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# ISPFMRA President's Message



**Rich Grever**

President

Illinois Society of Professional  
Farm Managers  
and Rural Appraisers

What a great time to be involved in agriculture with the continuing up trend in land values and farmland earnings. It is a great pleasure that the Illinois Society of Farm Managers and Rural Appraisers present the 17th Annual Survey of Illinois Farmland Values and Lease Trends.

The information in this report is the most accurate summary of recent land values and lease trends and is a reference and source of information for those who professionally or privately work with farms and land. Data in this report come from 10 different regions of the state, discussing and highlighting 2011 land values and lease terms and rates.

Illinois Society members are uniquely qualified to provide this information as our membership works in the area of farmland appraisals and farm management. The 300+ members of the ISPFMRA manage an estimated 4.2 million acres of Illinois farmland, which is over 18 percent of all of Illinois farmland. They also appraise over \$2 billion of Illinois farmland annually.

We hope this report and analysis will be a valuable asset in your yearly planning and evaluation process. The information here is the result of hundreds of hours of volunteer time by our members and colleagues and there are many people to thank again this year.

We would like to give special thanks to Don McCabe AFM, who again continued as chairman of the Farmland Values/Lease Trends Project. He did an excellent job coordinating the team that brought you this survey. It is difficult to properly mention everyone involved. However, there are individuals who chaired specific segments including Winnie Stortzum, ARA, and Tim Harris AFM who coordinated the Land Values Conference. Scott Johnson, AFM, CCA did an excellent job securing the advertisers responsible for supporting the book and conference. Chuck Knudson, ARA and Don Cochran, ARA coordinated the farmland data collection for the regions of the state, and Gary Schnitkey, Ph.D. and Bruce Sherrick Ph.D., from the University of Illinois College of ACES, also continued to make special contributions to the success of this project. Their efforts in processing the data collection and then organizing and summarizing the information is invaluable in producing this quality report.

Thank you for your interest in this data and our organization. These are great times in agriculture and we appreciate your continued support of the ISPFMRA and the future of production agriculture. We hope that you will continue to have an interest in this event and attend our 2013 land value conference next year.

As questions come up in the future, we respectfully 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. You will find many of them in the pages of this report, or you can locate one of our members by visiting our chapter website at [www.ispfmra.org](http://www.ispfmra.org).

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# Highlights -- Illinois Farmland Values and Lease Trends

by Don McCabe, AFM, IL & IN Real Estate Broker  
General Chairman, 2012 Illinois Land Values Survey and Conference

WOW ! What a time in Illinois crop production agriculture!

Land prices and returns to farmland leases have continued their strong move up, uninterrupted now for a several year run, hitting new highs almost month by month.

Just a year ago, a look back at 2010 indicated excellent to good farmland had hit \$8,000 to \$9,000 an acre. Last summer's mid-year survey indicated land values had moved up 10 percent to 15 percent during just the first six months of 2011, with the best quality land surpassing \$10,000/ac. at that time.

As of the end of 2011, the top end is higher yet, with the following results reported by area of the state and land quality...

	<u>Excellent</u>	<u>Good</u>	<u>Average/Fair</u>
Northern Illinois (Regions 1, 2)	+14% to 25% \$7,950 to \$10,400/ac	+15% to 26% \$6,600 to \$8,650/ac	+20% to 30% \$4,000 to \$7,150/ac
Central Illinois (Regions 3, 4, 5, 6, 7)	+20% to 33% \$8,000 to \$13,000/ac	+20% to 35% \$6,000 to \$10,000/ac	+12 to 27% \$2,800 to \$7,500/ac
Southern Illinois (Regions 8, 9, 10)	Insufficient Data	+13% to 35% \$7,200 to \$12,500/ac	+1% to 23% \$3,150 to \$8,500/ac

A good part of this tremendous move in Illinois crop land values is based on increasing farm income returns, and expectations of strong income into the future. Summary results of farmland cash rent ranges are...

	<u>Excellent</u>	<u>Good</u>	<u>Average/Fair</u>
Northern Illinois (Regions 1, 2)	+7% to 25% \$280 to \$425/ac	+7% to 25% \$245 to \$325/ac	+5% to 20% \$170 to \$275/ac
Central Illinois (Regions 3, 4, 5, 6, 7)	+6% to 30% \$175 to \$425/ac	+6% to 30% \$150 to \$400/ac	No change to +20% \$125 to \$350/ac
Southern Illinois (Regions 8, 9, 10)	+10% to 30% \$250 to \$285/ac	+13% to 25% \$200 to \$250/ac	+21% to 27% \$110 to \$225/ac

The information that can be found in this 2012 Illinois Land Values and Lease Trends publication is the most in-depth and comprehensive on these subjects available anywhere, from any source. The data, "real world" observations, and insightful opinions are the work of more than 70 members of the Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA) – experts specializing in Illinois farmland.

In addition this body of work is a result of contributions and assistance from the University of Illinois College of ACES. In particular Bruce Sherrick, Ph.D. is invaluable help in compiling and presenting the Regional Data Group information. Also check out the articles near the end of the book by Dr. Gary Schnitkey, Ph.D. on the project's survey results and crop insurance coverage for 2012 and beyond.

RLI (Illinois Farm and Land Chapter of the REALTORS® Land Institute), and other agricultural professionals also contribute to this project in a variety of important ways.

Our appreciation goes to the individuals and firms who advertise in the publication and support the annual Conference as sponsors and presenters. They help make both the publication and the Conference an affordable value for everyone.

Thanks to all who have contributed in any way. We know from past experience, and expressed anticipation for this information release, that the *Illinois Farmland Values and Lease Trends Report* is highly valued by those who appreciate and enjoy ownership of Illinois farmland – as we all do.

## A main take-away from this year's project:

Illinois crop farmland values are driven and led by income returns.

$$\text{Cropland Income} = (\text{Crop Yield} \times \text{Price}) - \text{Crop Expense}$$

Higher values for “transitional” land (proximate to commercial development), have significantly diminished, particularly in previous “path of progress” areas. Trade activity is scarce. Non-tillable has not shared in the price up trend. Even attractive recreational properties with woods, ponds, and streams lag cropland gains. Rural residences and farmstead sites generally share in the current housing market doldrums.

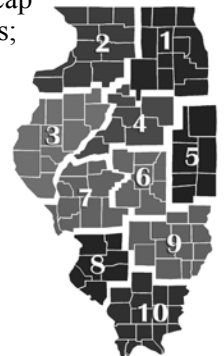
Yes, Illinois land values, as much or more than ever, are based on farm income. Illinois agriculture is financially strong and Illinois farmland values and lease trends are on the rise.

Analyzing this year's data of “typical land values” divided by “returns on recently negotiated leases” indicates capitalization, or return rates, as follow summarized by land quality and regions.

	<u>Excellent</u>	<u>Good</u>	<u>Average/Fair</u>
Northern Illinois (Regions 1, 2)	3.6% to 4.7%	3.8% to 4.6%	4.5% to 4.6%
Central Illinois (Regions 3, 4, 5, 6, 7)	3.2% to 4.5%	3.2% to 4.1%	3.9% to 4.9%
Southern Illinois (Regions 8, 9, 10)	Insufficient Data	2.9% to 4.5%	2.6% to 4.8%

Given the variability of land quality and regions, and the aggregation of data over many sale and rent observations, the traditional relationship of the market to price land at levels where income results in a “cap rate” of 3 percent to 5 percent continues to hold. Rents drive the rate of return in relation to land values; land prices do not trigger or cause rental returns.

According to survey results, traditional fixed cash rent leases increased for 2012 to 32 percent of all farm operating arrangements. All other types, totaling 68 percent, include a variety of crop share and variable cash rent leases, and custom farming contracts. This 68 percent majority of farm operating agreements include features where the landowner shares, in some way, in the farm's crop production and/or price risk, and is rewarded when yields and prices are good.



## Items of interest from around the state...

The 10 regional reports in the publication demonstrate similarities and differences between regions and by land quality. These regional reports are filled with nuggets of insight and perspective from professionals who work with land in each of the areas.

Following are selected examples and overview...

1. Both Land Values and Lease Trends continue higher into 2012, and are expected to stay strong as long as crop income levels hold or increase.
2. Price and rent levels both increased steadily through 2011, and consistently among different productivity classes of land and regions of the state.
3. Land values maintain support from investment capital seeking alternatives to other financial assets. Among major issues are interest rates, U.S. and foreign sovereign debt, stock market performance, the dollar value relative to other currencies, and growth of consumer economies around the world.
4. Long leasehold interests, extended Conservation Reserve Program (CRP) contracts, deed restrictions, etc. that negatively impact ownership control penalize land prices.

5. As supplies of land tightened buyers were less concerned about one year leases, and receiving partial interests in current year crop or leases in progress, looking beyond a few months toward long term investment value.
6. The annually renewable USDA Farm Program appears to have very little effect on land values in 2011, eclipsed by other more dominant factors.
7. Current crop genetics increase yields while reducing year-to-year variability, which improves earning potential for lower classes of land.
8. Recreational tracts and transitional development land have been hardest hit because of struggling non-agricultural economies.
9. Some areas or counties carry name or reputation prestige, showing stronger prices than land with similar productivity and attributes in nearby areas or counties. However, undiscovered “pockets of prosperity” where land can be typically purchased at lower prices relative to its productivity are fewer and further between.
10. Regardless of the means of sale – public or sealed bid auction, broker listing, private transactions – excellent and good productivity tracts needed minimal marketing time, with a generally shorter period from exposure-to-market through sale to closing.
11. Not only are farmers the majority of buyers, but adjoining/nearby landowners and current tenants often lead the way.
12. Areas with higher concentrations of livestock – dairy, hogs, poultry – had generally more favorable markets for their production in 2011.
13. Pasture rents have not moved significantly over several years, and can vary widely from \$5/ac to more than \$60/acre depending on quality or carrying capacity, water source, and contribution to upkeep and maintenance of the land and fences.
14. Variable cash rent leases grow in popularity and pay landowners competitively higher returns in 2011 due to higher average prices and excellent soybean yields.
15. Wind farm activity, where already planned or under construction, continued to impact land values and add to total return in 2011. However changes in tax, policy, and funding have slowed the progress of many wind tower projects.
16. In some areas larger percentage increases for lower productivity land were noted, based on expectations of improving crop returns, and absolute increases on lower values resulting in larger percentage growth.
17. Continuing fixed cash rent rates generally showed a tendency to lag other lease and operating contracts as income returns and commodity markets have been in a general up trend over several successive crop years.
18. By year end 2011 price paid per productivity index (PI) point per acre was running in the upper \$60s to mid \$70s. One central Illinois region’s data calculated excellent soils averaging \$73/PI, good soils \$64/PI, and average and fair soils at \$60/PI.
19. In many areas of the state it was a challenging crop production year in 2011, with wide variations in conditions from too much rain at times in some locations, to very hot and dry conditions in some areas later in the summer.
20. Calhoun County peaches are seasonally very popular and exceptionally good. (Region 7 slipped in some product-placement advertising.)
21. The generally wet spring throughout the state accentuated the importance of good drainage and much drainage tile and waterway improvement work was done throughout the year. Well-drained or pattern-tiled land will sell for a premium, especially if there are well-documented and accurate maps of drainage improvements.
22. Land value for crop production continues to gain on values for development land, as cropland increases and development land declines or holds steady.



23. The number of tracts and amount of acres transacted was generally more than previous years, as higher prices pulled supply onto the market.
24. In some local instances proposals for underground gas storage, recent discovery of production volumes of oil, and continuing coal mining has sensitized the market to the value of mineral interests and rights.
25. Irrigated land returned proportionately higher income due to higher commodity prices and improved yield from irrigation.
26. Farm operators continued and expanded the trend of bringing current landlords and other absentee investors to the farmland market.
27. In 2011 there have been several notable expansions or new construction of high capacity grain rail-loading facilities, mostly destined to move Illinois grain to cattle, hog, and poultry operations out of state.
28. Some areas benefit with strong grain prices from grain market outlets on navigable rivers, rail terminals, local area end-users and specialty food product processors.
29. Another year in 2011 where corn following soybeans, rather than one or more years of corn, performed significantly better.
30. Almost every county in the state had instances of a record new high price per acre for farmland.

Please feel welcome to use the information from this *2012 Illinois Farmland Values & Lease Trends Report* to make your experience of owning, buying, selling, renting, and farming Illinois farmland satisfying and rewarding, as it is for those of us who provide and present it.

Thank you.

## 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.

# Farm Property Classifications & Definitions

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

- **Excellent Productivity Tract** – productive durable soils with a significant amount of those soils with productivity indexes of 133 and above; well maintained; located in desirable community with excellent access to transportation and markets.

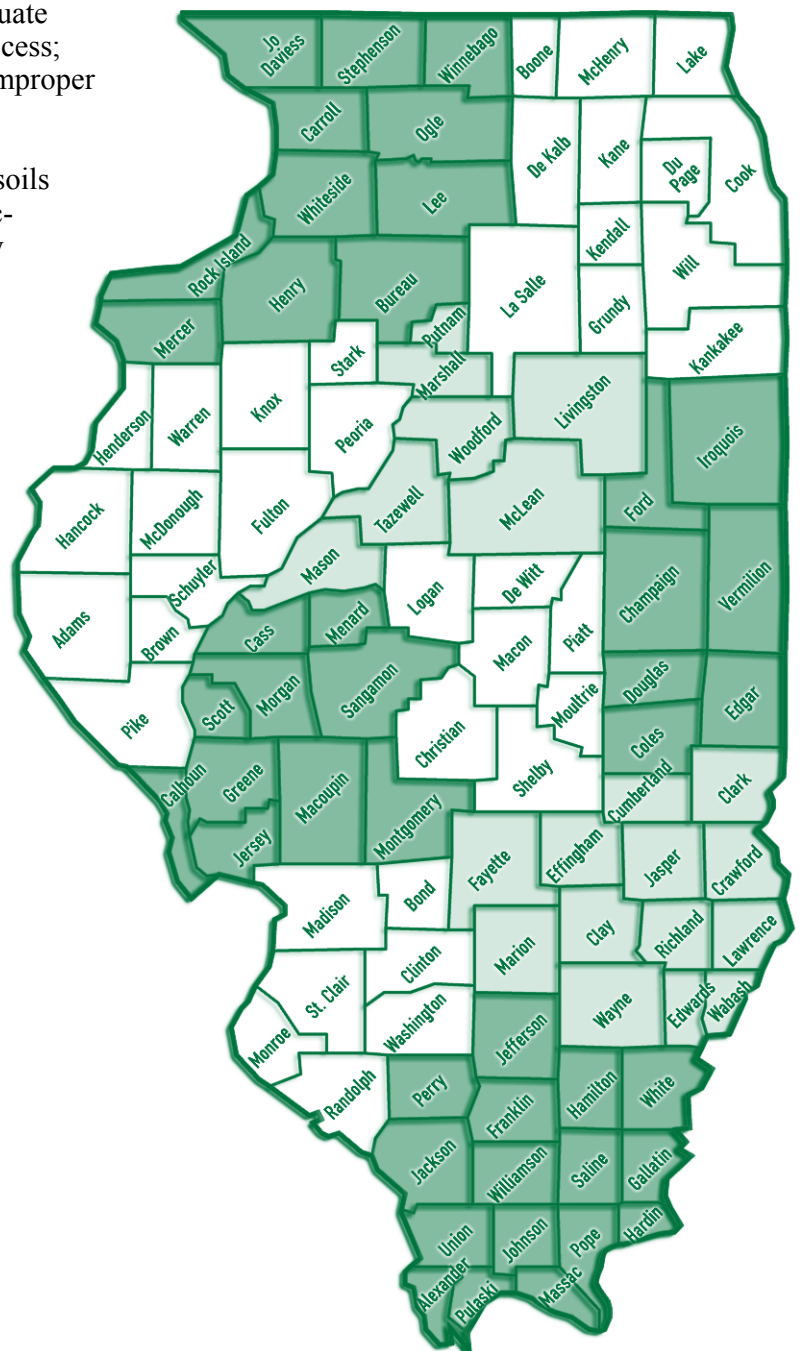
- **Good Productivity Tract** – productive soils with a significant amount of those soils holding productivity indexes of 117 to 132; located in desirable community with good transportation and market access.

- **Average Productivity Tract** – average-to-good soils with a significant amount of those soils with productivity indexes of 100 to 116; located in a community with adequate services available; fair transportation and market access; soils may show evidence of erosion, fertility loss, improper drainage or noxious weed infestations.

- **Fair Productivity Tract** – below average-to-fair soils with a significant amount of those soils with productivity indexes below 100; located in fair community with fair-to-poor transportation and market access; topography may be adverse with serious hazards (flooding, erosion, etc.).

- **Recreational Tracts** – tracts are normally high in non-tillable acres with soils that may be subject to erosion and/or flooding. Tracts are typically purchased by nonresident owners for hunting, fishing and other recreational pursuits.

- **Transitional Tracts** – tracts that are well located and have good potential for development uses within a few years. Tracts may be used for commercial or residential uses.



## P/I Ranges

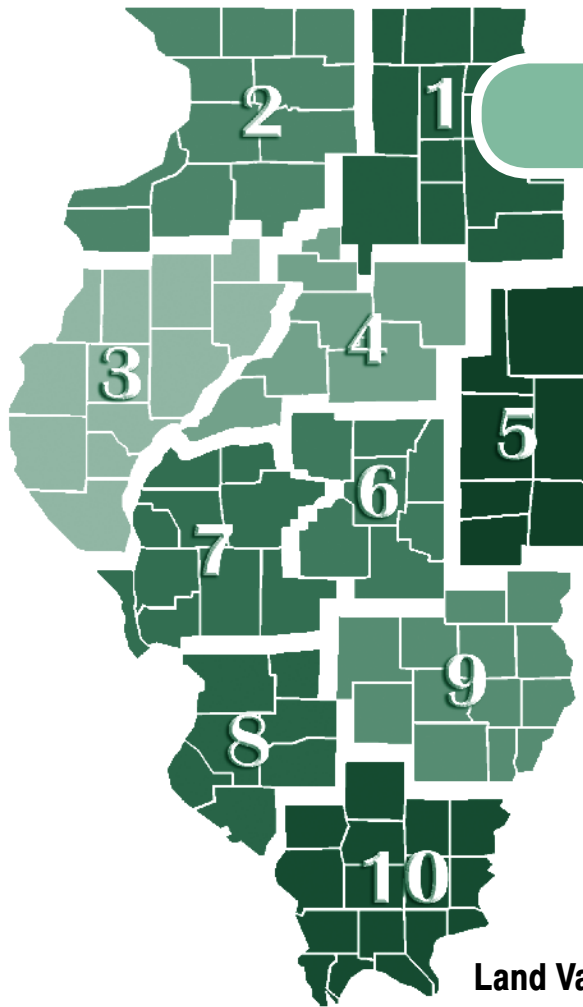
**Excellent**                      **133 - 147 (Highest)**

**Good**                              **117 - 132**

**Average**                        **100 - 116**

**Fair**                                **Less than 100**

(See inside back cover for P/I map)



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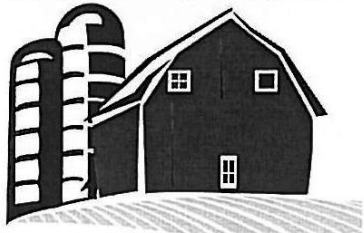
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## Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent	\$9,800	14.0	Up 10-20%	\$300	Up 7-10%	\$350
Good	\$8,600	26.4	Up 10-20%	\$280	Up 7-10%	\$325
Average	\$6,500	30.0	Up 10-20%	\$250	Up 7-10%	\$300
Fair	\$4,500	5.0	steady	\$200	Up 7-10%	\$225
Recreational Land	\$4,500	0.0	Steady with a slight up			
Transitional Tracts	\$15,000		Down 10-20%			

The demand for land remains high in this area. There have been some land owners who did a 1031 exchange when developers were paying \$25-75,000 per acre for their farm land in Region 1 and purchased prime farm land down state Illinois who are now selling some of that land, realizing a 250 percent gain, and purchasing land back in Region 1 for an even trade, with high potential for development again in the future. Farmers remain the primary buyers, with some highly capitalized investors purchasing larger tracts when they become available. The primary sellers of land have been banks who foreclosed on non-performing developers. It would seem the inventory of such land is now diminishing, much to the relief of the banks. We still observe land being sold to divide the sale proceeds among heirs. That trend will most

likely continue to be a source of land sales for a long time to come. Recreational land is still in low demand, however there was a slight pick-up in activity during 2011. The excellent commodity markets have been a catalyst for strong demand by farmers to purchase high quality farmland. The “Excellent Productivity” market continued to pick up price momentum all during 2011 and will remain very strong during 2012. There is just not enough of this type land available to satisfy demand. Good Productivity Tracts mirrored the trend in Excellent Productivity Tracts. Drainage usually is an important factor for this type of land, which has soil types that are more tight and do not drain as well, resulting in lower production. But with that said the demand factor remains strong, especially for smaller tracts in the 80-120 acre range. Average Productivity Tracts are



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also benefiting in upward price movement due to higher commodity price and strong demand for land. This type of land is also benefitted by improved technology and genetic trait seed improvement. Transitional Tracts seems to have leveled off in price. The bottom has been reached, and over time this type of land, depending upon location, will again appreciate in price. Fortunately strong commodity prices have also helped set a floor in the price of this type land, because buyers can achieve a very competitive cash rental generating a favorable income stream. Recreational Tracts still are in low demand during this down turn economy. We have seen a slight increase in interest, but still a market that could go lower, unless the economy gains some strength.

### Excellent Tracts

It should be noted that as the year progressed, prices for Excellent Productivity soils increased by 1,000 per acre in this region. Of special note is the June sale of 248 acres in DeKalb County with a very high Productivity Index of 139, but a price of only \$7,210 per acre. This farm was a bank-owned farm, and the previous owners placed a 10 point deed restriction on the farm, basically prohibiting development of any kind. It is our estimate that this deed restriction penalized the price by \$1,000 per acre. This type of quality land, with a high productivity index, is very hard to find for purchase and will sell very quickly when offered to the market.



