006. This index is commonly called the "CPI-U". The internet site address for information on this is . It is important to note that there is no trending factor for the 2007 assessment year. This is because the trending factor would require the CPI-U for December of the year immediately before the assessment be divided by the CPI-U for the year 2006 thereby creating a situation where the 2007 assessment year would use the December 2006 CPI-U, the result is a 1.00.

There is also a depreciation allowance calculation that is the actual age of the wind energy device divided by 25 then multiplied by the trended real property cost basis. Keep in mind the amount allowed for physical depreciation cannot reduce the wind energy device to less than 30 percent of the trended real property cost basis. Please note that substations and buildings are not included in the valuation.

Wind energy device owners are also required to pay an Illinois registered land surveyor to prepare a plat that includes metes and bounds description of any access road of the area immediately surrounding the wind energy device over which the owner has the exclusive control. This platting requirement is not an official subdivision of the land under the Plat Act. However, wind energy device owners must record the plat and deliver a copy to the CCAO (Chief County Assessor's Office) within 60 days of completing construction of the device. The Chief County Assessor's Office will issue a separate parcel number for the property on which the wind energy device is built. A

separate parcel number can be utilized so that a tax bill can be generated to the wind energy device owner when the device is built on leased grounds.

Included below is an example directly from the wind energy device valuation document from the Illinois Department of Revenue. The hypothetical example is a two-year old wind turbine with two megawatt nameplate capacity with 2008 fair cash value.

## Example 2008 fair cash value:

2-year old wind turbine 2MW nameplate capacity	
2007 real property cost basis: (\$360,000 per megawatt)	\$720,000
hypothetical TRENDING FACTOR 2.4%	+ 17,280
trended real property cost basis:	\$737,280
Depreciation allowance: Actual age: 2 years/25 =	x .08
Depreciation	58,982
2008 fair cash value	\$679,680

## *Division of severing of wind energy rights*

One of the issues and questions that pops up from time to time is whether a landowner can sever the wind rights and retain them for their use while transferring the underlying real property. At the outset there would seem to be several factors to be considered in whether severing such wind rights is (1) practical and (2) economical.

The first and foremost issue would appear to be that most wind leases and/or easements take into account more than just the right to capture free flow of wind across a particular piece of property. There are access roads, sites for easements or leases actually containing the wind energy device or turbine. The combination of real property easements/leases with the wind energy rights may make it difficult to receive adequate compensation for the remaining bundle of rights that are transferred with the subject real property.

The subsequent purchaser of such property still has the potential issue of interference from drainage tile damage and/or disturbance if underground connection lines have to be repaired, maintained, or moved in addition to the ingress and egress issues for turbine maintenance and the potential of replacement technology. Thus, any severing would also need to include severing all those rights that were under the lease agreement with the wind developer, which seldom have a duration of less than 25 to 35 years.

Conversations with several wind developers have indicated they would prefer not to deal with developing a particular

piece of real property wherein the landowners themselves were not the person retaining the underlying wind rights.

***Common areas to serve as a guide when evaluating wind project leases and/or easements.***

This list is not considered to be exhaustive but to serve as a reminder of certain areas that landowners may want to investigate when initially reviewing land.

- Carefully examine the term of the option, whether that be two years, three years, five years, etc.
- Examine and understand the duration of the term of the agreement including any renewal periods.
- Carefully examine what easement or lease covers to make sure it is restricted to items necessary for wind energy developer and not any broader in scope.
- Payment paragraph whether that be by nameplate rating and/or as a royalty percentage. If a royalty percentage, make sure you carefully review and understand any items used in offsetting such royalty payments. Understand this term is subject to some type of CPI increase or CPI related bump after a number of years.
- Items concerning the proposed plat for the location of the turbines and proposed road of ingress and egress give or take some offset and how soon such proposed plat can be reviewed prior to signing the final agreement.
- Depth. Depth of interconnection, depth of removal upon termination of agreement.
- Whether there is a removal bond after a number of years, how that removal bond is to be funded, whether or not it is based on estimated cost of removal by a construction company every fixed period of years.
- Payment for a period of initial and subsequent compaction. Make sure agreement defines what disturbed areas are to be treated as compacted.
- Basis of payments for interconnection lines when there are no turbines on a particular piece of property.
- Making sure above-ground transmission agreements are identified in adequate detail from regular interconnection lines regarding the wind project.
- Removal and replacement of topsoil insuring same is not removed from the site.