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County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
LaSalle	Mar	35	99	142	\$9,714
DeKalb	Jun	248	95	139	\$7,210
Grundy	Jul	213	97	143	\$8,000
Kankakee	Aug	133	98	133	\$9,474
Grundy	Nov	201	97	142	\$10,400
LaSalle	Dec	80	99	143	\$10,500
McHenry	Dec	78	75	139	\$9,725

### Good Productivity Tracts

Because less high quality land is on the market, the demand for good productivity tracts has been strong, and has also led to a strong increase in market values. Today's technology has vastly improved earnings potential for this class of land.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Kankakee	Feb	303	98	125	\$7,000
Will	Jul	87	100	125	\$10,200
Grundy	Jul	152	98	129	\$8,500
LaSalle	Nov	236	95	124	\$8,050
Kendall	Nov	82	94	124	\$8,800
Grundy	Dec	89	98	130	\$10,364

### Average Productivity Tracts

This class of land has shown some good increases in value due to land scarcity. There is money to be spent on invest-

ments, and farmers as well as investors are in the market for Average Productivity Tracts. Historically, when prices adjust, this type of land will adjust downward at a more rapid pace than better quality soils.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Kankakee	Jan	150	96	116	\$6,050
LaSalle	Feb	97	92	115	\$6,700
Grundy	Mar	383	96	111	\$5,600
LaSalle	July	160	96	112	\$5,600
Grundy	July	580	95	109	\$6,329
Kankakee	Oct	34	100	116	\$6,400

### Fair Productivity Tracts

This type of land can almost be classified as recreational in that its utilization for farming has limitations. The soils are usually poorly drained, of lesser production quality, and often not as highly tillable as the sale recorded below. The demand by return-oriented investors and farmers is limited for this class of land.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Kankakee	Jan	91	83	93	\$4,450

### Recreational Productivity Tracts

The demand for recreational land is dictated by the economy. The general reduction of expendable income to enjoy the hunting, hiking, and general outdoor activities has caused limited demand for this classification of land. We do not see this trend to change appreciably until the economy improves.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
McHenry	Feb	52	21	115	\$3,325
LaSalle	Feb	75	57	110	\$5,200
LaSalle	Sep	351	28	85	\$3,750
LaSalle	Oct	78	67	117	\$6,169

### Transitional Property

Observations based on the last several years would indicate the transitional land market has reached bottom. Foreclosure and forced sales of bank-owned properties, which make up most of these properties are beginning to slow down. The inventory of transitional tracts was much less at the end of 2011 than in previous years. One can only speculate as to when this market will again increase in value. It is felt that investors who have patient money, and



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can purchase transitional land adjacent to entitled properties are at highly discounted values, will undoubtedly do quite well someday. For transitional land miles away from such more immediate development potential, the present and unknown future use and value is for farming, and the price will reflect that fact. Fortunately for this type of land, the agricultural economy is really good, thus land values remain good for agricultural use with an eye to long term higher and better use.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Will	Mar	54	88	107	\$18,350
Will	May	80			\$15,938
Will	May	246	95	133	\$14,500
Grundy	May	175			\$13,767
Will	Jun	123			\$9,788

### Other Tracts

These properties should be classified as transitional. They were purchased with commercial use in mind.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
LaSalle	Oct	66	94	123	\$18,000
LaSalle	Nov	114	89	132	\$20,000



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### Lease Trends

There are very few flex rental leases in Region 1. The ones that do exist are primarily on the highly productive soils, where production is more reliable. Most are a combination of production and price points. There is not one standard flex lease, but is originated based on owner/operator risk/reward creativity.

Lease trends in 2011 were such that cash rental leases continue to grow and are dominating the lease type. In a time of volatile commodity prices and input costs the cash rental lease minimizes owner risks, but certainly is opposite for the farm operator, thus a growing trend toward flex cash rental arrangements. If commodity prices remain firm and land values continue upward, cash rental rates will increase as well. At the end of 2011 most 2012 cash rental leases had been negotiated. The trend upward would indicate an increase of 10-15 percent for good land. Another trend is more farmers are attempting to gain greater amounts of leased ground to capitalize on current profitability. The competition for Excellent, Good and Fair land has risen, which has actually created an upswing in rents above norm for lower quality soils.



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## Region 1 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2011	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	250	300	350	1 yr	300	95	5	0	0
Good Productivity	200	250	300	1 yr	280	95	5	0	0
Average Productivity	200	250	275	1 yr	260	100	0	0	0
Fair Productivity	150	180	200	1 yr	190	100	0	0	0
Recreational Land	50	75	100	3 yrs	80	N/A	N/A	N/A	N/A



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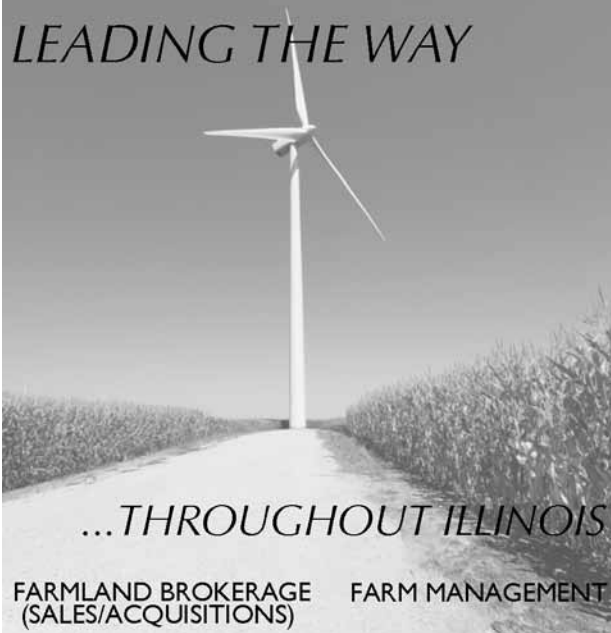
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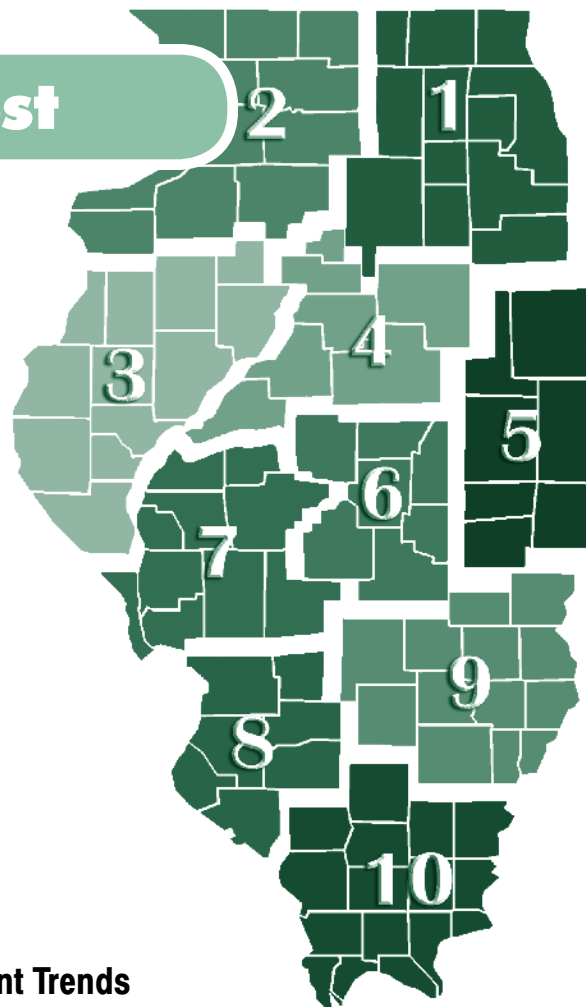
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## Region 2 - Northwest



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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent	\$7,950-\$10,400	Up 20-25%	Steady	\$280-\$350	Up 20-25%	\$425
Good	\$6,600-\$8,650	Up 15-25%	Steady	\$245-\$295	Up 20-25%	\$325
Average	\$5,200-\$7,150	Up 20-25%	Steady	\$195-\$255	Up 15-20%	\$275
Fair	\$4,000-\$5,625	Up 20-25%	Steady	\$170-\$220	Up 5-10%	\$225
Recreational Land	\$2,350-\$4,750	Steady to down slightly	Up 0-5%			

**R**egion 2 is the northwest 11 counties of Illinois. The Mississippi River sets the western boundary, with the Illinois/Wisconsin boarder setting the northern boundary. It extends to the eastern edge of Bureau, Lee, Ogle and Winnebago counties and the southern edge of Bureau, Henry and Mercer counties. Region 2 is a diversified region from rolling hills to deep prairie soils to sandy river bottom ground scattered throughout the region. This diversification can lead to a wide range in crops, rents and land values.

Last year we concluded with the question “Can the farmland market sustain the current jump?” Well, not only did the farmland market for 2011 sustain 2010 increases, it continued to rise. Across all land classes the Northwest region experienced a year over year change of 23 percent

and a two-year change of 30 percent. Some of the same driving forces closing out 2010 were the same in 2011. For example, 2011 corn futures did not fall below \$4 a bushel for the first time in history, the Fed announced interest rates would most likely not change until the end of 2014, and the lack of alternative investments. These factors carried the farmland market to where we are today.

In 2011 the demand continued to outpace the supply of farmland. Farmland was being sold by all means; public auctions, sealed bid auctions, realtors and private transactions. It didn’t seem to matter the type of sale, but rather the norm for the local specific market. Excellent and Good Productivity tracts needed minimal marketing times. Lower quality farms with a lower percentage of tillable acres required slightly higher marketing times. Overall,

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farmland was in strong demand with no signs of letting up for the year.

Adjoining land owners and current tenants did seem to pay some of the biggest premiums when purchasing land this year. Many adjoining land owners and current tenants saw 2011 as the time to gain control of these properties given the strong earnings, low interest rates and the fear of not getting another chance at buying a particular property for a long time. Cash rental increases also accentuated the demand and made purchasing property a more viable alternative to renting.

Region 2 has the highest concentration of dairy in the state, and also has a number of hog operations. Livestock and milk producers did generally see a more favorable market for their commodities in 2011. The producers that were able to grow their own feed were also able to help offset the continued high feed costs.

Wind farms continue to be developed and proposed in seven of the 11 counties in Region 2. Most of the activity is centered around Lee and Bureau counties. Between the two there are seven wind farms constructed, under construction or proposed.

The agricultural real estate market in Region 2 remained strong for the year. The last 18 months have been an inter-

esting time in agricultural real estate. Most factors suggest that we will not see the same increase for 2012. Commodity prices are not anticipated to be any higher than what we have seen in late 2011. Inputs are expected to be up from the previous year. With commodity prices flat to lower and inputs up, income will be lower, which will affect purchasing power. We believe that the farmland market will level off for 2012, without upward pressure from commodities.

### Excellent Productivity Tracts

Excellent farms are made up of deep prairie soils with a productivity index ranging from 133 to 147. These farms also have minimal waste acres and are easily farmed. We selected 29 sales in the excellent productivity category, representing typical transactions for farmland sales in the 11-county region. The sales prices ranged from \$6,133 to \$10,110 with a median sale price of \$8,800. These farms experienced a significant increase in value over the last 60 to 90 days of 2011. Based on the selected sales, the median sale price for 2011 compared to 2010 is up approximately 22 percent and is showing an increase of 39 percent over 2009 excellent tract sales. A vast majority of the sales were purchased by local farmers who have increased purchase power due to the favorable returns of 2011 and anticipation of 2012 prices. Also, as higher land prices became more evident, sellers with excellent quality land were more willing to market their properties. Sales in excess of \$9,000+ per acre were seen in multiple counties in Region 2.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Feb	44.8	98.7	144	\$7,985
Bureau	Feb	75.0	96.5	138	\$6,133
Bureau	Jul	381.5	99.0	139	\$9,750
Bureau	Nov	100.0	98.8	141	\$9,500
Henry	Nov	173.3	96.5	136	\$6,575
Henry	Jan	47.0	92.1	132	\$6,800
Henry	Nov	120.0	97.6	139	\$9,900
Mercer	Sep	169.1	90.4	142	\$8,673
Mercer	Sep	161.9	97.1	138	\$8,300
Mercer	Oct	44.0	99.3	144	\$8,800
Mercer	Oct	85.0	96.8	135	\$7,850
Whiteside	Feb	209.0	95.8	138	\$7,000
Whiteside	Feb	34.8	95.8	138	\$6,500
Carroll	Jul	264.2	96.4	133	\$8,500
Carroll	Dec	63.2	99.2	135	\$10,000
Jo Daviess	Jun	425.8	96.6	140	\$8,700
Lee	Oct	118.9	94.9	134	\$8,800
Lee	Nov	75.0	99.3	133	\$8,250
Lee	July	258.4	97.8	139	\$9,190
Lee	Jan	40.3	95.7	136	\$8,500
Lee	Nov	150.0	99.8	141	\$9,200
Ogle	Sep	77.8	95.9	138	\$10,110
Ogle	Sep	80.0	97.9	138	\$10,106
Ogle	Jun	89.9	99.9	138	\$8,800
Ogle	Dec	46.5	95.7	136	\$9,000
Ogle	Sep	48.9	99.3	138	\$8,994
Winnebago	Mar	60.0	97.7	140	\$7,950
Winnebago	Dec	75.0	99.3	135	\$9,733

## Good Productivity Tracts

Good farms tend to have productive soils with slightly more undulating to rolling land with a productivity index ranging from 117 to 132. These farms can vary in the amount of waste acres, but typically still maintain a high percentage of tillable land. Good productivity farms make up a majority of the farmland in Region 2. We selected 36 sales, representing typical transactions for farmland sales in our 11 county region. The sales price ranged from \$4,757 to \$9,550 with a median sale price of \$7,133, based on the sales selected. These farms have also had substantial increases in value over the last 60 to 90 days of 2011. The median sale price for 2011 compared to 2010 is up approximately 16 percent and an increase of 37 percent over the 2009 median sales price. A vast majority of the sales were purchased by local farmers. Investors also seem to favor these good productivity tracts as they typically have strong rental potential.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Jan	140.6	97.3	128	\$5,367
Bureau	Jun	253.6	96.6	120	\$7,000
Bureau	Nov	32.3	93.4	132	\$9,476
Henry	Jan	72.9	93.0	125	\$5,850
Henry	Jan	58.0	99.1	128	\$4,757
Henry	Jun	80.0	97.5	123	\$6,500

Henry	Nov	157.67	94.1	121	\$7,100
Mercer	Apr	80.0	98.1	130	\$8,300
Mercer	Jun	78.6	96.2	126	\$6,000
Mercer	Oct	165.7	82.2	128	\$7,000
Rock Island	Mar	179.0	90.9	123	\$6,035
Rock Island	Nov	72.0	85.4	129	\$8,850
Whiteside	Feb	40.0	98.8	129	\$7,365
Carroll	Jun	234.2	95.4	122	\$7,166
Carroll	Aug	206.1	95.4	129	\$7,400
Jo Daviess	Mar	146.0	77.8	118	\$5,101
Jo Daviess	May	490.0	91.8	124	\$6,300
Jo Daviess	Apr	303.8	94.5	125	\$7,500
Lee	Oct	82.7	90.9	128	\$7,800
Lee	Aug	75.5	99.8	126	\$8,300
Lee	May	146.1	96.6	117	\$6,275
Lee	Mar	76.1	99.1	121	\$6,150
Lee	Feb	76.0	98.8	120	\$6,500
Ogle	Jun	58.7	94.0	125	\$6,650
Ogle	Jun	774.0	91.8	121	\$7,000
Ogle	Nov	241.9	99.8	125	\$9,250
Ogle	July	56.3	92.8	126	\$7,500
Ogle	Jun	201.1	92.1	130	\$8,500
Ogle	Nov	60.0	98.7	126	\$8,750
Ogle	Jun	62.1	96.1	119	\$8,254
Ogle	Jan	119.0	89.9	132	\$7,100
Stephenson	Nov	107.9	97.4	120	\$7,700
Stephenson	Nov	142.9	94.2	130	\$9,550
Winnebago	Aug	220.9	93.2	124	\$6,800
Winnebago	Aug	190.0	98.2	127	\$7,400
Winnebago	May	74.0	98.1	121	\$7,200

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## Average Productivity Tracts

Average farms tend to fall into two categories: rolling timber soils or sandier soils with a productivity index ranging from 100 to 116. These soils may show evidence of erosion, fertility loss, improper drainage or excessive waste acres. We selected 26 sales, representing typical transactions for farmland sales in our 11-county region. The sales price ranged from \$3,000 to \$6,700 with a median sale price of \$5,725. The median sale price increased 24 percent over 2010 levels and a 29 percent increase over 2009 levels. These farms saw increases fairly consistent with the increases indicated by higher quality land.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Mar	18.8	95.4	111	\$3,000
Bureau	Mar	403.3	77.1	111	\$4,552
Bureau	May	15.8	63.8	105	\$4,993
Henry	Jan	87.2	54.9	110	\$4,350
Henry	Nov	108.1	94.3	115	\$6,000
Mercer	Feb	40.0	100.0	109	\$5,500
Mercer	Apr	215.3	54.0	107	\$5,546
Mercer	Sep	82.6	56.8	108	\$3,350
Mercer	Oct	59.8	77.4	108	\$4,800
Rock Island	Jul	33.7	89.6	113	\$6,106
Carroll	Jun	190.3	94.1	103	\$6,000
Carroll	Jun	74.5	95.0	111	\$6,521
Jo Daviess	Mar	56.0	85.8	109	\$6,000
Jo Daviess	Jun	228.0	84.0	113	\$6,500
Jo Daviess	Jun	119.7	86.4	113	\$6,473
Lee	Jan	121.9	95.4	116	\$5,100
Lee	Apr	172.4	86.7	116	\$5,220
Lee	Nov	60.0	87.5	115	\$6,000
Lee	Mar	118.7	96.7	106	\$5,750
Ogle	Mar	93.9	91.8	116	\$5,625
Stephenson	Dec	99.5	96.6	112	\$6,700
Stephenson	Dec	95.8	91.3	104	\$5,700
Stephenson	Mar	158.6	94.8	110	\$5,676
Stephenson	Nov	79.9	93.0	113	\$6,507
Stephenson	Oct	41.9	85.0	115	\$6,127
Winnebago	Sep	409.3	94.0	114	\$6,699

## Fair Productivity Tracts

Fair productivity tracts in this portion of the state tend to fall mostly on the western side of the region and are in two different categories. The northwest portion of the region tends to be rolling and sloping hills of predominately timber soils, which are subject to erosion. The southwest part tends to be a mixture of sandier soils, river bottoms and rolling hills. These soils tend to be below average to fair soils, with productivity indexes below 100, rolling to sloping topography, large amounts of waste acres and are located in areas with diminished access to grain markets and linkage routes. A minimal number of 2011 sales were available in Region 2 that would be classified as Fair productivity tracts. Much of this type of land in the northwest portion had previously been purchased by buyers from the eastern portion of the state for recreational uses and as building sites for weekend homes. This demand has subsided considerably and most fair tracts are now marketed with a focus on the agricultural buyer. Fair quality land has provided a means for smaller operators and beginning farmers to enter the market and/or expand their operation. The sales price indicated a wide range from \$3,700 to \$6,000 with a median sale price of \$4,874. The median sale price increased about 35 percent over 2010 levels, however this increase is based on a very limited of sales that fall into this category, could easily be skewed.

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County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henry	Feb	86.3	93.2	92	\$3,700
Mercer & Rock Island	Nov	55.8	80.0	97	\$4,450
Whiteside	Mar	87.3	89.6	98	\$5,298
Winnebago	Oct	40.1	93.2	95	\$6,000

## Recreational Tracts

Recreational tracts in Region 2 have continued to struggle and have been the hardest hit land segment, aside from transitional land. This market relies heavily upon buyers from the eastern portion of the state. Supply of recreational land still significantly exceeds market demand. A database search of recreational tracts in region 2 revealed about 1,600 acres of recreational land sold in 2011 as compared to 1,400 acres in 2010, 1,700 acres of recreational land in 2009 and to almost 3,000 acres sold in 2008. 2008 seems to have been the high point in the recreational market in terms of price/acre and quantity of land sold. Since that time recreational transactions have almost been halved in quantity. Listing and sales prices have been reduced significantly. Recreational values vary widely depending upon location and attributes, with a median value of \$4,263 on

the 2011 sales in Region 2. The northwestern portion of Jo Daviess County seems to have some of the higher selling sales, which is most likely a reflection of the name recognition of Jo Daviess County by Chicago-land buyers, and its close proximity to the shopping and entertainment located in Galena and East Dubuque, Illinois and Dubuque, Iowa. Historically, a significant portion of the recreational market has been driven by buyers who plan to build a weekend house on the property along with the use of the land for recreational pursuits. Sales that were purchased at higher values were those tracts that were certified timber and under management programs or located in the north-west portion of Jo Daviess County.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bureau	Apr	19.6	0.0	0.0	\$3,880
Bureau	Jun	36.0	0.0	0.0	\$3,900
Bureau	Oct	64.1	38.0	119.0	\$3,300
Mercer	July	64.9	31.7	120.0	\$2,365
Carroll	May	40.0	57.0	n/a	\$4,300
Jo Daviess	Oct	129.6	35.8	n/a	\$4,004
Jo Daviess	Mar	196.9	24.9	108.0	\$4,317
Jo Daviess	May	165.8	n/a	n/a	\$4,263
Ogle	Aug	120.0	35.9	123.0	\$4,750
Carroll	Sep	43.8	46.3	102.0	\$4,279
Carroll	Dec	60.6	38.8		\$4,732



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## Lease Trends

More landlords and tenants in Region 2 are going to variable cash rent. The variable cash rents will deal with how well the farm yields and markets level to determine how much the tenant pays. The northern portion of Region 2 has been slower to convert to variable leases; however their popularity has been increasing. A vast majority of the rents in the northern portion of Region 2 are still typical cash rents with a length of term from one to three years. However, some cash rental tenants are opting to include bonus payments to landlords, such as a percentage of net or gross receipts, or as discretionary additional payments by the farmer for future renting privileges. Some of the variable rents observed are structured with a base rent plus an additional percentage paid on net or gross income of the farm. One other variable rent observed in this area was structured with a base rent plus a percentage of gross income after the tenant realized a predetermined profit level. Although variable leases can provide the most amicable structure for farm leases, great care must be taken by both the landlord and tenant for detailed guidelines of record keeping, input purchases, and how and when commodity prices are set.

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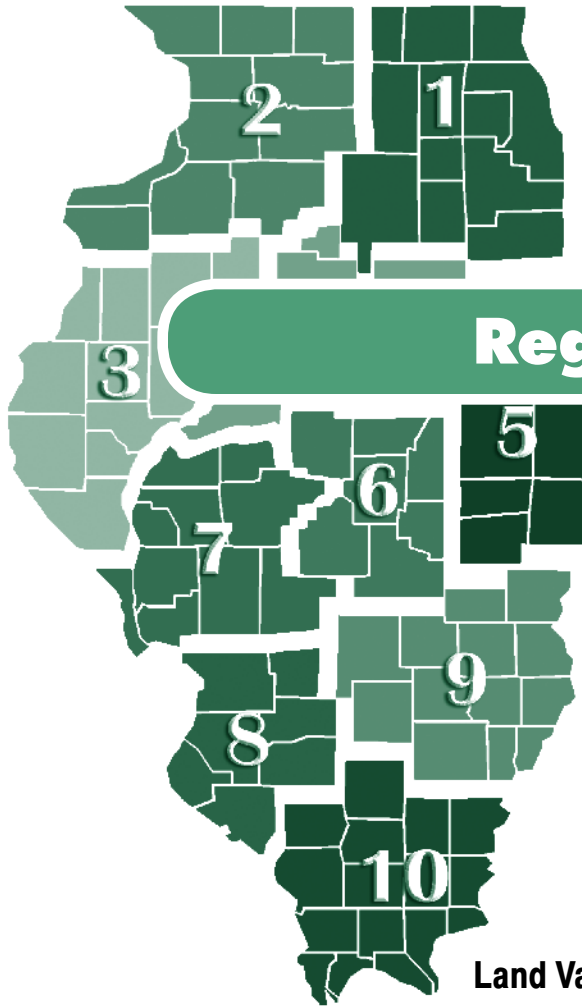
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## Region 2 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2011	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	280	305	350	1-3 yrs	425	87	10	3	
Good Productivity	245	270	295	1-3 yrs	325	87	10	3	
Average Productivity	195	225	255	1-3 yrs	275	87	10	3	
Fair Productivity	170	210	220	1-3 yrs	225	87	10	3	
Pasture	35	45	65	1-3 yrs	50	87	10	3	



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1<sup>st</sup> Farm Credit Services, Macomb, IL

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent	\$8,500-\$11,000	Up 25%	Down 50%	\$250-\$400	Steady	\$275-\$400
Good	\$6,000-\$9,000	Up 35%	Down 25%	\$250-\$350	Steady	\$250-\$350
Average	\$4,000-\$6,000	Up 25%	Down 25%	\$200-\$250	Steady	\$150-\$250
Fair			Very limited			
Recreational Land	\$2,700-\$3,300	Up 10%	Up 20%	\$25-\$50	Steady	\$25-\$50

**A**nd the rest of the story is??? That question is important in the rapid increases of land prices in 2011. Price has always been part of the story. The definition of “Market Value” includes six criteria. One of those criteria is that neither the seller nor the BUYER is under undue influence. Does a buyer have undue influence if the buyer owns 400 acres in the section and is the adjoining land owner on one, two or even three sides of an 80 acre tract selling at auction?

The sales in this region are sorted based upon percentage tillable acreage. Sorting in this manner presents a grid where the higher prices per acre tend to be at the top of the grid and the lower prices tend to be at the lower end of the grid. The price per tilled acre is not presented in this table.

However, with the excellent quality farms, the price per tilled acre would indicate, that the waterways and small areas of wooded land have little contribution. The trend changes with the less productive land classes. Prime farm land has a high indicator of \$14,000 on a 41 acre tract of land that is all tilled soils. The lower sales in the grid come mostly from the spring. There are some lower indications of value that have shown up in the fall market. There are often lower rated soils along and in the proximity of the waterways and ditches due to higher rates of sheet and gully erosion in these parts of the fields.

The decrease in grain prices has already reminded many farmers that what goes up, can come down.

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### Excellent Productivity Tracts

The prime farmland prices are up by a slightly lower percentage than the good quality land sales. This is typical of an upward market as the buyers are willing to accept the land that is available. Farm managers for institutional buyers want the best land because it is the most liquid in a down market. The inverse works during the up market. While a good number of sales are presented there is demand for much more in the current market.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Hancock	Sep	41	100	145	\$14,000
Hancock	Mar	84	100	145	\$11,300
Warren	Sep	31	100	145	\$10,500
Schuyler	Sep	80	100	140	\$10,300
Henderson	Nov	75	100	146	\$10,200
Warren	Mar	94	100	141	\$9,900
Stark	Feb	32	100	143	\$9,643
Henderson	Jan	55	100	134	\$8,850
Brown	Mar	42	100	135	\$8,132
Schuyler	Sep	12	98	139	\$12,000
Stark	Nov	38	98	139	\$11,750
McDonough	Sep	79	98	141	\$10,800
Hancock	Mar	85	98	141	\$10,500
Stark	Feb	40	98	144	\$10,000
Warren	Feb	90	98	141	\$8,500
Adams	Jun	52	97	137	\$13,200
Knox	Jan	35	97	135	\$9,350
McDonough	Nov	130	96	142	\$10,500
Warren	Aug	160	96	142	\$8,764
Knox	Sep	75	96	134	\$8,700
Peoria	Apr	81	95	142	\$9,753
Knox	Aug	146	94	141	\$10,288
McDonough	Mar	112	94	141	\$10,000
Warren	Mar	160	94	142	\$9,400
Knox	Apr	80	94	140	\$9,025
Schuyler	Nov	79	92	137	\$8,800
Peoria	Feb	80	91	136	\$8,582

### Good Productivity Tracts

The market was strong for good quality land in 2011. This is the part of the market where many smaller farmers felt they could afford to buy land. There are a few sales in this

category that rival the prime land prices. While the price per deeded acre and the price per tilled acre tend to be lower than the Prime classification of farms, the price per productivity index is about as strong, and in some cases even higher. This group of sales begins to demonstrate that wooded areas in farms can have significant contributions to the market prices.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Adams	Nov	83	100	129	\$10,400
Knox	Nov	20	100	126	\$8,989
Hancock	Nov	81	100	130	\$8,600
Henderson	Jan	79	98	126	\$7,600
Fulton	Feb	120	98	129	\$7,300
Schuyler	Feb	75	97	130	\$7,950
Hancock	Aug	59	96	131	\$8,200
Stark	Nov	82	95	132	\$8,775
Adams	Mar	161	95	132	\$7,120
Peoria	Sep	80	93	126	\$7,265
Schuyler	Jan	74	92	119	\$10,500
Warren	Mar	80	92	128	\$8,100
Knox	Mar	194	92	127	\$6,752
Fulton	Mar	31	90	126	\$7,100
Adams	Jan	75	88	131	\$7,000
Peoria	Feb	43	87	127	\$8,000
Schuyler	Mar	80	85	119	\$6,039
Knox	Nov	32	84	118	\$7,300
Schuyler	Nov	41	82	132	\$6,800
Knox	July	153	82	119	\$4,902
Brown	Sep	137	80	117	\$5,600

### Average Productivity Tracts

The average quality group of sales is pretty short this year. These farms follow the same comments as the good classification. The buyers in this group end to be neighbors and adjoining owners. The merger of some of these sales with prior owned land improved the farm ability of both farms. The price per deeded acre and the price per tilled acre are lower than the superior quality land. However, the price for productivity matches up with the higher quality productivity.

Prior to 2008, many of these farms were being classified as recreational sales in this region. The slower demand in the recreational market is allowing the farmers to buy these farms in the current market.



County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Brown	Nov	86	93	116	\$5,100
Stark	Oct	80	89	112	\$6,100
Fulton	Aug	154	86	116	\$6,535
Knox	July	153	82	119	\$4,902
McDonough	Oct	52	78	114	\$5,390
Knox	Nov	47	77	116	\$4,750
Henderson	Aug	64	77	108	\$4,050
Adams	Aug	107	71	105	\$4,000
Fulton	Jan	160	63	115	\$3,950
Brown	Nov	54	63	113	\$4,250
Brown	Aug	46	56	107	\$4,200

## Fair Productivity Tracts

There are very few fair quality farms in this region that do not fit into the recreational land market. The recreational land market has shown some strength in 2011. The sellers have to be patient and employ good marketing techniques to find the buyers who will pay good prices for the better quality of recreational land. The owners have shown a good willingness to hold the ownership of the recreational land in the area.

## Recreational Tracts

The recreational land market is showing some strength. This market is dependent upon buyers who believe they have the discretionary cash to invest in a property that will provide very little cash return. The broker assisted sales are on the top of this market. There is a wide range in the prices achieved from auction sales. The recreational land trading companies that called themselves "outfitters" are mostly gone from the market.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Schuyler	Mar	80	45	100	\$3,000
McDonough	Feb	163	36	111	\$2,999
Knox	Nov	94	35	105	\$3,000
Knox	Aug	45	34	123	\$3,222
Pike	Jan	275	31	110	\$2,250
Schuyler	Sep	158	29	112	\$2,400
Warren	Mar	34	28	102	\$2,600
McDonough	Jan	71	27	119	\$3,500
Knox	Jun	41	27	109	\$3,457
Henderson	Nov	77	26	105	\$2,650
Hancock	Apr	80	24	112	\$2,100
McDonough	Aug	97	11	0	\$3,300
Brown	May	66	6	117	\$2,881
Brown	May	40	0	0	\$2,800
Fulton	Feb	46	0	0	\$2,100
Hancock	Nov	140	0	0	\$2,750



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## River Bottom Land Tracts

The river-bottom sales are an outstanding part of the story of sale prices in 2011. This group of sales includes some sales that as high or higher than prime land. "The rest of the story" includes the location of the land south of Quincy.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Schuyler	Sep	119	100	130	\$10,750
Pike	Nov	134	100	130	\$13,250
Adams	Oct	81	100	129	\$12,000
Adams	Oct	55	100	129	\$15,000
Adams	Nov	51	89	134	\$7,900
Knox	Nov	149	85	124	\$5,600
Pike	Apr	40	48	104	\$3,800

## Lease Trends

There are a lot of landlords and farm managers who were slow to raise cash rents the past couple of years that are playing catch up this past year. The market for cash rent does not appear to be increasing near the same rate as land values. There are a hand full of rented farms where the tenant rejected the increased rental demands of landlords or farm managers. The terms under which the next tenant rents the farm are frequently difficult to learn.

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The more significant change over the past several years is the acceptance of flex or variable rental terms. There are a very high percentage of rental agreements that have a wide variation of some sort of flex rent clauses. The quoted cash rents have quite frequently become only the base rent component of a more complex rental agreement.



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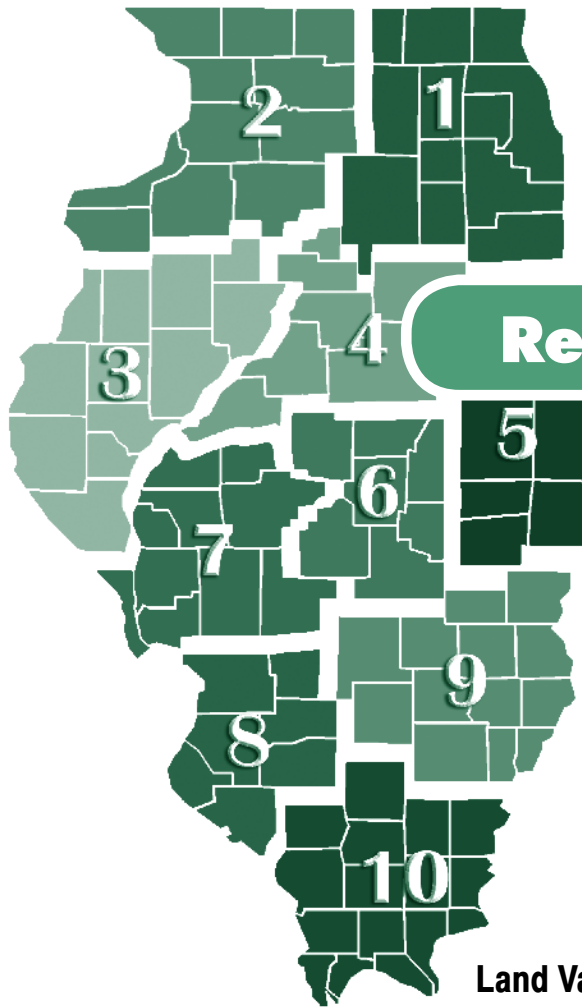
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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent	\$10,200-\$11,000	33%	Steady to Higher 10-15%	\$325	Up 20-30%	\$340
Good	\$7,900-\$10,000	28%	Steady to Higher 15-20%	\$270	Up 20-30%	\$285
Average	\$6,500-\$7,500	27%	Higher 25-30%	Variable based upon presence of irrigation		
Fair	Insufficient data					
Recreational Land	\$3,000-\$4,500	0%	Down 10%	Highly dependent upon use		
Transitional Tracts	Insufficient data					
Other Sales	See report for details		No farms with operating turbines sold in 2011			

**R**egion 4 holds a variety of soils, crops and location influences, which can lead to great ranges in value from one end of the region to the other. The northern portion of Marshall, Putnam and Livingston Counties have been heavily influenced by the 1031 tax-deferred exchange buyers coming from the collar counties of Region 1 in the past. While fewer 1031 tax-deferred exchanges are impacting purchases, the revenue stream from those investments are resulting in “reinvestment dollars” being poured into additional farmland purchases in the region. The center of the region has some impact from the growing communities of Bloomington, Morton and Pekin. The southwestern portion of the region tends to be most influenced by the general agricultural economy and has historically been very tightly held. This positively impacts

farmland values in that area of the region. Opportunities for farmer buyers to expand seed corn production acres under irrigation led to some very high land sales in Mason and Tazewell Counties this year. The entire area benefits from excellent grain market outlets as the Illinois River and rail terminals influence the northern and western portions of the area while ethanol and soy processing plants are located throughout the region. End-users like ADM, Cargill, Solae and Aventine all exist in Region 4.

This area also contains abundant wind energy opportunities as some of the “best wind” at 50-80 meters high exists in this region of the state. Existing electrical grid infrastructure continues to be upgraded to handle future capacity. As a result, many projects were being explored in

this region. However, with the lack of federal funding and the changes in the Illinois Commerce Commission rules on green energy sources for the state of Illinois, many projects have been slowed considerably.

The year 2011 started out with fireworks early in Region 4. The first farmland sale over \$10,000 per acre in Region 4 was made on February 15th, north of Bloomington/Normal at 10,150 per acre. It was followed closely thereafter with another auction sale on March 8th at \$11,520 per acre west of Bloomington. High grain prices and respectable 2011 production kept the northern and western part of Region 4 strong throughout the year. After uncertainty through the summer, grain prices started to pick up in August and peaked shortly thereafter as it became evident the corn crop was not as large as earlier estimates/crop conditions had derived. This increase in the grain prices, combined with historically low interest rates and continued worldwide demand for commodities, in general, made farmland a "desired safe-haven asset". Alternative investments that typically carry low asset price volatility saw their dividend/yields drop further, making farmland look even more attractive. While inflation is not a part of the near time horizon, many long-term investors are thinking about the way our general economy may work its way out of the current condition, and how farmland's historical record as a good "hedge" against inflation might benefit from such ownership.

Activity varied by county in Region 4. Marshall, Livingston and Mason Counties all saw increases in auctions and land offered for sale during 2011, while McLean, Tazewell and Woodford counties all had relatively the same or fewer transactions than 2010. Most of the farmland transactions occurred in the final one-third of the calendar year. The areas having transitional land and the values associated reflecting any change have shrunk back to land adjacent to existing development. No measurable sales in the region resulted in a transitional value being added to the agricultural values. Cash rents began climbing before the 2011 crop was planted and continued higher into 2012 as landowners searched for ways to lock in a portion of the profits being generated by farmers. Some farmers were eager to sign new leases and discuss making 2012 crop sales to lock in profits early while others looked at the higher 2012 cash rental rates as a way to reward landowners for the past success in 2011.

### Excellent Productivity Tracts

Excellent productivity farmland led the way to new price levels in 2011. Bare farmland values climbed steadily higher, and picked up the rate of change into summer and remained strong through year-end. Sellers who brought publicly advertised, high quality, high percentage tillable tracts to the market saw record high prices throughout Region 4, often receiving over \$10,000 per acre with multiple



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McLean	Oct	149.7	99.0	139.2	\$11,250
Woodford	Nov	160.0	95.6	137.0	\$9,767
Livingston	Nov	156.8	94.8	134.6	\$8,600
Tazewell	Nov	150.9	99.1	140.9	\$12,500
Tazewell	Nov	120.0	99.2	142.0	\$11,250
McLean	Nov	50.2	99.2	139.2	\$11,900

## Good Productivity Tracts

A large percentage of the soils throughout Region 4 fall into this land class. While this land class will typically respond well to high management, these properties often have some less attractive feature such as a lower percentage of tillable acres, more slope, or slightly tighter subsoils than the Excellent soil quality farms. As a result, investors can often find their "best buys" for cash returns in this land class throughout Region 4. We found this land class had a greater supply offered to market in 2011 versus previous years, but it was met with adequate demand, especially in the last half of the year. By year end the typical price paid per soil productivity index per tillable acre was running in the upper 60s to mid 70s. The highest prices paid for this land class in 2011 occurred at auctions, with some reaching as high as \$10,000 per acre on farms with a higher percentage tillable and nearly level topography in Livingston County and \$11,000 per acre in Mason County where the possibility of seed corn production existed under irrigation. You will notice a large price disparity in this land class

sales breaking the \$11,000 per acre barrier for the first time in history. The tight supply in this land class best met demand with auction sales or listings that came to the market after a recent area auction. Early-year privately negotiated sales typically lagged auction values. As the year moved along, only a few transactions offered the opportunity to purchase more than 160 acres at a time. This fact led to very well attended auctions by both farmers and investors with both being very competitive throughout the region. By November and December it was very typical high sale price in the mid- 70s to upper 80s per soil productivity index point figure at auction. As supplies tighten, buyers seem to worry less about a leased farm than in the past - many looking past a one year commitment and toward the long term value of the investment.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
McLean	Feb	134.9	97.3	140.3	\$10,150
McLean	Mar	36.5	98.5	140.6	\$11,519
McLean	Apr	646.8	98.7	139.0	\$10,181
Woodford	May	120.0	97.5	142.1	\$10,000
McLean	Jun	77.3	99.3	138.5	\$10,500
Tazewell	Sep	100.0	95.4	141.0	\$11,400
McLean	Sep	40.0	100.0	136.4	\$10,000
Marshall	Sep	81.0	94.9	140.9	\$9,700
McLean	Sep	104.3	98.0	141.0	\$10,600
Mason	Oct	40.0	99.0	137.0	\$10,750

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between the higher productive soils with a higher percentage tillable versus the farms in this class at the lower end of the soil productivity range and lower percentage of tillable acres. Whether the “top end prices” being paid for these soils will continue in 2012 will depend heavily on grain prices, potential crop use and the supply of farmland available in the overall marketplace.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Livingston	Jan	65.0	98.0	128.3	\$9,200
Livingston	Feb	69.7	92.1	130.5	\$8,150
Mason	Jun	364.0	96.2	126.1	\$11,016
Livingston	Jul	80.0	99.0	130.3	\$9,125
Woodford	Aug	565.0	96.2	128.4	\$8,673
Mason	Sep	224.2	98.4	121.0	\$11,151
Mason	Oct	110.0	93.0	135.0	\$7,250
Livingston	Oct	115.0	97.9	128.7	\$9,000
McLean	Oct	164.7	92.6	133.5	\$9,400
Livingston	Nov	80.0	97.4	127.9	\$9,000
Livingston	Nov	80.0	100.0	127.4	\$9,750
Livingston	Nov	80.0	96.3	129.6	\$9,500
Marshall	Dec	77.5	97.4	129.1	\$9,300

### Average Productivity Tracts

This year produced more sales than we typically see in the average soils land class throughout Region 4. Most of

these soils are found along the Illinois River area in Tazewell and Mason County or north of Pontiac in Livingston County. Most “dry land” sales occurred in the \$6,500-7,500 per acre range. Higher priced sales in this land class typically included some center pivot irrigation of the sandier soils south of Pekin in Tazewell and Mason Counties. One such auction occurred in mid-December where a farm that was set up for seed corn production with a center pivot irrigation system was auctioned, with several farmers or bidders. The final sales price was \$13,000 per acre, purchased by a farmer. While the soil is of lower quality, the irrigated acres can be very profitable for growing seed corn, or other specialty crops making the land twice as valuable as it would be without the ability to irrigate the land.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
McLean	Mar	35.0	100.0	116.0	\$6,500
Mason	Aug	39.7	87.3	110.5	\$7,250
Mason	Aug	147.9	98.5	104.7	\$6,600
Livingston	Sep	80.0	98.4	116.0	\$7,150
Livingston	Nov	80.0	94.4	114.1	\$7,500
McLean	Nov	117.9	99.3	117.0	\$8,600
Mason	Nov	80.0	99.0	115.8	\$6,750
Mason	Nov	35.9	96.8	106.0	\$6,600
Tazewell	Nov	160.0	98.5	110.6	\$13,000

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## Recreational Tracts

Recreational land sales in Region 4 have dwindled substantially from previous years. Lack of buyer interest has found some softening in certain areas, but other upland, hardwood timber remains steady in a price range of 3,000-4,000 per acre for most tracts. The strongest areas tend to be those within a 20 minute drive of the urban populated areas, such as Peoria, Bloomington and Morton. 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 tract, size of timber and location played a large role, as well. We estimated values similar to 2010 due to the minimal number of parcels for sale. This land class can best be described as “soft” in the current market, especially if the tract size is larger than 80 acres or use does not conform with the local area.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Woodford	Mar	40.0	0.0	0.0	\$4,000
McLean	Mar	143.0	77.6	133.0	\$6,469
McLean	Aug	42.0	0.0	0.0	\$5,898
Mason	June	54.0	54.1	80.5	\$4,815
Mason	Aug	98.0	20.4	92.7	\$1,100
Marshall	Nov	154.0	39.0	118.4	\$3,125
Woodford	Nov	26.4	0.0	0.0	\$2,900
Woodford	Nov	29.8	0.0	0.0	\$2,300

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## Wind Turbine Influenced Tracts

Wind energy has been an important influence on significant portions of the future Region 4 land values. No arms-length transactions of farmland with operating turbines occurred in 2011. Because several farms have signed up options for potential projects, we continue to track those sales to see if there is any significant difference between those tracts and “farmland only” sales. In 2011 we saw no significant difference. Much of this is due, in part, to the fact that several projects have been temporarily put on hold. Alternative energy pricing and federal support has decreased during the current economic environment.