- Location and marking of all underground interconnection lines, communication lines, etc. with GPS to one inch accuracy.
- Adequate provisions for the replacement and repair of tile damaged during construction and damage caused by later discovered title damage.
- Examining exactly what tile professionals can be available during times crossing existing tile lines, etc.
- Determining grade location maintenance of all roads potential for developer to uncover underground lines in instances of future work by landowner in above or below said interconnection lines.
- Payment of property taxes and method of payment of reimbursement of property taxes not separated and paid directly.



- Impact of any landowner hunting rights.
- Method for releasing ground not utilized in the agreement except for possible wind capture, flicker shadow and other affects.
- Carefully examine the cure periods, assignment periods.
- Try to insure that monetary payments to landowners have to be made and up to current prior to any other transfers.

- Take careful note for the length of cure periods during a bankruptcy or insolvency of any future project owner.
- Check the insurance and indemnification clauses to be sure they are adequate when compared to other arrangements (as high as \$10,000,000 per occurrence) or such amounts indexed for inflation.
- Understand and investigate the actual ownership of the underlying property whether that creates any problem in participating in such wind development project.
- Make sure venue is state and county where project is located.
- Determine whether arbitration clauses exist and if jury trial by judge.

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*Mr. Jennings concentrates his practice in wills, trusts, estates, farm real estate transactions, agricultural law, and probate. He has worked with several landowners across the state of Illinois and their dealings with several different wind development projects. He holds a B.S. in Agricultural Science and an M.S. in Crop Physiology.*

(Photo courtesy of *Illinois AgriNews*)

## Friends of the Chapter

We're excited about our new membership offering – that might be right for you!

The Illinois Society of Farm Managers and Rural Appraisers recently widened its networking focus by creating a new membership category – “*Friends of the Chapter.*” We invite anyone with an interest in our organization, but do not otherwise qualify for membership (*as practicing farm managers, rural appraisers, or agricultural consultants*) to join us!

As a “*Friend of the Chapter*” you will enjoy all the benefits of the Illinois Chapter except voting rights. You will be listed as a *Friend of the Chapter* in our membership directory, and will receive the ISPFMRA Newsletter. You will qualify for discounted member rates on all Illinois Chapter-sponsored courses, meetings and events. *Friends of the Chapter* also enjoy a strong networking connection to our organization and its members as we focus on the business of agriculture.

We enthusiastically encourage you, and everyone interested who does not manage or appraise Illinois farmland or provide agricultural consulting as a business, to come join us. We welcome you!

For further information visit [www.ispfmra.org](http://www.ispfmra.org) and click on the “*Friends of the Chapter*” link.

# Thoughts and Observations on Chicagoland Collar County Land Values and Trends

The highly aggressive open land market in the Chicago Land collar counties (Will, Kendall, and Kane) has cooled down considerably since last year. The new housing industry, subject to the subprime debacle, has virtually shut down. Beginning in mid-2006 and by early 2007 many contracts which had been negotiated in good faith were negated by the developer/buyer, in some cases leaving sizeable escrow amounts forfeited to the seller. Currently there is a surplus of open land owned by developers at a high cost to carry with little chance of economic return of investment for at least two to five more years. In the meantime some of the developers have declared bankruptcy and others may be willing to liquidate their open land holdings at fifty cents on the dollar of original investment. Others are staying the course and hoping for economic recovery or a ready and willing buyer who will perhaps only discount their holdings by 25 percent to 30 percent. We have observed other smaller developers moving ahead with limited purchases of open land so as to be positioned for the next up trend in the residential housing growth.