The benefits, disadvantages, risks and rewards of wind energy development is being debated by several Illinois communities at this time. Acquiring electrical line capacity and power purchase agreements that are profitable for both the developer and the utility involved is playing a critical role in which projects move forward. The availability of credit and investment capital will also impact the speed of construction. We look forward to reporting more on this area of our land values in next year’s summary.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Livingston	Jun	81.1	97.9	138.9	\$10,000
Livingston	Jun	78.2	99.9	138.9	\$8,500
Livingston	Jun	34.9	99.4	136.3	\$9,000
McLean	Jul	80.0	98.2	135.6	\$9,000
Livingston	Jun	92.8	97.1	115.2	\$7,800

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## Lease Trends

There are as many different forms of variable cash rent leases existing in Region 4 as there are farm managers. Most involve some method of setting a base cash rent and then a bonus clause percentage value depending on the crop, participation of farm programs, federal crop insurance APH, actual yields and grain prices. Managers commented that their flexible cash rents paid in 2011 finished extremely strong due to higher average prices and excellent soybean yields.

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Our recommendation is that you contact an accredited member of the ISPFMRA in this region to discuss any specific farm situation. Each landowner's specific goals and objectives can best be met with a tailored farm management plan for their property.

\*Some average productive land, where seed corn or specialty crops are grown, and irrigation exists, have generated very high rental rates on good and average soils in this region. However, the majority of land in this region is operator owned or crop-share leased, where these opportunities exist. As a result, these leases can skew this productivity class because the soils in this class, without irrigation, would not be able to consistently generate the

production revenue to sustain this rental rate. With the irrigation, however, higher rental rates are able to be paid and average substantially more rent per acre, comparable to the excellent productivity soils levels.

Region 4 experienced fairly good growing conditions, overall in 2011. Cash rent trends continue to increase for 2012 as most leases attempt to catch up to the past earnings generated by farms across Region 4. Wide ranges vary between farms as some owners are content with allowing their farm operator to benefit from the recent good times, while others look to adjust the share of returns based upon their asset value or other measures.

## Region 4 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2011	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	250	300	350	1 yr	300	95	5	0	0
Good Productivity	200	250	300	1 yr	280	95	5	0	0
Average Productivity	200	250	275	1 yr	260	100	0	0	0
Fair Productivity	150	180	200	1 yr	190	100	0	0	0
Recreational Land	50	75	100	3 yrs	80	N/A	N/A	N/A	N/A



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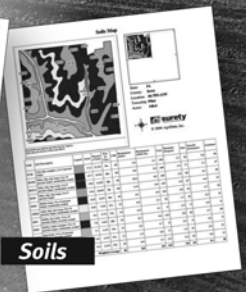
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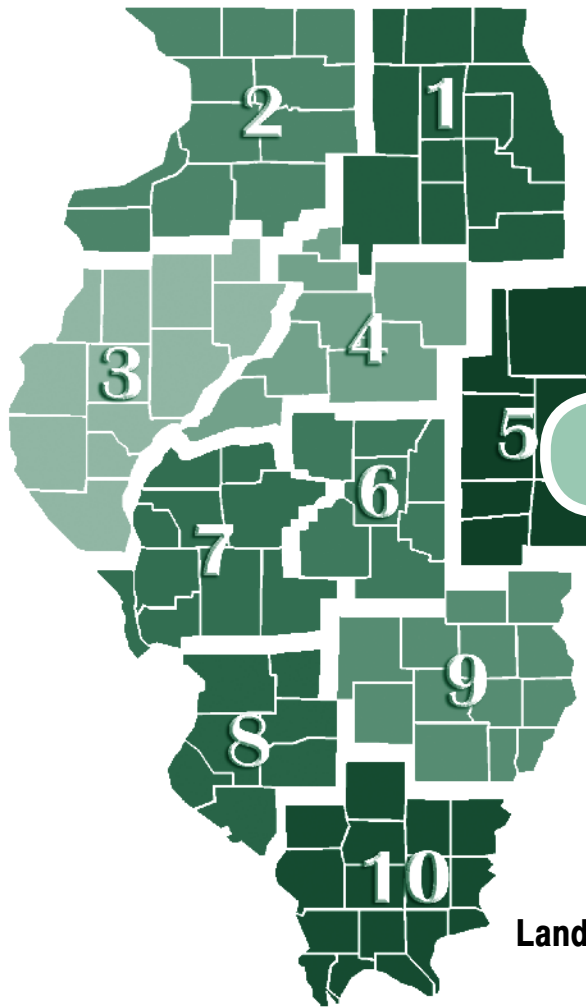


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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in/Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent	\$8,500-\$11,000	Up 25%-35%	Steady	\$350-\$400	20%-25% Higher	\$375-\$400
Good	\$7,000-\$8,500	Up 15%-20%	Steady	\$275-\$325	15%-20% Higher	\$300-\$325
Average	\$4,500-\$7,000	Up 35%-45%	Steady	\$225-\$300	15%-20% Higher	\$275-\$300
Fair	\$3,500-\$5,000	Up 15%-20%	Too little data	Too little data	Too little data	Too little data
Recreational Land	\$3,500-\$4,500	Up 20%-25%	No data	No data	No data	No data
Transitional Tracts	No data	No data	No data	No data	No data	No data
Other Sales	No data	No data	No data	No data	No data	No data

The surging land market that developed in 2010 became an even stronger market in 2011. Farmers were the major driver of land prices in 2011, although investors were still a large part of the total buyers in Region 5. These investors with lots of cash were still present in the market, but farmers were very competitive and the most aggressive buyers in this region during this past year. Following up a very good year in 2010, coupled with strong commodity prices and farm incomes in 2011, land buyers continued to seek land to purchase and were very aggressive on the land that became available to the market. The nationwide economic downturn and an uncertain forecast of where to safely invest their funds led many potential sellers to hold on to their land and try to increase their earnings from that land. The supply of available prop-

erties for sale was average during the last six months of the year. Land sales prices continued to go up during the entire 2011 marketing year. This demand was mainly from farmers who were realizing the improved farm earnings of the four previous years, and who were anticipating commodity prices for 2011 to stay at these levels.

All categories of row-crop land experienced increases in sales prices. While the market was already at all-time highs at the beginning of the year, these prices went up dramatically by 20 to 30 percent, or more, as we went through 2011 the use of land auctions continued to be a larger factor in the marketing process in 2011. Auctions were used to put buyers in a competitive bidding situation with each other. This produced "new highs" on sales prices

many times in this region. Some farms were still being sold privately and exchanged as well. However, in many instances, the higher priced sales were realized on properties sold at auction. This resulted in a fairly volatile land market, with diverse prices being paid over a relatively short period of time. In some instances farms with similar soils, productivity, and topography were selling for substantially different prices. Some of the higher land prices were the result of this competitive bidding by adjacent farmers and adjacent or area landowners, who had money to invest, with not much land being available to purchase in their particular area. Farmers also continued to bring in their current landlords and other absentee investors to the market. These landowners had already formed an agreement to allow these tenants to farm the land once it had been purchased, if they were able to get it purchased.

Because of the economy, investors still favored land for several reasons. Farmland is in a very strong earnings position, with excellent rental income resulting from high commodity prices, and the safety of a 20-year history of very positive appreciation of land values. Because of the high production capabilities of land in this region and the more rural nature of the area, it has always been a highly pursued area in which to purchase farmland. This region has some of the state's highest yielding farms. This production has been converted into some of the stronger cash rents and farm incomes over the course of time and especially

over the last few years. It is an area in which farmland prices are largely based on the land's production capabilities and not on its transitional location leading to some future commercial or residential expansion use. This factor seemed to increase the desire of many buyers to put their money in land during this investment time period. It was still difficult to find farms to buy during 2011. It is apparent that land still enjoys a "favored asset" status over most other investments at this time. With an uncertain economic climate and interest rates at a very low level, land has become one of the best places to invest cash in 2011.

Cash rents in the Eastern Region were also getting stronger, as landowners, farm managers, and farm tenants negotiated new leases for the 2011 crop year. Cash rent values have been increasing substantially over the past three or four years. Because of strong commodity prices and improved profitability of the past few years, farmers tended to be very aggressive in 2011 to lease additional land to farm. As farm managers, landowners and exchange buyers received more information about cash rents being paid in Region 5, there was a tendency for them to competitively move towards higher cash rent values. In some cases these cash rent leases were substantially higher. Differences in individual farm cost structures, and financial status in their own farming operations were the deciding factors in the level of cash rent a farmer was willing to pay in this current environment.

In addition to cash rent leases, there were still a good number of crop share leases, crop share leases with supplemental cash rent payments, variable cash rent leases and even some custom operation agreements in force in the Eastern Region. The cash rent lease and the variable cash rent lease continued to be the dominant lease types used in 2011. However, there appears to be a push towards variable cash rent leases being developed and implemented in this region.

### Excellent Productivity Tracts


Sales prices for these types of properties were generally in the \$8,500 to \$11,000 per acre price range, although there were some scattered sales above that range. These prices set all-time highs for farm properties. Sales prices varied in all counties based on the quality of the farm and location (physical location as well as buyers' preferences). There was a steady supply of Class A farm properties throughout the year. Our national economy still showed major problems, which had been developing over the past 24 months. Foreign economies were also making national headlines with financial problems, which also began to affect each seller's consideration for where to invest excess funds. Interest rates were reaching historically low levels in 2011.

In addition, traditional alternative investments were not rebounding or performing at a pace to give potential sellers any alternate place to invest with any confidence. Land-

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owners were hesitant to put farms on the market in this uncertain economic climate. There was no competitive place to invest the sales proceeds which were considered to be as safe or as profitable as their farm investment. Competitive bidding for the land sales that did occur took farm sales prices to new levels throughout the year. It was a very aggressive market. Some farms with similar soils and locations in a given community sold at very different prices, depending on the method of selling and what kind of buyers were in the market at that time. Many of these farms, which were most often sold at auctions, set new sales price levels throughout 2011. Estates and multi-owner properties made up a large supply of farms on the market. However, absentee owners who were watching the increases in the sales prices were also a growing factor, especially as we worked through the last half of 2011.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jan	30.8	96	135.5	\$6,504
Champaign	Jan	20.9	99	136.7	\$7,800
Champaign	Feb	25.0	70	140.2	\$4,080
Champaign	Feb	40.0	99	133.0	\$7,000
Champaign	Feb	66.0	97	143.9	\$6,500
Champaign	Feb	27.6	99	143.0	\$5,985
Champaign	Feb	40.0	99	143.7	\$6,415
Champaign	Mar	40.0	98	135.6	\$7,500
Champaign	Mar	77.0	98	143.3	\$7,500
Champaign	Mar	99.5	98	143.0	\$8,040
Champaign	Mar	80.0	98	144.0	\$8,750
Champaign	Mar	38.8	99	143.2	\$7,500
Champaign	Apr	55.0	99	139.1	\$7,000
Champaign	Apr	136.0	99	134.2	\$7,506
Champaign	Apr	40.0	100	144.0	\$8,500
Champaign	May	80.0	99	144.0	\$11,700
Champaign	May	77.5	99	143.3	\$12,900
Champaign	May	40.0	98	141.6	\$6,875
Champaign	Jun	20.0	99	141.8	\$8,700
Champaign	Jun	84.8	70	135.4	\$3,243
Champaign	Jun	80.0	98	144.0	\$11,563
Champaign	Jun	40.6	99	144.0	\$8,570
Champaign	Jun	80.0	95	139.0	\$10,200
Champaign	Jul	238.3	93	135.0	\$8,721
Champaign	Jun	108.7	99	143.9	\$13,500
Champaign	Jul	97.5	97	139.6	\$11,400
Champaign	Aug	123.0	93	142.3	\$10,944
Champaign	Aug	40.0	99	140.6	\$11,300
Champaign	Aug	26.0	99	143.8	\$7,250
Champaign	Sep	26.4	98	137.7	\$10,100
Champaign	Sep	80.0	99	134.1	\$8,000
Champaign	Sep	38.6	98	143.3	\$11,399
Champaign	Sep	112.8	98	142.6	\$11,800
Champaign	Nov	37.5	96	139.7	\$10,200
Champaign	Nov	40.0	97	142.7	\$9,000
Champaign	Nov	33.0	100	141.2	\$8,800
Champaign	Dec	61.3	98	139.9	\$10,600
Champaign	Dec	200.0	97	142.5	\$10,700
Champaign	Dec	154.2	98	143.7	\$10,750
Champaign	Dec	40.0	85	143.7	\$9,625
Coles	Jan	40.0	96	137.8	\$8,400
Coles	Jan	65.0	97	138.8	\$8,692
Coles	Jan	79.7	99	144.0	\$8,135

Coles	Jan	50.0	99	144.0	\$8,550
Coles	May	40.0	94	138.5	\$8,050
Coles	Jul	80.0	95	133.9	\$10,000
Coles	Sep	79.5	99	136.8	\$7,761
Coles	Oct	132.4	96	134.0	\$8,300
Coles	Nov	80.0	95	137.0	\$7,500
Coles	Nov	129.5	98	141.5	\$9,807
Douglas	Mar	84.0	99	140.7	\$8,750
Douglas	Mar	78.9	99	139.6	\$8,750
Douglas	Apr	57.0	100	140.2	\$7,500
Douglas	Apr	30.0	100	140.4	\$9,500
Douglas	May	80.0	98	139.6	\$8,750
Douglas	May	80.0	99	142.3	\$8,158
Douglas	May	188.3	99	139.6	\$8,902
Douglas	Jun	120.0	97	139.5	\$9,800
Douglas	Jun	119.9	97	139.5	\$10,103
Douglas	Aug	67.2	97	137.0	\$7,300
Douglas	Aug	52.1	100	140.2	\$7,500
Douglas	Aug	237.5	99	139.1	\$8,145
Douglas	Aug	58.2	100	139.4	\$8,475
Douglas	Sep	60.0	99	140.4	\$8,716
Douglas	Nov	40.0	97	143.3	\$9,100
Douglas	Dec	165.3	98	138.5	\$9,700
Edgar	Feb	221.0	99	141.0	\$7,692
Edgar	Mar	35.9	100	143.4	\$6,850
Edgar	Apr	108.0	99	143.6	\$8,158
Edgar	Sep	371.1	96	136.7	\$7,500
Edgar	Nov	38.0	97	142.6	\$9,300
Ford	Apr	60.0	98	136.0	\$8,200
Ford	May	74.0	98	138.0	\$10,000
Ford	Aug	78.9	91	136.0	\$8,800
Ford	Nov	80.0	99	142.4	\$10,450
Iroquois	Jan	80.0	94	134.4	\$6,000
Iroquois	Apr	90.1	99	133.2	\$8,981
Vermilion	Jan	120.0	99	144.0	\$6,700
Vermilion	Jan	20.0	98	144.0	\$7,600
Vermilion	Feb	158.9	97	139.3	\$6,500
Vermilion	Mar	88.2	95	143.5	\$6,500
Vermilion	Mar	142.1	92	141.8	\$8,991
Vermilion	Apr	33.6	99	136.3	\$8,000
Vermilion	Apr	77.0	99	141.8	\$8,961
Vermilion	Jun	81.0	89	134.0	\$7,600
Vermilion	Jul	50.6	93	133.9	\$9,000
Vermilion	Jul	81.8	96	138.5	\$8,500
Vermilion	Jul	79.3	97	140.9	\$7,500
Vermilion	Sep	50.6	98	134.3	\$8,893
Vermilion	Nov	112.9	89	135.5	\$8,700

## Good Productivity Tracts

Properties rated “Good Productivity” generally sold in the \$7,000 to \$8,500 per acre price range in 2011. Investors find these types of properties attractive for various reasons. First, there is the anticipation for higher cash returns. In addition, a larger number of acres can be acquired with investment dollars than can generally be acquired with excellent-category properties. Many investors and farmers, and a few 1031 exchangers, sought this productivity level because of the limited supply of excellent category farms available this year. Farmers appeared to be the more aggressive buyers for farms in the excellent category. On the other hand, absentee investors appeared to be more ac-

tive buyers in the good quality farms that sold. In many of these sales, these buyers appeared to be more reluctant to pay the premiums that were reflected in sales prices being paid for excellent category land by operating farmers. As a result of the diverse soils across this entire seven-county region, fairly wide variations in sales prices were reported. Because of this difference in the quality of farms in Region 5, there was a limited available supply of these good category farms.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jan	40.0	96	125.1	\$5,000
Champaign	Jan	40.3	94	131.6	\$6,500
Champaign	Feb	80.0	97	124.2	\$6,500
Champaign	Feb	29.0	98	118.9	\$5,993
Champaign	Mar	162.6	40	130.1	\$3,259
Champaign	Apr	150.0	94	121.3	\$6,100
Champaign	May	24.3	100	128.5	\$5,400
Champaign	July	77.5	98	126.3	\$9,100
Champaign	July	46.0	88	125.1	\$11,956
Champaign	July	16.0	98	128.2	\$7,600
Champaign	Oct	40.0	87	124.8	\$8,000
Champaign	Oct	83.5	98	120.1	\$7,975
Champaign	Oct	390.7	98	122.3	\$8,600
Champaign	Oct	106.4	95	123.6	\$8,200
Champaign	Oct	273.0	79	118.0	\$5,250
Champaign	Oct	69.51	97	128.8	\$7,850
Champaign	Nov	70.0	94	121.3	\$7,900
Champaign	Dec	109.7	91	123.9	\$8,400
Champaign	Dec	136.0	99	122.1	\$8,217
Coles	Jul	140.0	96	132.4	\$8,800
Douglas	Apr	78.8	97	130.5	\$7,000
Douglas	Jul	129.1	98	130.7	\$7,500
Edgar	Feb	40.0	96	117.0	\$5,000
Edgar	Feb	28.9	100	128.0	\$7,000
Edgar	Mar	40.0	98	129.6	\$7,500
Edgar	Jun	47.0	98	130.3	\$6,383
Edgar	Sep	233.6	87	130.4	\$6,100
Edgar	Nov	80.0	100	130.6	\$9,000
Edgar	Nov	80.0	97	130.8	\$8,600
Edgar	Nov	60.0	100	132.5	\$9,300
Edgar	Dec	114.2	93	128.1	\$6,800
Ford	Jan	80.0	97	126.9	\$6,800
Ford	Jan	90.9	91	125.1	\$6,875
Ford	Apr	60.0	97	124.2	\$7,450
Ford	Apr	77.5	97	120.7	\$5,224
Ford	May	160.0	96	123.9	\$8,700
Ford	May	54.1	93	121.2	\$5,300
Ford	Aug	80.0	97	126.9	\$8,400
Ford	Sep	32.4	99	125.6	\$7,500
Ford	Sep	40.0	95	123.0	\$7,000
Ford	Oct	80.0	98	130.3	\$9,000
Ford	Oct	77.6	94	124.5	\$7,000
Ford	Dec	118.0	99	125.4	\$7,600
Iroquois	Mar	80.0	97	130.5	\$9,000
Iroquois	Apr	100.0	98	126.3	\$7,158
Iroquois	May	109.3	96	131.6	\$5,750
Iroquois	Aug	160.0	99	131.6	\$7,474
Iroquois	Oct	58.9	88	125.6	\$7,196
Vermilion	Jan	65.0	98	123.9	\$6,650
Vermilion	Jan	76.7	95	124.3	\$5,998
Vermilion	Jan	16.2	100	119.2	\$3,699

Vermilion	Jan	158.0	90	125.6	\$4,430
Vermilion	Feb	110.0	96	130.0	\$5,500
Vermilion	Feb	40.0	94	119.6	\$5,600
Vermilion	Feb	203.6	98	123.7	\$9,100
Vermilion	Mar	70.0	99	126.0	\$6,500
Vermilion	Mar	461.9	83	123.5	\$5,675
Vermilion	Mar	207.8	96	123.7	\$9,100
Vermilion	May	49.5	99	123.9	\$5,650
Vermilion	May	151.5	96	127.7	\$6,000
Vermilion	Jun	80.0	86	123.0	\$5,705
Vermilion	Sep	63.0	95	117.6	\$7,500
Vermilion	Sep	77.5	88	122.7	\$6,900
Vermilion	Oct	79.4	84	122.4	\$5,399
Vermilion	Oct	62.3	96	127.6	\$7,090
Vermilion	Nov	39.0	98	125.3	\$6,800
Vermilion	Nov	39.0	100	125.3	\$6,800
Vermilion	Nov	62.4	95	127.7	\$7,088
Vermilion	Dec	74.0	99	126.3	\$8,300

## Average Productivity Tracts

Sales prices of farms rated as "Average Productivity" generally ranged from \$4,500 to \$7,000 per acre. Most of these sales occurred in the outlying areas of the region. Buyers for these properties were more likely to be neighboring farmers and retired farmers. However, because of the shortage of the top-quality farms available, and the price ranges paid in the higher quality land, investors and farmers were active in this category as well in 2011. As the availability of top-quality properties decreases, the activity in all of the other categories continues to increase. There was a limited supply of these average quality category properties in 2011, as well.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Sep	312.4	98	116.8	\$7,500
Champaign	Nov	39.5	96	113.4	\$8,101
Ford	Jul	307.6	82	107.8	\$4,225
Ford	Oct	80.0	89	111.5	\$5,813
Ford	Nov	120.0	100	116.7	\$6,250
Iroquois	Feb	75.0	100	113.7	\$5,440
Vermilion	Jan	316.6	96	118.4	\$5,054
Vermilion	Feb	40.0	94	118.8	\$5,600
Vermilion	Feb	41.7	92	120.8	\$6,250
Vermilion	Feb	160.0	92	118.9	\$5,375



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## Fair Productivity Tracts

There were only a few sales reported for farms in Region 5 in this fair category, since there is very little land of this quality located in this region. However, of all categories reported in this region, this category did have the largest percentage increases in sale prices. The higher priced farmland, in all the other categories, appears to have had a very positive effect on the prices buyers were willing to pay for the fair category properties. When land of this quality is combined with trees and rougher land, these tracts become more popular with buyers looking for tracts with recreational, residential, or other non-farming uses.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jul	130.4	75	115.9	\$4,998
Champaign	Nov	94.0	48	115.0	\$3,750
Edgar	Mar	103.5	95	114.0	\$4,250
Edgar	Apr	80.0	95	111.9	\$4,150
Vermilion	Feb	40.0	90	113.1	\$4,000
Vermilion	Mar	115.0	63	125.4	\$3,261
Vermilion	Aug	9.8	41	120.7	\$7,641
Vermilion	Dec	94.7	55	119.3	\$3,875

## Recreational Tracts

Demand for recreational properties (woodland, ponds, creeks/rivers, rolling topography, etc.) continues to be slow in 2011 because of the poor economy, and the lack of discretionary income. When funds are tighter, people don't have the excess funds available for these type of properties. There were only a very few recreational sales in Region 5 in 2011. The general supply of this type of property is low in this region, because most of the acreage is in production farms of corn and soybeans. These tracts are found in the more remote areas of region 5, so it makes it difficult to analyze the market for these types of properties. Prices can vary greatly depending on the motivations and knowledge of buyers and sellers. Emotional reasons, rather than strictly earnings or production reasons, coupled with a buyer's financial position and his motivation, create the varied prices shown in the marketplace. The declining economy was still the major factor in reducing the demand for these kinds of properties. There is still cash in the economy, but buyers of recreational land make purchases for these types of properties with excess funds. Buyers were no longer as aggressively seeking vacation properties and hunting properties, because of the economic uncertain-

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ties. For many of these buyers, discretionary cash positions have generally not improved. While the desire to purchase this category of properties is still there, these other factors have taken many of these buyers out of the market at this time. Thus, overall competition for these tracts has not increased in 2011. However, prices for sales in these categories have risen a little, influenced by the increase in overall land prices. These prices have generally ranged from \$3,500 to as high as \$4,500 per acre in the region. These prices can still vary dramatically for such factors as location, scenic features, access, and the potential buyers' available discretionary funds to make this kind of purchase.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Douglas	May	16.5			\$4,691
Edgar	Jan	20.0			\$4,500
Edgar	Jun	60.0			\$3,550

## Transitional Tracts

The overall demand for transitional land was not strong in 2011. The term "transitional land" is used to describe land that is located in an area that could have development potential in the next 5 to 15 years. Most of this land is in the outlying areas of Champaign-Urbana and Danville, or in a smaller radius around some of the less-populated cit-

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ies in the region. This type of land will sell for a premium over the general farmland market. However, there were no transitional land sales recorded by this group in 2011. There wasn't much activity in transitional properties this year because of the economy, the poor business climate in general, and the lack of demand from buyers interested in developing commercial properties.

## Region 5 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg. Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	350	375	400	1 yr	400	65	15	15	5
Good Productivity	275	300	325	1 yr	400	65	15	15	5
Average Productivity	225	250	300	1 yr	400	65	15	15	5
Fair Productivity	No data	No data	No data	No data	No data	N/A	N/A	N/A	N/A
Recreational Land	No data	No data	No data	No data	No data	N/A	N/A	N/A	N/A
Pasture	No data	No data	No data	No data	No data	N/A	N/A	N/A	N/A

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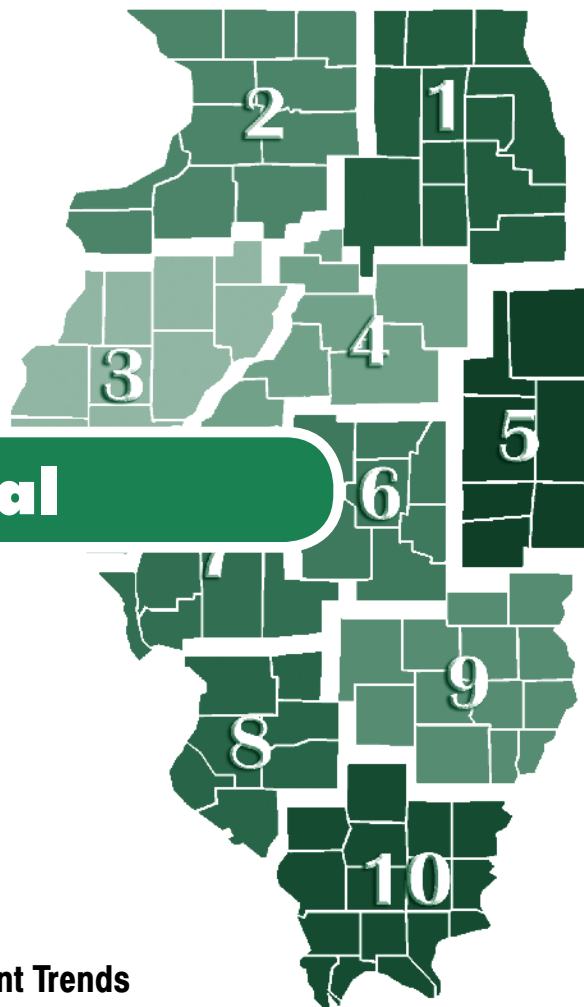
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### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent	\$8,000-\$13,000	30%-35%	Steady	\$300-\$450	15%	
Good	\$6,000-\$9,000	20%-25%	Steady	\$250-\$400	15%	
Average	\$5,000-\$6,500	20%-25%	Steady	\$200-\$350	15%	
Fair	\$3,500-\$5,000	20%-25%	Steady			
Recreational Land	\$2,000-\$4,500	Steady	Steady			
Transitional Tracts	\$8,500-\$20,000	Steady	Steady			

The market value for excellent quality farmland increased approximately 2,500 during 2011. This would be an increase of over thirty percent since the end of 2010. The increase continued through the end of the year, and this report may be somewhat conservative since it does not include those auctions and/or sales made in 2011 that will not close until 2012.

Although they also increased significantly, the good, average, and fair categories the demand is not as strong, and showed about a twenty percent increase.

The market for recreational and transitional tracts appears to be affected more by the overall economy. They did not show the same increases as the other categories. Regions

Six consists of seven counties, located in Central Illinois. Macon County is located in the center of the area, and is surrounded by Logan, DeWitt, Piatt, Moultrie, Shelby, and Christian Counties. These counties have predominantly excellent soils, a large agri-business support network, and a high level of interest from the non-agricultural sectors. Following are some observations from 2011:

- It was a very challenging crop year with an extremely wet spring, followed by a hot, dry summer. The wet spring accentuated the importance of good drainage.
- As the area moved into harvest, there were some surprises. In general, however, yields were better than might have been anticipated.
- The grain prices were extremely volatile, but in general,

very good. These prices helped to bring some optimism to the market.

- The number of 1031-Exchanges was lower than in previous years, especially three to five years ago. They, however, still have a significant effect on the land market.
- Although there were instances where it appeared that a tract may have brought a premium due to its larger size, other sales seemed to indicate a premium for smaller tracts.
- Return to investment for Illinois farmland is still very strong in comparison to other options. Ag is one of the bright spots in the overall economy.
- Land values continue to gain on the values for developmental land.
- There were several auctions throughout the year. Although their results were somewhat varied, in general, they were excellent.
- The USDA Farm Program appears to have very little effect on land values at this time.
- Sales negotiated, but not yet closed at the end of the year, seem to indicate that the increase in values will carry through to at least the first quarter of 2012.

## Excellent Productivity Tracts

Our committee selected 43 sales in the “Excellent Productivity” category, representing typical transitions of farmland in our seven county region. The sales ranged from

\$8,200 to \$13,000 per acre. The sales chosen ranged in size from 37.7 acres to 706.5 acres, for an average of 130.6 acres per sale. As is generally the case, the sales found in this category have a very high percentage of tillable land, with the average being 97.4 percent. The average price per tillable acre was \$10,337 per acre. The average productivity index on the tillable acres range from 137.7 to 144, for an overall average of 140.9 per tillable acre, or 73.16 per PI on the tillable acreage. The average overall price on the total acreage for the 43 sales listed was \$10,038 per acre. This would indicate an increase of 32.1 percent over the average price of \$7,598 per acre indicated in 2010. It is our opinion that a tract, which would have sold for \$8,000 per acre at the end of 2010 would sell for approximately \$10,569 at the end of 2011.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Macon	Jan	53.3	100.0	141.5	\$8,300
DeWitt	Jan	54.0	92.6	139.0	\$8,200
Logan	Jan	240.0	99.3	141.8	\$8,500
Christian	Feb	79.2	99.1	139.0	\$9,100
Piatt	May	85.0	100.0	141.4	\$9,000
Piatt	May	195.7	98.1	137.9	\$10,000
Shelby	May	73.1	97.5	140.2	\$10,150
Piatt	Jun	75.0	97.0	139.0	\$9,500
Piatt	Jun	100.0	100.0	140.4	\$11,300
Piatt	Jun	38.5	96.6	144.0	\$9,500
Piatt	Jun	47.2	98.4	138.3	\$9,500
Christian	Jul	81.3	100.0	141.1	\$10,300
Logan	Jul	80.0	96.9	141.5	\$9,500
DeWitt	Aug	166.1	98.2	139.3	\$9,945
Macon	Aug	111.1	99.1	137.7	\$9,900
Macon	Aug	88.3	92.0	143.3	\$10,000
Piatt	Oct	706.5	96.0	138.9	\$12,031
Shelby	Oct	233.5	98.1	144.0	\$10,280
Logan	Oct	155.9	100.0	140.4	\$11,300
Logan	Oct	220.8	95.2	141.1	\$10,650
Moultrie	Nov	64.6	100.0	139.4	\$9,600
Macon	Jan	97.7	99.3	139.4	\$10,100
Christian	Jan	143.6	92.6	142.0	\$10,235
Piatt	Oct	79.0	100.0	142.7	\$10,650
Piatt	Oct	160.0	85.0	140.2	\$8,936
Moultrie	Oct	92.7	91.1	138.5	\$9,200
Piatt	Nov	88.3	94.7	136.0	\$10,035
Shelby	Nov	116.0	97.2	144.0	\$9,100
Logan	Nov	116.0	100.0	141.2	\$10,100
Piatt	Nov	80.0	99.6	142.5	\$10,650
Piatt	Nov	79.8	100.0	138.8	\$9,925
Dewitt	Nov	79.5	99.0	139.1	\$10,600
Piatt	Nov	80.0	100.0	144.0	\$11,883
Piatt	Nov	80.0	98.8	139.8	\$10,914
Christian	Nov	37.7	98.3	142.2	\$13,000
Logan	Nov	80.0	97.6	142.6	\$9,250
Piatt	Nov	180.0	100.0	142.6	\$10,250
Logan	Nov	84.8	99.0	140.8	\$8,949
Moultrie/					
Macon	Nov	277.4	99.0	139.8	\$10,150
Macon	Nov	165.4	94.0	143.8	\$9,897
Macon	Nov	165.0	93.9	143.8	\$9,921
Christian	Nov	64.6	99.3	141.5	\$11,000

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## Good Productivity Tracts

The sales in the “Good Productivity” category tend to have somewhat more sloping land with erosion potential, and often having drainage issues as well. The soil types found in this category do, however, respond very well to good management. More intensive management is, however, required than in the “Excellent” category. The committee has selected thirteen sales in the “Good” category. The sales ranged in size from 28.9 acres to 773.95 acres. They averaged at 92.61 percent tillable. The prices ranged from \$6,000 per acre to \$10,073 per acre, with an average of \$7,482 per total acre. The average price per tillable acre was \$8,089 per acre.

The average weighted PI’s ranged from 118.7 to 132.5 per acre, with an average weighted PI of 126.5. The average price per productivity unit on the total acreage was 63.94 per acre.

The average price per acre of \$7,482 per acre would indicate an increase of 23.7 percent increase over and above the average price of \$6,049 per acre, reported in the area on 2010. Although there is a large range in the size of the sales reported in this category, as well as the quality of the land sold, it is our opinion that the values for the sales in this category would indicate approximately a twenty-four percent increase.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Logan	Jan	38.6	76.9	127.5	\$6,000
Shelby	Mar	20.0	97.0	123.1	\$6,500
Macon	Mar	240.0	90.4	131.7	\$6,458
Macon	Apr	818.9	94.5	132.3	\$10,073
Shelby	Apr	133.5	100.0	121.8	\$7,453
Macon	Sep	200.0	93.1	132.5	\$6,725
Logan	Sep	60.6	03.4	127.7	\$7,800
DeWitt	Oct	29.2	99.1	123.5	\$7,200
Christian	Nov	72.4	97.6	118.7	\$7,125
Christian	Nov	167.0	89.2	122.6	\$7,635
Logan	Dec	40.0	94.3	121.4	\$8,500
Piatt	Dec	112.7	96.8	125.7	\$7,100

## Average Productivity

The committee listed one sale in the “Average” category – a 41.5-acre parcel, which is approximately 98 percent tillable. The overall sale price was \$6,501 per acre. The subject tract is approximately ninety-eight percent tillable, and the calculated sales price per tillable acre is \$6,634 per acre.

The average weighted productivity index is 111.9. The indicated value per productivity unit on tillable acreage is 59.28.

The increase in price for this category was very difficult to isolate. This is due not only to the low number of sales

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reported this year, but in previous years as well. The committee feels that from the beginning of 2011 until the end there is approximately a twenty-percent increase.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Shelby	Apr	41.5	98.0	111.9	\$6,501

## Fair Productivity

The committee reported three sales in the "Fair" productivity category. The overall price was \$4,471 per acre. These sales were an average of 77.9 percent tillable, with an average sales price per tillable acre of \$5,793 per acre. The average weighted productivity index on the tillable acreage was 97.5 and the associated sales per productivity point on the tillable acreage is 59.48.

Due to the low number of sales reported this year and previous years, the increase in this category is somewhat difficult to precisely identify. The committee feels that there is at least a 20 percent increase from the beginning of 2011 to the end.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Shelby	July	200.7	64.1	95.7	\$3,443
Shelby	July	50.0	97.4	100.2	\$5,000
Shelby	Nov	66.4	72.3	96.7	\$4,971

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## Recreational Tracts

Land found in this category has a lower percentage tillable of less productive land. It often has significant amounts of timber or brush, and can be subject to overflow. Most buyers purchasing land in this category are interested in hunting, fishing, or recreational activity. Our committee recognizes seven sales in this category, with an average overall price of \$3,101 per acre. The range prices were from \$2,100 to \$4,143 per acre. The sales ranged in size from approximately 24 acres to 168.1 acres. The sales shown had an average percent tillable of 8.41 percent. The average overall PI for the sales shown was 104.7. Due to the very low percentage of tillable land, the committee does not feel that the average price per tillable acre is necessarily significant in this category. Our committee feels that the value for recreational tracts is relatively stable. The sales prices in this category would seem to relate to the overall economy than to agricultural returns.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Macon	Mar	50.0	0.0		\$3,100
DeWitt	Apr	134.5	0.0		\$2,100
DeWitt	Apr	40.3	43.7	110.7	\$4,050
DeWitt	Apr	168.1	0.0		\$4,143
Shelby	May	48.6	15.2	98.7	\$3,804
Christian	Sep	23.9	0.0		\$3,628
Christian	Oct	47.0	0.0		\$2,979

## Transitional Category

In this area of the state, there is land being farmed near cities, towns, or villages, where the highest and best use of the land is changing to development or for other purposes such as residential or commercial property. Transitional tracts can often be very productive soils with a higher percentage tillable. This is not, however, generally a factor in the sales price. Our committee is submitting two sales in this category. A 21.42-acre parcel and 45.46-acre tract. The prices range from \$8,000 per acre to \$12,000, for an overall average of \$10,000. The demand for transitional properties near small communities appears to be relatively stable.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Macon	Aug	21.4	93.8	143.8	\$12,000
Macon	Aug	45.5	95.0	122.2	\$8,000



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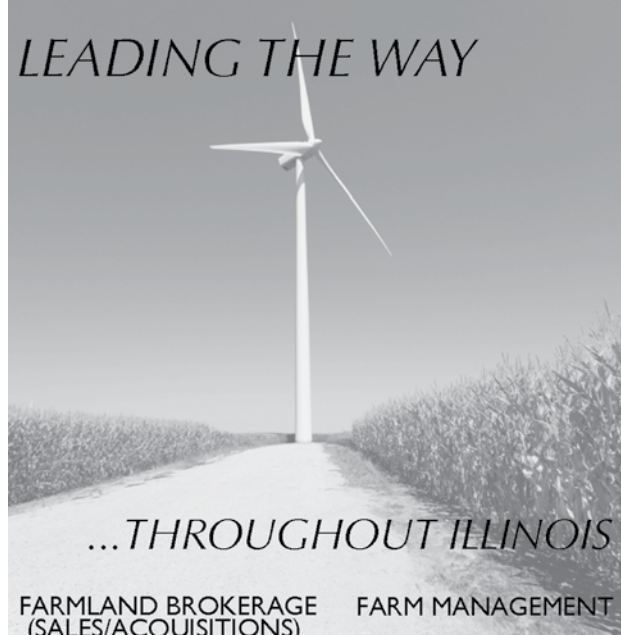
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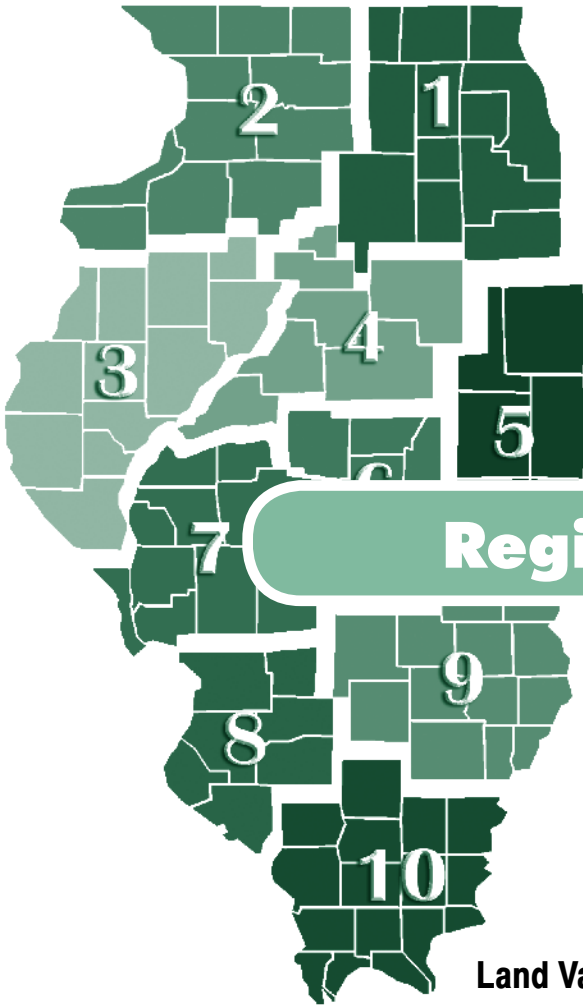
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## Region 7 - West Central

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Soy Capital Ag Services, Springfield, IL

**Allan Worrell, AFM**  
Worrell-Leka & Associates Land Services,  
Jacksonville, IL

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, Steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent	\$9,000-\$11,000	Up 20 to 25%	Steady	\$350-\$450	Up 6 to 15%	
Good	\$7,000-\$8,000	Up 20 to 25%	Down 20%	\$200-\$300	Up 6 to 15%	
Average	\$3,500-\$6,000	Up 10%	Up 60%	\$100-\$200	Steady	
Fair	\$2,800-\$4,000	Steady	Steady	\$75-\$100	Steady	
Recreational Land	\$2,200-\$3,200	Steady	Steady			
Transitional Tracts	\$9,000-\$11,000	Steady	Steady			

**D**ue to the diversity in soil productivity, agricultural land sale prices vary widely in the West Central area designated Region Seven. In Region 7, there are significant changes in soils from north to south by virtue of ancient glacier movements and from east to west due, in large part, to the influences of the Illinois, Mississippi and Sangamon Rivers. The broad, mostly level prairies are mostly Tama, Ipava and Sables soils north of the Moraine line and Virden, Herrick and Harrison soils south of the line. The rolling areas formed under upland hardwood timber are mostly Fayette, Rozetta, and Keomah soils. Adjacent to the rivers and streams are bottomlands frequently including Sawmill, Wakeland and Beaucoup soils. The steepest, usually timbered hillside, 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 lies farthest southwest of the Region 7 counties, and is bordered by the Illinois River on the east side and the Mississippi River on the west. These rivers influence weather pattern sufficiently to allow successful peach and plum orchards production.

On the better soils, prices were up 20 to 25 percent in 2011. The lesser quality sales prices were steady to up 10 percent. In 2010, the number of sales was evenly dispersed among the top three classifications. In 2011, we observed an overall decrease in the number of sales of tracts in the “Good” Productivity classification. In 2011, we note a substantial increase in the number of sales of tracts in the

Average Productivity classification. This increase occurred mainly in the southern counties of Montgomery and Macoupin. Overall, the total number of land sales was up 15 percent.

High commodity prices supporting crop revenue and rents combined with low interest rates continue to drive farmland values higher. Farmland values in Region 7 continued to show strength throughout 2011, and the strength accelerated in late summer and fall.

The 2011 growing season was the **fourth** in a row featuring excess spring precipitation as a limiting factor to crop yields. The spring planting season started out cool but with good soil conditions. Some decided to go ahead and plant with the cool temperatures, while others elected to wait until it warmed up. The heavy rains started about the middle of May, after most of the crops were planted. The frequent rainfall persisted in some area's leading to the need to re-plant some fields during the month of June. In early July, the rains subsided. During July and August some area's received very little rain while others received just enough timely precipitation to keep crop yield potential near average. The crops suffered from drought conditions. Because we had good sub-soil moisture levels going into the hot dry period final crop yield results were near average on many farms.

Corn yields were within 90 percent of average except where crops had to be replanted late and water damage was excessive. Generally, corn that was planted following soybeans the previous year performed significantly better than continuous corn. Considering how little rain was received in August, soybeans yields were surprisingly good on many farms. A wet spring followed by a hot dry summer put farming practices and soils to the test. The year 2011 affirmed that high quality land with deep unobstructed sub-soil is worth a premium. The dry weather pattern continued into the fall allowing for a rapid harvest in our area. Good weather conditions allowed completion of fall tillage and fertilizer applications. The winter has been mild so far. The sub-soil moisture has been partially replenished, but not completely recharged.