The real estate market for commercial open land was never quite as aggressive as the residential open land market. However, it remains stable and active in the market for land near major interstate highway exchanges for “Big Box” distribution centers and intermodal transportation centers. The most activity has been along I-55 near Joliet, I-80 near Joliet, Morris and LaSalle-Peru, and I-57 near Peotone.

Open land was selling at \$35,000 per acre and up to \$110,000 per acre in 2003 through 2005, depending upon location to Yorkville, Plainfield, Plano, Oswego, Joliet, Minooka. If all entitlements are in place the land is more valuable and, if zoned to one of these towns, it still may sell for \$50,000 or more per acre, but the developer “feeding frenzy” for such land has become much more selective and discretionary. In any case the discount factor from the highs set is now at 25 percent to 50 percent. At the present time land three to five miles from development may bring \$10,000 per acre, and up to \$25,000 per acre if closer, which is roughly half the value of two to three years ago. Land for commercial development still is bringing \$50,000 per acre and up to \$80,000 per acre if located very near key transportation, both rail and interstate highway.

Ray L. Brownfield, AFM, ARA, ALC  
LandPro LLC, Oswego, Illinois

The development land market is searching for a turnaround and bargain hunters are waiting, trying to determine a bottom. In northeastern Illinois, we have seen sellers with an option on property at \$80,000 per acre, only to have those options fall through. They are now putting that land back on the market at \$40,000 per acre. Builders have also been trying to sell transitional or development ready land to lighten debt. They are seeing pure agricul-

tural land values climb, but the overall land development market appears to be lifeless.

In this atmosphere, it is reasonable to expect that we could be as much as two or three years away from finding the low in the prime development land market. The current home building wave has been one of the most over-built in recent cycles. Working off this inventory of lots and new development land could upwards of three to four years, longer than average.

Lots of land ready for immediate development is down at least 50 percent from its peak. Investors and potential buyers of these properties don’t think that is far enough. Some tell me that they expect a 65 to 75 percent decline from the peak before they will contemplate purchasing. An example of a speculative market that crashed would be the Midwest farmland in the mid 1980’s. There was a 60 percent decline in those values before they bottomed out and turned back up. This could easily happen on development/transitional type tracts. Thankfully, farmland values are rising and that seems to want to put a floor under this transitional land. A lot of housing inventory must be cleared before transitional land gains strength again. It took Japan almost 10 years to sort out its real estate boom and subsequent crash, which was also based on excess debt creation.

One of my clients has land on the edge of a small town. Two or three years ago, it had a 30 to 40 percent premium over farmland. Now in early 2008, land is being purchased by farmers and investors for its farmland value alone, and the “development premium” is ignored. With the sharp run up in commodity prices, it is difficult to see *any* premium being applied to land that might be 5 to 10 years from development. Right now the market place is focusing on farmland for its farming use.

We are essentially seeing four types of farmland buyers. The first are the well-established farmers interested in adding onto their existing operation. They have adequate cash and limited, if any, leverage. The second are still a few of the 1031 exchange buyers finding replacement land. Third, we are seeing individuals interested in rolling investments out of stocks and other non-farm assets into farmland. Finally, I am watching the formation of major investment funds like those accustomed to trading major office complexes, which are being started specifically to acquire farmland.

All these buyers are people who know farmland is a traditional place of financial security.

Jeff Waddell, Real Estate Partner  
Martin, Goodrich & Wadell, Inc., Sycamore, Illinois



# About the Illinois Society

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

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

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

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

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

# Accreditation – The Professional Pinnacle

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

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

# AAC – Accredited Agricultural Consultant

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

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

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

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

## AFM – Accredited Farm Manager

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

An AFM possesses the skills, experience, and education to provide land investment analysis and management of day-to-day operations for ag enterprises. The AFM designation is available only through the 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 RPRA's advanced expertise ensures accuracy for clients needing appraisal reviews of complex properties or situations. An RPRA adheres to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and has additional expertise exceeding state certification and licensing requirements.

### The RPRA:

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

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