## Excellent Productivity Tracts

This land, generally described as flat, black and square, continues to be in great demand in our region. The principle buyers have been operating farmers and investors with close ties to aggressive operating farmers. Similar to other areas in the State, region seven has locations with particularly strong land markets, and other areas where land sales values tend to be less. We have observed this pattern many times over the years as the land market has continued upward. A seemingly very high sale will occur



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in a strong local market, then, after a year or two the rest of the area “catches up.” The year 2011 was no exception to this pattern. This pattern is most noticeably expressed in the highest quality land offerings.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Morgan	Mar	315.8	98.5	134.0	\$10,449
Menard	Mar	52.8	99.0	143.4	\$7,317
Sangamon	Apr	152.1	95.6	141.0	\$10,000
Sangamon	May	160.0	100.0	134.9	\$10,686
Morgan	Aug	158.9	98.5	142.3	\$11,200
Cass	Aug	262.7	99.0	132.2	\$11,013
Menard	Sep	151.2	94.6	138.6	\$9,300
Greene	Oct	170.0	99.5	141.5	\$11,500
Morgan	Nov	192.3	99.4	137.3	\$11,361
Sangamon	Oct	153.0	87.6	136.6	\$9,000
Sangamon	Nov	159.8	87.4	135.3	\$12,100

### Good Productivity Tracts

Last year we commented that properties in this productivity range have sold \$800 to \$1,000 less than the Class I farms. Due to the current elevated price range, and inherent higher risk of production, the spread has increased in absolute terms. Although still bringing very good prices, this type of land is selling at a \$1,000 to \$2,000 discount to the highest quality land. This class usually has one or

more hazards including: lessor productive soils, unusual shape, varying topography, lack of road frontage, ditches or ponds, cut by roads or railroads or other public utilities. If potential flooding is an element of hazard, the discount is even higher. 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
Morgan	Jan	157.5	98.6	125.2	\$6,000
Macoupin	Feb	40.0	100.0	119.9	\$6,500
Morgan	Mar	78.0	96.2	129.3	\$7,500
Montgomery	Mar	48.0	100.0	118.7	\$5,200
Macoupin	Mar	83.5	95.5	120.9	\$6,281
Morgan	Sep	119.8	91.7	131.3	\$8,900
Sangamon	Oct	105.0	100.0	128.8	\$6,952
Morgan	Oct	96.8	81.9	125.3	\$9,000

### 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 \$2,500 per acre to as much as \$6,500 per acre. The variation is a function of percent tillable and production hazards. Suitability for pasture or recreational use of the non-tillable acres also contributes to the price of a property.

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Higher prices generally are nearer to metropolitan centers, and North of the glacial moraine. It also appears if the productivity rating approaches the low end of the average category, agricultural use prices are extremely discounted.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Macoupin	Jan	57.0	83.3	116.1	\$5,525
Cass	Jan	170.9	95.7	108.1	\$3,480
Jersey	Apr	157.8	83.7	115.7	\$5,539
Menard	July	269.6	84.2	115.9	\$3,153
Montgomery	Aug	162.1	88.9	108.1	\$5,937
Morgan	Aug	75.0	65.7	107.2	\$4,011
Cass	Dec	322.0	88.0	110.9	\$5,905

### Fair Productivity Tracts

We found very few sales fitting this category in our area in 2011. Given the high input costs for seed and fertilizer, and the risk of production, income expectations are very tempered on this quality of land. Depending on the topography and location, recreational use may help support the value of this type of land more than farming.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Cass	Apr	24.1	43.0	50.9	\$1,800
Cass	May	123.1	98.7	74.8	\$1,850

### Recreational Tracts

Sales of average to fair land, with a low percent tillable may be supported by recreational use. We noted many sales of low percent tillable land showing a premium clearly above the tillable portion. This premium may be for pasture land, timber, or recreational uses. We believe that sales values of this type of land have at least held steady and show some recovery from the woes of the Great Recession. Hunting leases are common in Region 7. These leases are common on both upland and bottom land tracts. Many un-leveed or otherwise frequently flooded bottom-



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land farms adjacent to rivers or streams in our area are enrolled in the government long term set aside (CREP) program. These tracts are attractive for hunting depending on the amount of wooded area that compliments the set-aside. The government has increased the annual payments per acre on new or renewing contracts for this program to keep in line with farmland rentals. Typically we don't see much premium added to the value of this type of land due to the government program. Land is a long term investment, and in the long run, who knows if the CREP program is going to be available.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Morgan	Jan	58.0	31.0	117.6	\$3,202
Morgan	Feb	109.9	31.6	131.2	\$2,913
Greene	Feb	115.4	31.6	114.8	\$2,392
Scott	Apr	171.9	40.7	112.4	\$3,500
Calhoun	Apr	57.2	23.5	125.6	\$3,097
Morgan	May	53.0	39.5	113.3	\$2,783
Cass	Jun	40.0	20.0	113.9	\$3,200
Greene	Aug	57.0	19.7	118.6	\$2,895
Cass	Sep	270.0	40.0	115.7	\$2,172
Calhoun	Sep	77.9	23.5	123.6	\$3,273
Morgan	Sep	40.0	30.0	113.1	\$3,750
Greene	Oct	83.9	16.6	116.1	\$2,220
Cass	Sep	149.0	29.0	90.4	\$2,886

## Special Interest Stories

Testing is now underway for the Futurgen greenhouse gas underground storage project near Alexander in Morgan County. If this moves forward, a new clean coal utilizing electric generation plant will be built in Meridosia. This may lead to a higher demand for coal and mineral rights in our area. Also, over the last couple of years, the leasing of mineral rights in northeastern Sangamon County in the Williamsville area has increased to supply the Viper coal plant. This adds a positive, supporting element to land values in our area. Although much of our area is out of the main corridor for wind turbines, a sizable wind farm is being pursued in western Sangamon County.

In the recent past, two competing high capacity grain rail loading facilities near Waverly, Illinois have been purchased by two different very large agri-business companies. These grain terminals ship a tremendous amount of grain to the cattle feeding regions of Texas.

We continue to enjoy a premium market for non GMO corn and soybeans delivered to the Illinois river terminals. The fairly new Jim Edgar state park in Cass County continues to grow in popularity for fishing and other popular outdoor nature activities.

Last but not least, the peaches produced in Calhoun County are seasonally very popular and exceptionally good. If you find yourself traveling through our area in mid-August and you see signs for "Calhoun Peaches," it's worth a stop.

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## Lease Trends

Flexible cash rents in our area typically use the farm's actual production crop yields and a series of actual local prices through the crop year to determine revenue. A percentage of revenue is used as the determinant of the final cash rent per acre. A minimum rent, typically somewhat under the high end market rate is guaranteed the landlord. Additional rent depends on the outcome of the revenue described above. The rents from flexible cash leases performed generally very well in our area in 2011 because yields were not much below average and the average prices were favorable. In 2011, rents achieved under flexible cash rent leases typically at least equaled high end fixed rents negotiated in the fall of 2010 for the 2011 crop year.

### Region 7 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg. Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	200	300	400	1 yr	400	50	40		10
Good Productivity	150	200	300	1 yr	300	40	50	10	
Average Productivity	100	125	200	1 yr	200	30	50	20	
Fair Productivity	50	75	100	1 yr	100	30	50	10	

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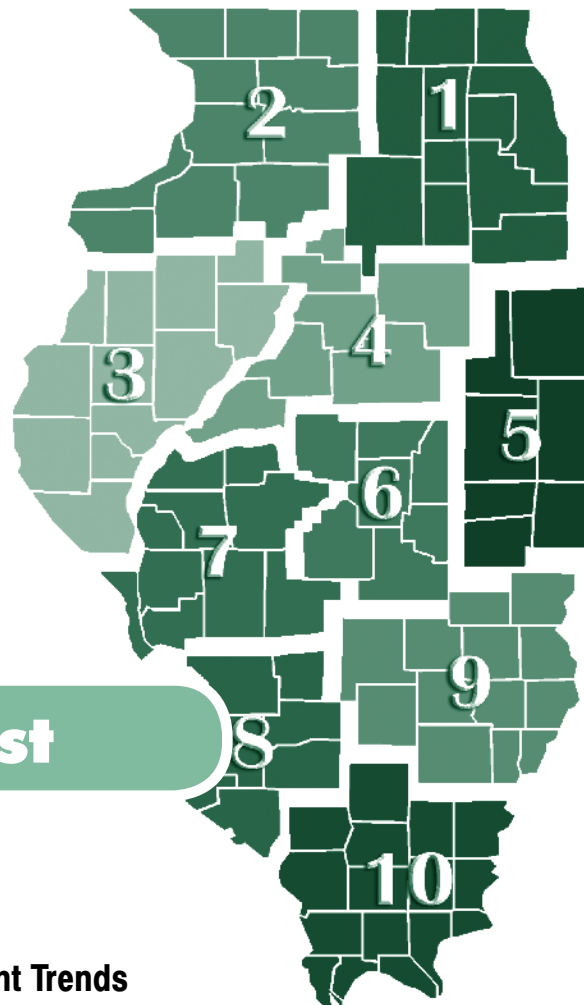
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## Region 8 - Southwest

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	\$11,000	25% higher	18% higher	\$250	25% higher	\$285
Good Productivity	\$8,300-\$12,500	25% to 35% higher	18% higher	\$200	25% higher	\$230
Average Productivity	\$6,000-\$8,500	25% to 35% higher	18% higher	\$165	20% higher	\$185
Fair Productivity	\$4,600-\$7,900	10% to 15% higher	18% higher	\$130	20% higher	\$150
Recreational Land	\$2,000-\$3,500	Flat	10% lower			
Transitional Tracts	\$8,400-\$11,000	Flat	None sold to developers			

**R**egion 8 in Southwestern Illinois consists of seven counties, four of which border the Mississippi River. The counties located in Region 8 are Madison, Bond, St. Clair, Clinton, Washington, Monroe, and Randolph. The city of 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. Together Madison and St. Clair counties have over 1/2 million in population.

The staggering pace of new residential development that existed in 2008 has essentially evaporated to a standstill due to the economic recession. Nevertheless, the popu-

lation in the St. Louis metropolitan area still provides a strong economic engine for the economy of the region and has a positive influence on land values depending on location. With a large population base within easy driving distance, recreational land has traditionally been in high demand in Region 8. However, due to non-farm economic concerns demand for recreational land is far below previous levels.

Agricultural land in Region 8 is mostly of average productivity and is mostly used for raising corn, soybeans, and wheat. The eastern side of Region 8 has some scattered small beef operations, but there are many dairies and some large hog operations. Like many other parts of the state, the region experienced above average spring rainfall but

hot, dry summer conditions. Some areas experienced very poor yields. Most areas saw below average yields, but strong grain prices kept farm incomes strong.

The outlook for agriculture is still very positive, and farmers and investors have been buying more land and/or have been installing tile. Interest rates remain low, and there are few attractive alternate investments available to compete with the market rate of return on farmland. There has been more demand than supply of farmland available in the market. Demand for recreational and transitional land remain weak due to high unemployment and lack of residential and commercial development.

## Excellent Productivity Tracts

There are very few areas in Region 8 that have PI's at 133 and above. This sale was very strong for a June sale, and it quite possibly would have brought more after harvest. The property is located just north of a subdivision in Mascoutah, but the price reflects very little development value. Properties around it are listed for \$25,000/acre, but that is the same price they were listed for in 2008 (and they weren't selling then either).

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
St. Clair	Jun	114.3	100	133	\$11,000

## Good Productivity Tracts

There are spotted areas of good productivity soil types intermingled among average productivity soil types in the eastern portion of Madison and St. Clair Counties, and the western parts of Clinton, Bond, and Washington Counties in Region 8. Sale prices in 2011 for the good productivity tracts in Region 8 generally ranged from about \$8,300/acre to \$12,500/acre. Sales prices have not historically been as high in Bond County because of the lack of high quality land. The two sales in March and May and then the higher sale in November show that trend of appreciating values. Overall, these sales values are 28% to 37% higher than in last year's report..

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County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Bond	Oct	40.0	99	122	\$8,300
Madison	Nov	34.1	100	117	\$9,975
St. Clair	Mar	40.0	99	126	\$10,350
St. Clair	May	151.1	100	125	\$10,500
St. Clair	Nov	145.4	100	130	\$12,479

## Average Productivity Tracts

Most of the Region 8 area is made up of average productivity soil types. The average productivity soil types tend to be generally level to undulating, with mostly rectangular shaped fields, but may also have some crossable waterways or ditches associated with them. In previous years, location played a bigger role in the prices of Average land: Land values in the western portion of the Region 8 area were more strongly affected by the St. Louis urban fringe. As a result, land values near the metropolitan areas in the northwestern portion of Region 8 tended to be higher than values for the same type of soil in the counties further away from St. Louis. But due to higher grain prices, good yields, and good returns for livestock producers, land appreciated significantly regardless of its proximity to cities. Sales values were primarily in the \$6,000 to \$8,500/acre range. The two high sales are in the heart of dairy farming country. The highest sale adjoins the city of Breese, but it was purchased by a dairy farmer. As with several sales in the other land classes, there appears to be little or no value included for development potential. Sales in the Average Productivity category are 25 to 35 percent higher than the sales in last year's report.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Washington	Dec	236.0	100	111	\$6,038
Bond	Jul	40.0	100	104	\$6,400
Monroe	Dec	113.1	97	100	\$6,549
Monroe	Nov	618.1	89	108	\$6,436
Bond	Nov	113.0	100	109	\$7,700
Madison	Nov	57.8	96	107	\$7,800
Madison	Sep	80.0	96	115	\$8,300
Washington	Dec	36.9	100	110	\$8,546
Clinton	Jul	97.4	100	116	\$11,083
Clinton	Oct	142.0	100	108	\$11,446

## Fair Productivity Tract

Fair productivity tracts tend to be located in the more rolling areas of Region 8 and are usually rolling or sloping timber soils with erosion control challenges. Often fields are irregularly shaped with a certain amount of non-tillable woods or waste. There may be some creek bottom soils associated with these farms at the base of the rolling hills or steep slopes. These types of farms generally require additional inputs of time, labor, and management, and can be more inefficient to farm with large modern machinery. As a result, the fair productivity tracts are less appealing to farmers and investors for agricultural purposes. The 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. In Region 8, values for Fair Productivity tracts fell in a range of roughly \$4,600/acre to \$7,900/acre depending on the quality of the farm and location, a gain of 12 to 15 percent over the sales in last year's report.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Washington	Jul	114.0	86	92	\$4,620
Washington	Apr	37.1	77	98	\$5,000
Clinton	Dec	153.4	93	98	\$5,200
Randolph	Jun	60.0	100	99	\$6,208
St. Clair	Nov	72.9	97	99	\$7,883

## Recreational Tracts

Recreational tracts in Region 8 are usually either completely or mostly wooded. 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, and the buyers of these properties are non-farmers and hunters looking for the recreational opportunities, rather than agricultural production of the tract. There is a good demand for recreational tracts in Region 8 due to the large population base around St. Louis.

Most of Region 8 is within an hour's drive of St. Louis, making it convenient to utilize as recreational property. Most recreational tracts tend to be toward the southern and eastern portions of Region 8 away from the more heavily developed and urbanized areas in the northwest part of Region 8. The Kaskaskia River flows through the eastern and southern portions of Region 8 and much of the wooded area in the Region follows along the Kaskaskia and its tributaries.

Demand for recreational tracts in Region 8 has fallen significantly since the economic recession began. As shown above, most sales of recreational properties fell within a range of about \$2,000/acre to \$3,500/acre. The low sale was for a very small, landlocked parcel. The high sale does have more tillable acreage. Overall, prices were flat from the previous year.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clinton	Apr	10.0	0		\$2,000
Monroe	Nov	99.3	28	118	\$2,114
Monroe	Apr	134.9	26	99	\$2,756
Washington	Oct	10.0	0		\$3,250
Randolph	Mar	120.0	60	97	\$3,541

## Transitional Tracts

These two sales are indicative of the fall in development values since the 2008 crash. The Madison County sale is located near the intersection of interstates 55/70 and 255. It was originally sold in 2007 for \$28,000/acre. The intent was for a world-class soccer complex. The property does have a vacant and vandalized house, along with a cold-storage shed, but the buildings contribute little to the property. A farmer purchased it for \$8,425/acre in September. The other tract adjoins the city of Lebanon: further away from St. Louis but still close enough for the ripple effect. This tract sold in 2006 for \$19,000/acre, likely for a housing development. A farmer purchased the tract in November for \$10,072/acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Madison	Sep	109.2	96	130	\$8,425
St. Clair	Nov	51.7	100	121	\$10,072



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## Lease Trends

Flexible cash rent leases continued their popularity in 2011. Grain prices were strong, so base rent levels and bonus levels were set higher than in 2010. The hot and dry summer capped yields in some areas, and many bonuses that were based on yield only did not trigger.

The bonus clauses that were based on yield and price, however, provided some large dividends, thanks to strong grain prices. The upper range for these bonuses was \$115 to \$135 per acre.

The rally in grain prices has continued, and base cash rent levels for 2012 leases will be higher.

## Region 8 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	180	200	220	1 yr	230	10	75	15	
Good Productivity	150	165	175	1 yr	185	10	75	15	
Average Productivity	120	130	140	1 yr	150	10	75	15	
Fair Productivity	15	20	25	1 yr					
Recreational Land		25	50	1 yr					
Pasture									

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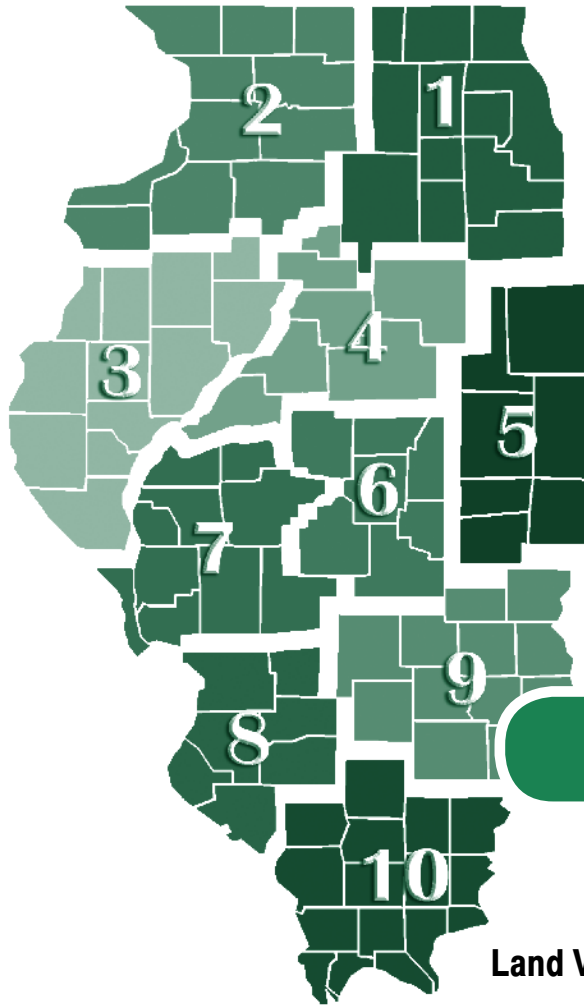
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## Region 9 - Southeast

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Shumway, IL

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in /Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	No Sales					
Good Productivity	\$7,500	17%	Up 10%	\$225	25%	\$240
Average Productivity	\$6,800	17%	Up 10%	\$200	20%	\$225
Fair Productivity	\$4,750	19%	Up 10%	\$175	25%	\$200
Recreational Land	\$3,000	20%	Down 5%			
Transitional Tracts	\$10,000	Unchanged	Little activity			
Other Sales (describe)	\$4,000	15%	Up 10%	\$175	25%	\$200

Located in Southeastern Illinois, Region 9 contains 13 counties. Most soils were 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 highway access is available to Region 9. Interstate 57 is located in the western part of the region, Interstate 70 runs through the northern counties and Interstate 64 serves a part of the southern counties.

In 2011, we have seen strong price increases for all cropland. Buyers were relatively bullish on the value of farmland and Region 9 is now seeing an increase in investor activity in the farmland market.

### Good Productivity Tracts

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

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Crawford	Aug	36.0	92.5	119.0	\$4,750
Edwards	Aug	20.0	97.5	118.6	\$4,800
Lawrence	Nov	71.0	96.2	117.0	\$10,915
Edwards	Dec	118.5	97.3	117.4	\$8,100



## 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, although all counties have seen increasing sales prices.

In 2011, sale prices ranged from around \$20.52 per PI point to \$117.54. The average for all sales reviewed in Region 9 was \$54.54 per PI point; up 15.6 percent from the year 2010..

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Marion	Jan	20.0	98.0	102.2	\$5,500
Jasper	Apr	37.0	99.5	105.3	\$6,398
Richland	Apr	49.2	42.4	104.0	\$4,068
Effingham	Jun	80.0	100.0	108.9	\$7,000
Clay	Sep	22.1	100.0	101.0	\$4,468
Crawford	Sep	30.1	92.1	108.0	\$5,986
Cumberland	Sep	23.8	96.6	100.0	\$6,800
Edwards	Sep	17.0	100.0	107.8	\$5,029
Wabash	Sep	45.3	91.5	105.6	\$5,553
Wayne	Oct	40.0	100.0	105.0	\$5,250
Clark	Nov	19.3	95.9	111.0	\$7,500
Cumberland	Nov	140.0	98.0	100.0	\$6,900
Effingham	Nov	14.9	87.9	105.6	\$8,250
Jasper	Nov	82.8	98.4	106.0	\$6,550
Lawrence	Nov	80.0	93.4	103.4	\$6,500
Clark	Dec	54.3	72.6	111.9	\$6,097
Effingham	Dec	120.0	100.0	111.5	\$11,083
Fayette	Dec	40.0	98.0	107.0	\$4,500

## 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 irregular shaped fields. Demand for additional cropland has led to an increase in prices for this land category. In 2011, price of fair cropland ranged from \$27.09 to \$86.95 per PI Point; averaged \$56.92.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Fayette	Feb	65.0	100.0	97.2	\$4,500
Jasper	Feb	40.0	98.3	97.7	\$5,462
Richland	Feb	20.0	72.5	97.2	\$4,500
Marion	Mar	56.8	98.6	99.8	\$4,380
Clark	May	40.6	54.2	85.8	\$3,337
Crawford	Jul	120.0	66.7	99.1	\$5,150
Clark	Aug	65.0	75.4	97.5	\$4,538
Richland	Aug	25.0	96.0	96.7	\$6,600
Clark	Sep	192.2	75.4	98.0	\$4,006
Clay	Sep	51.8	94.3	89.2	\$4,468
Edwards	Sep	40.0	90.8	93.3	\$4,400
Wayne	Sep	20.0	100.0	99.9	\$3,500
Cumberland	Oct	68.4	94.9	99.9	\$7,036
Edwards	Nov	94.5	97.7	97.3	\$4,400
Clay	Dec	74.5	80.9	98.1	\$4,027
Fayette	Dec	67.0	100.0	99.7	\$5,340
Lawrence	Dec	129.0	80.6	97.0	\$6,800
Richland	Dec	79.2	95.9	95.5	\$7,500

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## Recreational Tracts

Recreational land prices would appear to have seen increasing prices in 2011. Many of these tracts include some tillable acres in smaller, irregular shaped fields. Some partially tillable tracts are being purchased for cropland use.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clark	Feb	20.0	27.5	97.6	\$2,800
Effingham	Mar	40.0	47.5	103.0	\$4,500
Richland	Mar	20.0	44.5	90.6	\$3,550
Fayette	Mar	40.0	0.0	N/A	\$3,000
Clark	May	20.0	0.0	N/A	\$3,000
Cumberland	Jun	63.0	15.9	101.1	\$3,000
Jasper	Jun	60.0	30.8	103.1	\$3,900
Wayne	Jul	40.0	0.0	N/A	\$1,900
Cumberland	Aug	65.0	0.0	N/A	\$3,425
Wayne	Sep	60.0	0.0	N/A	\$2,050
Clark	Nov	114.0	41.2	110.0	\$2,575
Crawford	Nov	80.0	38.6	94.0	\$2,750
Cumberland	Nov	30.0	33.3	67.0	\$2,833
Fayette	Nov	80.0	93.1	CRP land	\$3,438

## Transitional Tracts

There was little activity in transitional land for 2011 and very little land developed. The Wabash County sale is lo-

cated adjoining a rural residential subdivision. The Effingham County sale was adjoining an industrial property with the buyer purchasing the land for future expansion.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Wabash	Aug	30.3	61.4	114.8	\$5,500
Effingham	Dec	30.0	100.0	117.1	\$12,000

## Other Tracts -- Bottomland

The Lawrence County sale is located in an area where irrigation is common, but the tract was not being irrigated at the time of the sale.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Lawrence	Oct	72.0	99.6	112.0	\$3,359
Wabash	Nov	279.7	86.6	106.3	\$5,495
Wayne	Nov	88.0	96.4	125.3	\$7,188
Fayette	Dec	40.5	57.30	112.0	\$3,358
Wayne	Dec	298.0	99.80	109.6	\$5,575

## Special Interest Stories

In December, an Effingham County auction brought \$11,083 per acre for a 120-acre tract of cropland, representing a record high for this area. The buyers are local hog producers and the sale property was near their livestock operations.

Livestock producers seem to be willing to pay a premium for land near their operations due to the need for adequate acreage to dispose of manure. The livestock producer often can realize a savings on fertilizer; replacing a part of the costs with nutrients from the manure. Their purchase decision seems to be based on value in use, rather than market value of the property.

Cash rent seems to be on the increase in Region 9. While many of the leases are at a fixed rate, in some cases operators have been willing to pay the landowner a bonus when they have had an exceptional year. Crop share leasing has also influenced the amounts paid for cash rent. In recent years, a 1/3 – 2/3 share lease was common in the south part of Region 9. With a good crop year and good prices, this type of lease has returned the landowner, the equivalent cash rent of nearly \$300 per acre.

## Lease Trends

Flexible cash leases are still relatively new to Region 9, although interest in this contact is growing. As a result, flexible cash lease agreements can vary widely in our area. A typical lease on average productivity soils may have a base rate of around 75 percent of the fixed cash rent rate. The variable rent payment occurs at harvest time and is based on a percentage of the gross income produced that year that exceeds a specified level.

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## Region 9 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	N/A								
Good Productivity	220	225	250	2 yrs	240	40%	15%	45%	
Average Productivity	200	220	240	2 yrs	225	40%	15%	45%	
Fair Productivity	170	190	210	2 yrs	200	40%	15%	45%	

In a market where \$200/acre cash rent may be common, the base rent for a flexible cash lease may be \$130-150/acre with a 40 percent overage payment made to the landowner on a gross income above \$700/acre for corn. The overage payment for soybeans is usually \$150/acre less than the corn rate.

Another lease version includes a base rent and a maximum rent levels. In this lease, the current year's income is divided by the five-year yield times the five-year average price. The additional income above this five-year average is paid to the landowner up to the maximum rent level.

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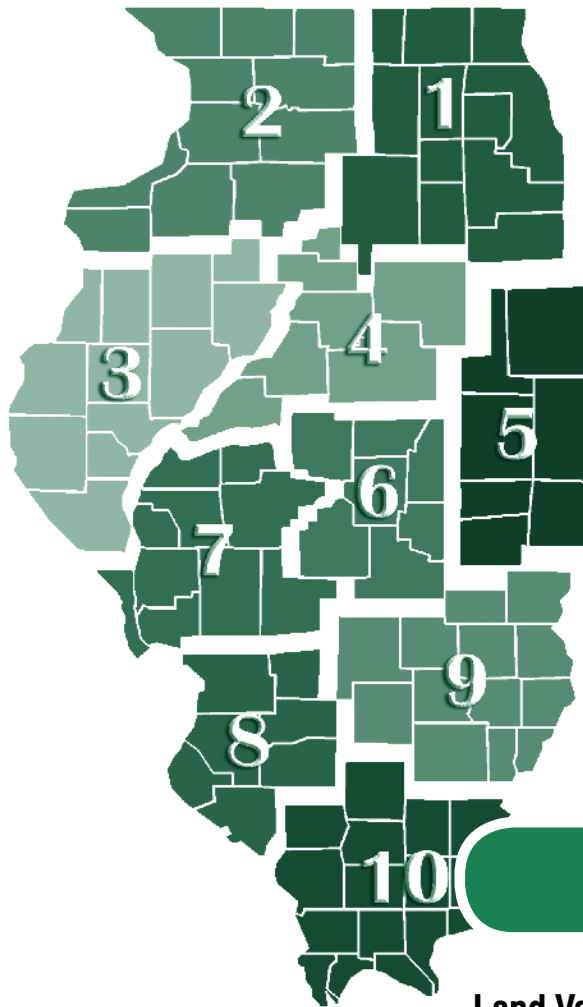
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## Region 10 - Southern

### Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in/Acre from 2010	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2010	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	\$7,288	13.2%	Steady	\$200	13%	\$250
Good Productivity			Down 12%	\$165	21%	\$210
Average Productivity	\$3,569-\$5,145	1 %-23.4%	Down 23%	\$110	27%	\$160
Fair Productivity	\$3,142	14.1%	Down 38%			
Recreational Land	\$2,462	-0.2%				

Land values and cash rents increased by more than 10 percent in 2011 over 2010 values, with the exceptions of recreational land tracts that held steady and average productivity tracts in less competitive markets which increased slightly. Good productivity tracts which are a small part of the regions sales increased by 13 percent from the previous year to an average value of \$7,300 per acre. Cash rents for good productivity tracts also increased by 13 percent, but there is wide variation in cash rents. Share leases are quite common even though cash leases are a majority of newly negotiated leases. Average productivity tracts in more competitive markets and fair productivity tracts increased 23 percent from previous year. Cash rents for average and fair productivity tracts increased 21 percent and 27 percent, respectively. Volume

of land transfers was steady for good productivity tracts, but down for the other categories. .

### Good Productivity Tracts

The sales of good productivity tracts are not common in the region accounting for less than 10 percent of land transfers. Sales are primarily due to deaths or retirement. Buyers are typically local farmers purchasing for expansion. This quality of land is located primarily in northern and eastern White County, northern Gallatin County, northern Saline County, and in the levee protected bottoms of the Mississippi River in Jackson County. The average price for good productivity tracts was \$7,300 per acre in 2011, but as can be seen from sample tracts there was a

considerable price range from slightly below \$6,000 to \$10,200 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Gallatin	Mar	96.0	100	117.8	\$7,000
Saline	Nov	122.9	99	119.0	\$10,200
White	Dec	55.0	98	128.6	\$5,968
White	Dec	80.0	100	118.3	\$8,250

## Average Productivity Tracts

Average productivity tracts are the most common quality of crop production farms found in Region 10 accounting for about half of all transfers. The majority of the buyers of these farms are area farmers purchasing land to expand their current farming operations, although in some areas investors were a sizable minority of buyers. The sellers are mostly estates and their beneficiaries and retiring farmers. Observed sales of this quality of farm were in a wide range from \$2,340 to \$7,800 per acre. In past years, the committee has reported a differentiation between prices observed from the general area and from stronger farming and sales "pockets" scattered throughout the region. The 16 sales from the typically stronger sales areas (Area 1) ranged in values from \$3,900 to \$7,800 with an average of \$5,145 per acre. The 32 sales from the more typical areas (Area 2) ranged in values from \$2,340 to \$5,140 with an average of

\$3,570 per acre. Farms from Area 2 are most representative productivity quality in Region 10 accounting for about a third of all sales. Above is a sampling of sales from Area 1 (White and Jackson Counties) and Area 2 (Franklin, Hamilton, Jefferson and Pulaski).

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
White	Feb	62.5	94	106.2	\$5,525
Jackson	Jul	91.0	95	105.8	\$3,890
White	Nov	80.0	93	102.6	\$5,563
Franklin	Jan	136.7	96	100.3	\$3,500
Hamilton	Feb	52.2	100	104.4	\$3,525
Jefferson	Apr	50.0	98	106.9	\$2,900
Pulaski	Jan	50.0	97	105.9	\$2,500

## Fair Productivity Tracts

Many of the fair productivity tracts have lower percentages of cropland than the average quality farms and often have value for recreational uses. The average percentage of tillable acres was 79 percent as compared to 91 percent for average productivity tracts and 96 percent for good productivity tracts. 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 many of which are from larger metropolitan areas. The sellers are mostly retired farmers and estates. These farms typically have sloping topography and/or weak soil types. Sale prices were up for this class from 2010. Sales ranged in values per acre from \$2,329 to \$4,500 per acre with an average of \$3,142 compared to 2010 sales range from \$1,986 to \$3,972 with an average of \$2,698. A sample of sales from across region are provided.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Hamilton	Apr	50	89	91.9	\$3,000
Jefferson	Sep	208	67	93.6	\$4,298
Franklin	Sep	20	84	95.8	\$2,700
Hamilton	Sep	40	71	99.0	\$2,500
White	Dec	343	58	95.1	\$3,389

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## Recreational Tracts

Many of the sales of recreational tracts in the region are through realtors. The primary recreational use for these properties is for deer hunting. Many of the buyers are from out of state. Prior to the surge 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. Recreational values ranged from \$1,144 to \$5,750 per acre with an average value \$2,462. Prices remain unchanged from 2010 and volume is down from 2010.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Williamson	Jan	77	48		\$2,532
Hardin	Mar	272	31		\$1,494
Pulaski	Apr	50	40		\$2,350
Saline	May	64	60		\$2,150
Hardin	Aug	34	63		\$2,405
Pope	Sep	49	49		\$2,550

## Lease Trends

Flexible cash leases vary widely in region, but an example of variable cash lease follows: Base lease is \$100 per acre yearly. Bonus portion is calculated by taking the average cash price at Mt. Vernon elevator for the months of April, June, Oct., Nov., and Dec. X Actual production = \$. The

landlord then gets 42 percent over a net income calculation for corn and soybeans taking out the base cash rent. Number example: Landlord gets \$75 up front base rent. Bonus payment: (April, June, Oct., Nov. and Dec. average cash price = \$4.75 per bushel), actual production is 135 bu/ac. Net Per acre for corn is set at \$350/ac. Therefore, landlord would get a bonus payment of  $(\$4.75 \times 135) = 641.25 - \$350 - \$100 = 191.25 \times 42\% = \$80$  bonus payment.

There is wide variation of lease agreements in the region. Share leases have dominated the region, but cash leases are capturing a greater share of new leases. In some areas of the region half of the new cash leases are flexible cash rent, but overall the traditional cash lease is more common. Cash rents are trending higher, however, the increase in rents may be at slower pace than other regions due to a proactive approach on the tenant's part to negotiate rent which is fair and reasonable with some type of variable rent scenario, rather than waiting for the rental term to expire and/or a re-bid. Some tenants are also recognizing that a crop share arrangement is paying more than a typical cash rent and are therefore reverting back to that if possible to avoid an ongoing increase to the cash rent scenario during this time of many perceived unknowns with respect to longevity of high commodity prices.

Rents on pasture land vary within this range. There are a lot of pasture rents at the low end of the range in exchange for upkeep and maintenance of the land itself.

## Region 10 - Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for:			Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2011	Percentages of NEW leases that are:			
	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity									
Good Productivity	135	180	230	3 yrs	250	65	10	25	
Average Productivity	125	165	185	3 yrs	210	60	5	35	
Fair Productivity	80	120	150	2 yrs	160	55	5	40	
Recreational Land	3	15	30						
Pasture	5	20	32						

# Important Trends in Crop Insurance Coverage Options for 2012 and Beyond

The Risk Management Agency (RMA) recently announced several important changes to the crop insurance programs available to corn and soybean producers. Among the most important changes are that the base rates are generally being reduced for a wide range of the cornbelt, and producers will have access to the Trend Adjusted APH Yield Endorsement for corn and soybean insurance policies for most counties in the major crop production regions beginning with the 2012 crop (<http://www.rma.usda.gov/news/2011/09/aphyield.html>). The Endorsement was originally proposed by the Illinois Corn Marketing Board, and developed in conjunction with researchers at the University of Illinois and the integrated Financial Analytics and Research (iFAR) consulting group. It is available for all APH-based yield and revenue options in the Combo policy and is elected and applied on a county/crop basis. The endorsement will be available over 820 counties for corn and over 880 counties for soybean policies. A map of the coverage is available at: <http://www.rma.usda.gov/bulletins/pm/2011/11-046e.pdf>. The intent of the Policy Endorsement is to improve the accuracy of the estimate of future insured yields, and to allow accurate coverage elections to be made against expected crop production. In plain terms, it increases the possible amount of insurance and improves the correspondence between a producer's APH and their actual expected yield.

## Trend Adjustment – the Main Issue:

In simplest form, a producer's APH is a simple average of at least four and up to 10 actual historic yields. The APH then serves as an estimate of future yields and the producer elects a fractional coverage of the expected yield to indemnify either expected yields or expected revenue.

However, yields have increased systematically through time, and the average of the past does not generally result in an accurate estimate of the future. The figure below shows the yields through time for corn in Illinois along with a yield trend line (solid black line) showing the average rate of increase through time. Just as the CPI can be

used to adjust historical prices to their current equivalent values, the information in the yield trend can be used to adjust historic yields to their current equivalent levels.

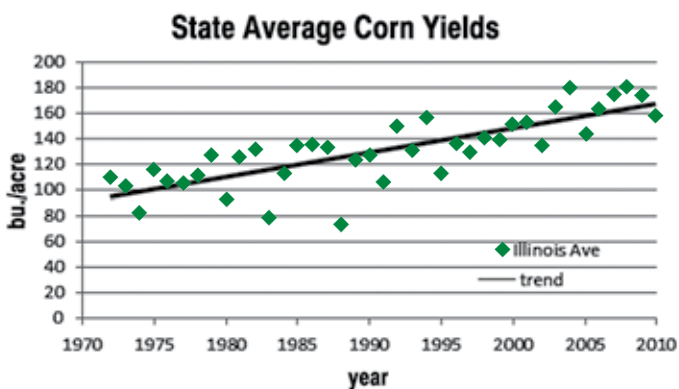
## The Approach:

Historic NASS yield data series for each county/crop combination were examined, along with weather impacts, using a spatially smoothed estimator to identify yield trends in each location for both corn and soybeans. To be eligible to use the Trend Endorsement, certain producer data requirements are considered including the need to have at least one actual yield record in the previous four years, and limited use of transitional or substituted yields. Additionally, if the producer's APH database has less than four actual yields in the previous 12 years, the adjustment is prorated (more complete eligibility and calculation procedures are available at the RMA website). The other data eligibility screens can be interpreted as generally sensible requirements to encourage quality of data, and to remove some perceived incentives to "lose" older data due to its loss of representativeness through time, while encouraging accurate and complete future reporting.

The basic approach of the Endorsement is to adjust each actual yield used in the calculation of the APH for the amount of time that has passed since its observation to better reflect the yield it would represent in the insured period. An example is provided in the next column to help clarify.

## The Impacts:

In this example, the producer is in a county with a 2.0 bushel-per-year trend rate (actual yield trends vary by location) and has nine records in the associated APH database with a current APH average of 160 bushels per acre. If all eligibility requirements are met, the effect of the endorsement is to add two bushels to the yield from 2011, four bushels to the yield from 2010, and so on to each of the records used in the calculation of the average. The Trend Adjusted APH is then calculated as the average of the adjusted yields, in this case resulting in an eight bushel increase to 170 bushels per acre. The insurance impacts are shown in the lower section of the table. Under this endorsement, a coverage election of 80 percent results in an increase in bushels covered from 128 to 136, or a 6.25 increase in effective bushels covered. An alternative way to think about the effect is that to get 136 bushels of coverage under the original APH, the producer would have to buy 85 percent coverage. Under the trend adjusted coverage, the producer would have to buy the equivalent of 80 percent coverage to achieve the same degree of protection. The use of the TA endorsement allows an increase in bushels covered up to 144.5 at the 85 percent election.





The maps here show the actual trend rates for corn and soybeans for Illinois counties, and should help provide a sense of the magnitude of the impact by region.

The farmdoc crop insurance section contains premium calculators, payment evaluators, and other tools to help farmers evaluate their crop insurance alternatives. (See: <http://www.farmdoc.illinois.edu/cropins/index.asp> for complete list of available tools.)

There has been some confusion about the impact of the APH Trend Endorsement on premiums as the information has begun to be disseminated by crop insurance agents in 2012. The confusion arises because there are several ways to compare premiums with and without the TA endorsement. Importantly, the TA Endorsement does not cost anything, and does not affect rates.

The amount of insurance associated with a given election level does depend on the TA however. To better understand, consider the table (at right) of producer-paid premiums for a Revenue Protection Policy in Champaign County (market data as of Feb. 21).

The left hand side of the table shows available coverage options and the bushel trigger, guaranteed revenue, and farmer-paid premiums per acre without the TA

**Trend Adjustments and Impacts**  
Insurance Yr 2012 Trend Rate (bu/yr) 2.0

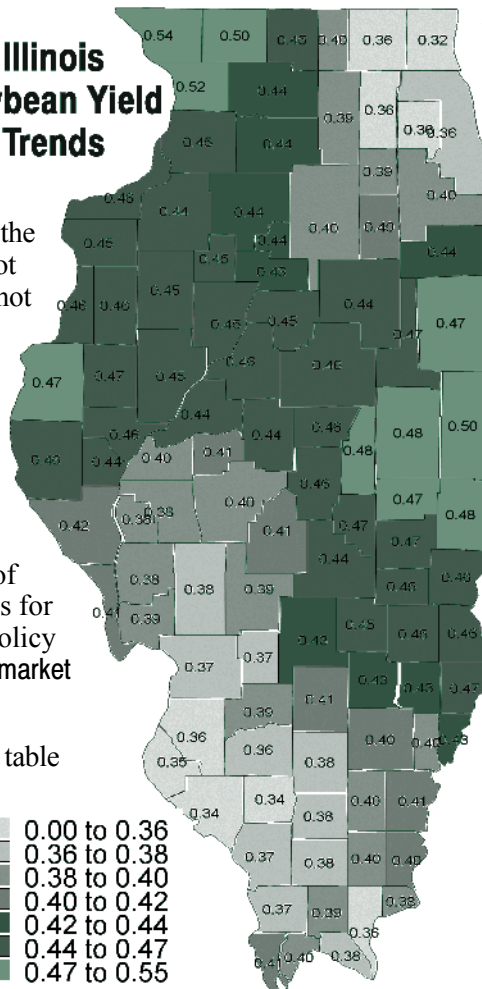
**Historic APH Database**

Year	Actual Yield	Yield Adjustment	TA Yield
2003	130	18	148
2004	151	16	167
2005	144	14	158
2006	158	12	170
2007	168	10	178
2008	183	8	191
2009	164	6	170
2010	159	4	163
2011	183	2	185
<b>Average</b>	<b>160.0</b>		<b>170.0</b>

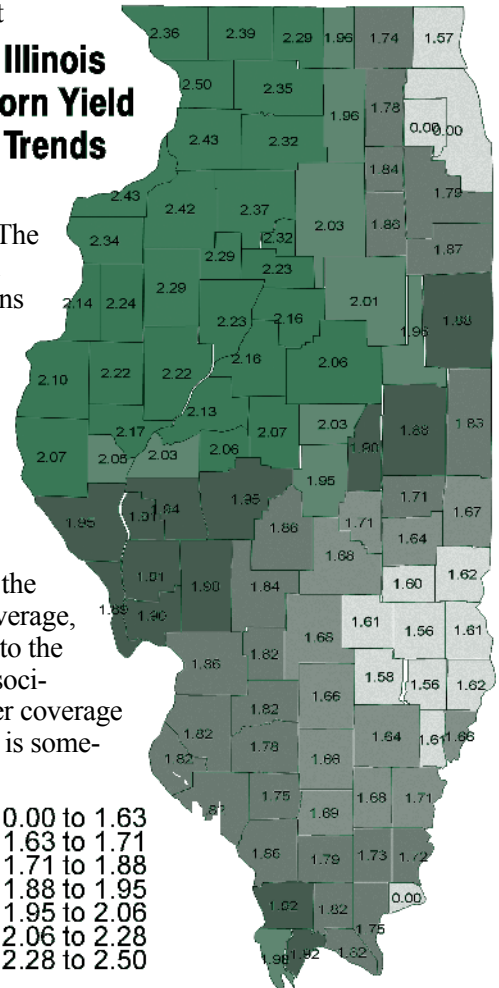
**Insurance Impacts**

Coverage	Bushels	TA Bushels
55%	88.00	93.50
60%	96.00	102.00
65%	104.00	110.50
70%	112.00	119.00
75%	120.00	127.50
80%	128.00	136.00
85%	136.00	144.50

### Illinois Soybean Yield Trends



### Illinois Corn Yield Trends



election. Note that an 85 percent coverage level policy will cover 136 bushels or \$782 of revenue and cost \$16.14/acre. The right hand portion of the table contains bushel triggers, guaranteed revenues, and farmer paid premiums if the TA election is chosen. In this case, an 80 percent coverage election results in the same effective coverage, but costs less due to the higher subsidy associated with the lower coverage election. This fact is sometimes overlooked, but it is the case that the TA does not make insurance more expensive, it just makes more expensive insurance available.

We view the availability of this endorsement as another important step in RMA's ongoing efforts to offer effective and equitable risk management products for producers. Additionally, crop insurance seems to be increasingly viewed as one the best and most viable farm bill policy options for providing a meaningful and reliable "safety net" for producers.

by: Bruce J. Sherrick and Gary D. Schnitkey  
Dept. of Agricultural & Consumer Economics  
University of Illinois

### Champaign County Corn, 400 acres, Enterprise

Coverage	Without TA-APH (160 bu/ac)			With TA-APH (170 bu/ac)		
	Bu. Trigger	Rev. G'Tee	Premium \$/Acre	Bu. Trigger	Rev. G'Tee	Premium \$/Acre
0.50	80	460	0.38	85.0	488.8	0.50
0.55	88	506	0.58	93.5	537.6	0.74
0.60	96	552	0.86	102.0	586.5	1.19
0.65	104	598	1.29	110.5	635.4	1.81
0.70	112	644	1.99	119.0	684.3	2.86
0.75	120	690	3.57	127.5	733.1	5.41
0.80	128	736	7.55	136.0	782.0	10.99
0.85	136	782	16.14	144.5	830.9	22.13

# Continuing Increases in Farmland Prices in 2011 with Cautious Optimism for 2012

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey in which it asks knowledgeable individuals about the farmland market. This year, the survey focused on land price changes in 2011, expectations for 2012 and the next five years, characteristics of buyers and sellers, and volume of farmland sold.

## Land prices increase 20 percent in 2011

Respondents were asked to estimate farmland price of January 1 and December 31, 2011, for the following farm-land productivities:

1. Excellent (over 190 bushels per acre),
2. Good (170 to 1880 bushels per acre),
3. Average (150 to 170 bushels per acre), and
4. Fair productivity (less than 150 bushels per acre).

Based on these prices, respondents indicated that farmland increased between 20 and 21 percent across land classes during 2011 (see Table 1). Prices of excellent productivity farmland was estimated at \$8,690 per acre price on January 1 and \$10,460 per acre price on December 31st, an increase of 20 percent during the year. Good quality farmland price was estimated at \$7,490 at the beginning of the year and \$8,980 at the end of the year, an increase of 20 percent. Average farmland's price was \$6,080 per acre at the beginning of 2010 and \$7,330 at the end of year, an increase of 21 percent. Fair productivity farmland's price was \$4,880 at the beginning of the year and \$5,900 at the end of the year, indicating a price increase of 21 percent.

Land price increases in 2011 were large compared to averages.

Table 1. Estimates of Land Price, Beginning and Ending of 2011.

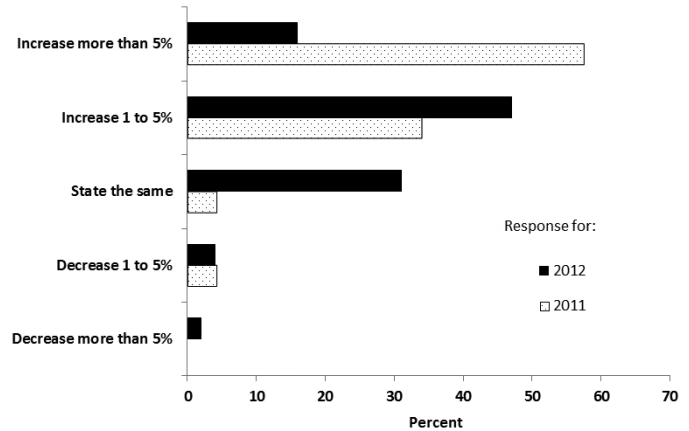
	Date		Percent Change
	January 1, 2011	December 31, 2011	
	\$ per acre		
Excellent	8,690	10,460	20%
Good	7,490	8,980	20%
Average	6,080	7,330	21%
Fair	4,880	5,900	21%

Average yearly increases in land prices have average 6.7 percent across all of Illinois between 1970 and 2011. Yearly increases have averaged 12 percent from 2005 to 2011.

## Expectations for 2012 and the Next Five Years

Most respondents expect farmland prices to increase in 2012 (see Figure 1). Sixty-three percent of respondents expected farmland prices to increase, with 16 percent expecting prices to rise more than 5% and 47 percent expecting prices to rise between 1 and 5 percent. Of the respondents, 31 percent expected farmland prices to remain the same while 6 percent expect farmland prices to decline.

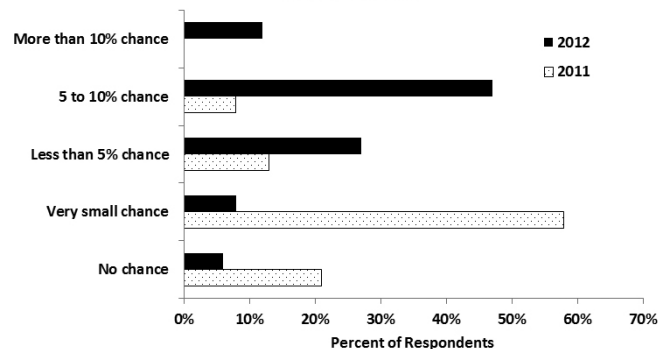
Figure 1. Expectations of Price Changes in 2011 and 2012.



Overall, price increase expectations were more cautious for the 2012 year as compared to similar responses last year for 2011. When asked last year, over 57 percent of respondents expected prices to increase by more than 5 percent for the coming year. This year, only 16 percent expected price to rise more than 5 percent during 2012. Hence, the percent expecting price increases of more than 5 percent decreased from 57 percent to 16 percent. Similarly, 91 percent of respondents expected price increases in 2011. In 2012, this percentage decreased to 63 percent.

Respondents were asked what they believed the chances were of a 20 percent decline in farmland prices during 2012. This question gauges the sentiments of respondents concerning a large downward correction in prices. Twelve percent of respondents indicated that the chances were over 10%, 47 percent indicated a 5 to 10 percent change, and 27 percent indicated the chance was less than 5 percent (see Figure 2). Only 6 percent of respondents indicated that there was no chance of a decline.

Figure 2. Chance of a 20% Farmland Price Decline in the Next Year, Percent of Respondents by Chance Category Answering in 2011 and 2012.

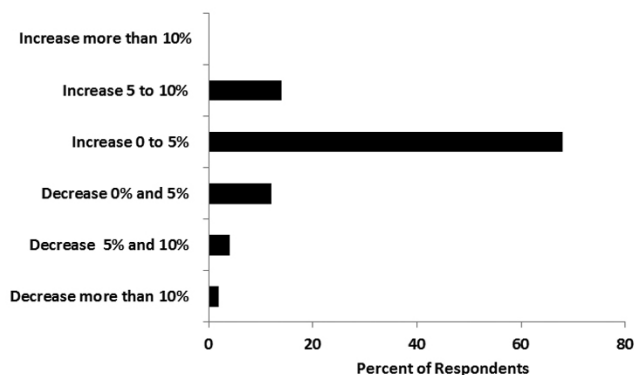


Overall, respondents believed that higher chances of large price declines in 2012 as compared to 2011. Percentages in the “no chance” and “very small chance” categories

became less between 2011 and 2012 while the percentages increased in the higher probability categories (see Figure 3). For example, none of the respondents indicated that the chance of a farmland price decline was more than 20 percent in 2011. In 2012, 12 percent of the respondents indicated that the chance of a 20 percent decline was over 10 percent in 2012.

Still, most respondents expect farmland prices to increase over the next five years. Sixty-eight percent of respondents expect farmland price increase to average between 0 and 5 percent over the next five years. Only 6 percent of respondents expect yearly increases to average negative over the next five years.

Figure 3. Expected Yearly Increase in Farmland Prices Over 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 56 percent of the sales and were, by far, the largest category of sellers (see Table 3). Estate sales were followed by farmers, making up 19 percent of sellers. Twelve percent of those farmers were retired and 7 percent were active farmers. Individual investors accounted for 17 percent of the sellers, followed by institutions (5 percent) and others (3 percent).

Table 3. Sellers of Farmland, 2011.

Active farmers	7%
Retired farmers	12%
Estate Sales	56%
Institutions	5%
Individual investors	17%
Others	3%

Survey respondents were asked to identify reasons why farmland was sold. The major reason for selling farmland was to settle estates, accounting for 56 percent of the farmland sales (see Table 4). “Receiving a good price for farmland” was the next highest reason with 26

percent of the sales. Remaining reasons were need cash (6 percent), re-orient investment portfolio (5 percent), close-out undivided interest (4 percent), and forced liquidation (2 percent). Overall, most sales occurred to free up funds for other uses and were not the result of financial stress.

Overall, percentages shown in Tables 3 and 4 vary little across years. For example, estate sales make up the largest

Table 4. Reasons for Selling Farmland, 2011

Settle Estates	56%
Need cash	6%
Forced liquidation	2%
Received a good price	26%
Re-orient investment portfolio	5%
Close-out undivided interest	5%

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.

Methods used for selling farmland are shown in Table 5. Forty-four percent of sales were sold by public auction, 33 percent by private treaty, 15 percent by multi-parcel auction, and 8 percent by sealed bid.

Between 2011 and 2012, the use of public auction increased from 37 percent of the sales in 2011 up to 44 percent in 2012. Use of private treaty declined from 41 percent in 2011 down to 33 percent in 2012.

Table 5. Method of Selling Farmland.

	Year	
	2010	2012
Sealed bid	8%	8%
Multi-parcel auction	14%	15%
Public auction	37%	44%
Private treaty	41%	33%

## Buyers of Farmland

Survey respondents were asked to classify buyers into categories as farmers, investors, institutions, or recreational buyers. Farmers accounted for 66 percent of the purchasers, with 64 percent being local farmers and 2 percent being relocating farmers (see Table 6). Individual investors who would not farm the land were the next largest group, accounting for 26 percent of the buyers. Non-local investors accounted for 10 percent of the buyers and local investors accounted for 16 percent. Institutions accounted for 7 percent of buyers. Survey respondents indicated that 57 percent of farmland buyers did not require debt financing.

Table 6. Buyers of Farmland, 2011.

Local farmers	64%
Relocating farmers	2%
Non-local investors	10%
Local investors	16%
Institutions	3%
Other	5%

There has been an increase in interest in farmland investing from outside the agricultural sector. Eighty-two percent of respondents indicated that outside interest has increased, with 33 percent indicating that there had been a substantial interest (see Figure 4 on next page). As of yet, this interest has not resulted in a large change in percentages in the “buyer of farmland” categories.

## Volume of Farmland Sold

Respondents indicated that there was a substantial increase in the volume of farmland sold during the last half of 2011 compared to the last half of 2010. Seventy-four percent of respondents indicated that volume increased, with 19

*Continued on Page 78*

# Cash Rent Levels Increase in 2012: Results from the Leasing Survey

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey of its membership concerning farmland leasing in Illinois. Survey results indicated that 2011 incomes from owning farmland were above 2010 levels. Cash rents for 2012 increased dramatically over 2011 levels, continuing a string of years of increasing rents. Specifications of variable cash leases also are reported in this paper

## 2010 Incomes

Survey respondents were asked to estimate average incomes landlords received from alternative leases. Incomes were asked for the 2011 cropping year. Average incomes equaled gross revenue less all expenses, including a deduction for property tax. Alternative leases are:

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

Net incomes for 2011 are reported in Table 1 for four different land qualities:

1. Excellent (over 190 bushels per acre),
2. Good (170 to 1880 bushels per acre),
3. Average (150 to 170 bushels per acre), and
4. Fair productivity (less than 150 bushels per acre).

For excellent quality farmland, traditional crop shares had average income of \$316 per acre, cash rent had \$323 per acre, and custom farming had \$434 per acre.

Table 1. Per Acre Farm Incomes that Landlords Receive for Different Lease Types and Land Qualities, 2011.

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	\$ per acre			
Traditional crop share	316	275	231	183
Cash rent	323	280	237	182
Custom farming	434	370	303	231

Positive numbers indicated incomes are higher in 2011 than in 2010. For excellent productivity farmland, traditional crop share income was \$86 per acre higher in 2011 as compared to 2010. Cash rent income was \$55 higher in 2011 as compared to 2010 while custom farming income was \$112 per acre higher.

In general, incomes were higher in 2011. Table 2 (at top of next column) shows incomes for 2011 minus incomes for 2010. Positive

Table 2. 2011 Incomes Minus 2010 Incomes.

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	\$ per acre			
Traditional crop share	86	78	72	59
Cash rent	55	62	63	42
Custom farming	112	97	90	77

## Cash rents for 2011

Table 3 shows per acre cash rents for the 2012 crop year. Average cash rents again are broken out by four different land quality classes: excellent, good, average, and fair quality. In each class, society members were asked to give the average of rental arrangements with the highest 1/3 rents, mid 1/3 rents, and low 1/3 rents.

Table 3. Per Acre Cash Rents for High 1/3, Mid 1/3, and Low 1/3 Cash Rent Leases by Land Quality, 2012.

Category	Land Quality			
	Excellent	Good	Average	Fair
	\$ per acre			
High 1/3	418	363	299	238
Mid 1/3	379	331	270	218
Low 1/3	282	244	202	154

As can be seen in Table 3, there is a great deal of variability in cash rents for a given land productivity. For example, the average

cash rent for the mid 1/3 group on excellent quality farmland is \$379 per acre (see Table 3). The high 1/3 of leases, however, averaged \$418 per acre, \$39 higher than the mid 1/3 group. Similarly, the low 1/3 group averaged \$282 per acre, \$97 lower than the mid 1/3 group. From the high 1/3 group to the low 1/3 group, there is a \$136 per acre difference in average rents for excellent productivity farmland. Similar ranges exist across good (\$119 from the high 1/3 to low 1/3 averages), average (\$97 per acre), and low (\$84 per acre) quality farmland classes.

Cash rent levels have increased over the past several years. In 2007, rents for the mid 1/3 for excellent quality farmland were \$183 per acre. From \$183 per acre, cash rent levels increased to \$241 per acre in 2008, \$267 in 2009, \$268 in 2010, \$319 in 2011, and \$379 in 2012 (see Table 4). Since 2007, mid 1/3 rents increased by \$196 per acre (\$379 in 2011 - \$183 in 2007).

Cash rents increased a great deal between 2011 and 2012. For excellent quality farmland, farmland rents increased \$60 per acre from \$319 per acre in 2011 to

Table 3. History of Cash Rents for Mid 1/3 of Cash Rent Leases.

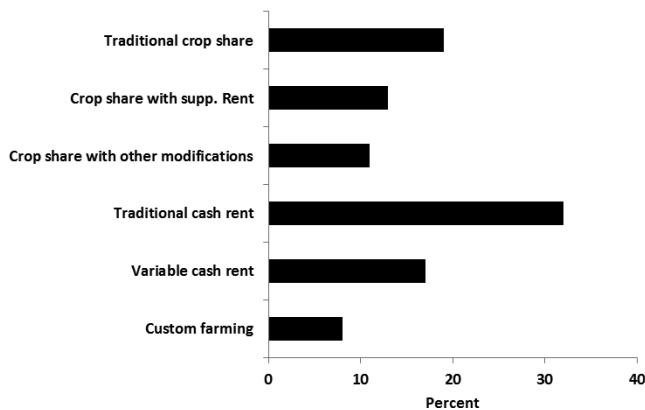
Year	Land Quality			
	Excellent	Good	Average	Fair
	\$ per acre			
2007	183	164	144	120
2008	241	207	172	138
2009	267	221	187	155
2010	268	231	189	156
2011	319	271	220	183
2012	379	331	270	218

\$379 per acre in 2012. Increases were \$60 per acre for good quality farmland, \$50 per acre for average quality farmland, and \$35 per acre for fair quality farmland.

## Leasing Arrangements Used in 2012

Figure 1 shows lease arrangements used by farm managers. In Figure 1, the first three lease types relate to crop share leases in which the land owner and tenant share in the revenues and expenses from the farm. A traditional crop share lease has a simple sharing arrangement of revenue and direct expense, with a common split in northern and central Illinois being 50 percent. In a crop share with supplemental rent arrangement, the land owner and tenant share in revenues and direct expenses, and the tenant pays an additional cash payment to the land owner. This additional cash payment often is called a supplemental rent. According to survey respondents, the supplement rent averaged \$31 per acre in 2012. A share rent with other modifications arrangement is another type of share lease that modifies payments between the land owner and tenant. One typical modification is that the tenants pay all of the chemical costs. Share rent leases accounted for 43 percent of the leases in 2010, with traditional crop share accounting for 19 percent of the leases, crop share with supplemental rents accounting for 13 percent of the leases, and crop share with supplemental accounting for 11 percent of the leases (see Figure 1)

Figure 1. Lease Arrangements Used by Farm Managers, 2012.



There are two types of cash rent leases: traditional and variable. Under a traditional lease, a fixed amount of cash rent is negotiated between the land owner and tenant, typically at the beginning of the cropping year. Under a variable lease, the amount of the cash payment depends on revenue. A typical variable lease has a fixed base payment and then a “bonus” payment. The bonus payment is a percentage of gross revenue when gross revenue exceeds a specified level. In 2012, traditional crop share arrangements accounted for 32 percent of leases while variable cash leases account for 17 percent of leases (see Figure 2). Farm managers typically use short lease terms on cash rental arrangements. Of cash rents, 91 percent have a one-year lease term, 2 percent have a two-year lease term, and

7 percent have a three-year lease term. Farm managers expect 79 percent of leases in 2012 to be re-negotiated at a different price.

Custom farming is an arrangement in which the land owner pays a farmer to perform machinery related operations on the farmland. The land owner then receives all revenue and pays all direct expenses from the farm. Custom farming account for 8 percent of leases in 2012.

## Variable cash leases

Farm managers were asked some of the terms of variable cash rental arrangement. Below are details associated with those arrangements:

- Survey respondents indicate that variable lease arrangement fell in the following broad categories:
  - 15 percent of variable cash rents had cash rent payments tied to gross revenue with no minimum cash rent specified.
  - 60 percent of variable cash rent arrangements had minimum cash rents with chance of bonuses.
  - 7 percent of variable cash rent arrangements had cash rents tied to production only.
  - 8 percent of variable cash rent arrangements had the owner receiving grain.
- For those arrangements that have bonuses, bonus cash rents generally have minimum cash rents that are below the average cash rent for similar quality farmland: 20 percent indicate that the minimum cash rent is \$100 below the average cash rent, 12 percent indicate it was \$50 to \$100 below the average cash rent, and 54 percent indicate that the minus was \$0 to \$50 below the average cash rent, and 12 percent indicated that the minimum cash rent was not below the average cash rent.
- Costs of production enter the calculations on a small but growing number of available cash rental arrangements. Costs or production only enter into the calculation on 16 percent of the leases.
- Bonuses generally are based on gross revenue. Seventy percent of the leases are based on gross revenue. The remaining leases are equally divided between based on yield only, price only, net revenue from crop insurance, and net revenue from the farm.
- For those leases using yields, farm yields are used on 90 percent of the leases in calculating revenue. The remaining leases used county yields.
- Price at a delivery point is used in 62 percent of the leases to determine the price used in gross revenue calculation. Future prices are used in 36 percent of the leases.

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7. The average percentage on corn gross revenue used in calculating the bonus is 43 percent. The average percentage on soybean gross revenue is 41 percent.

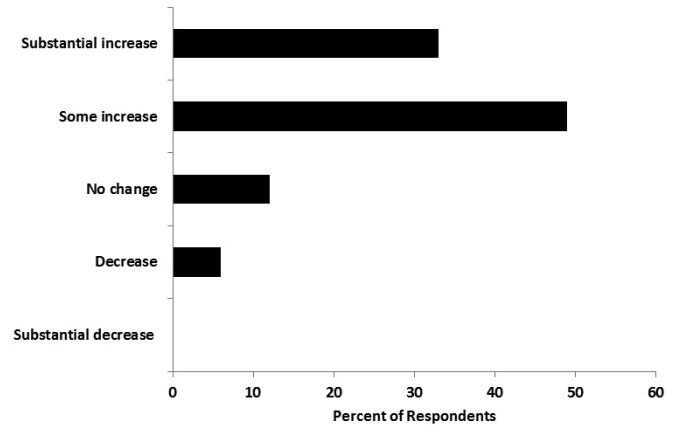
### Summary

Agricultural returns have been above historical averages over the past several years. This has led to higher returns to owning farmland and higher cash rents. While above historical averages, agricultural returns have been volatile. This has led to traditional cash rents being of short duration and to increasing use of variable cash rent leasing arrangements.

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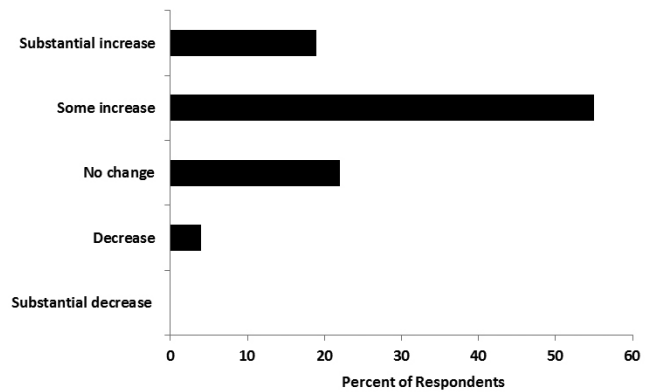
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Figure 4. Change in Outside Interest in Farmland Investment, 2011.



percent indicating that there was a substantial increase in farmland volume. Twenty-two percent of respondents indicated that there was no change in volume, with 4 percent indicated that volume decreased.

Figure 5. Change in Volume of Farmland Sold in Last Half of 2011 Compared to Last Half of 2010.



During the first half of 2012, 27 percent of the respondents indicated they expect volumes of sales to increase during the first half of 2012 as compared to the first half of 2011. Fifty-three percent expect no change in volume and 20 percent expect a decrease in volume.

### Summary

Farmland prices increased by 20 percent during 2011, an increase well above historical averages. Respondents expect farmland prices to increase during 2012, but not at as high of rates as in 2011. Overall, respondents are optimistic, but appear to be expressing a growing sense of caution. While most respondents believe farmland prices will increase in 2012, more of them also believe a large farmland price decline is possible.

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