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Illinois Farmland Values Continue Upward Trend

(Boone, IA, Aug. 29, 2012) The value of farmland across Illinois continues rising, and while the rate of increase has slowed somewhat, prices are expected to continue upward, according to the Mid-Year Land Values snapshot survey conducted by the Illinois Society of Professional Farm Managers and the University of Illinois.

The survey was conducted among membership of the Society with tabulation and results summarized by Gary Schnitkey, Ph.D., a professor and farm management specialist in the Department of Agricultural and Consumer Economics, University of Illinois. "The Society conducts a survey half way through the year to evaluate trends in farmland prices and cash rents. This information supplements the Society's larger efforts at year-end to document farmland prices and cash rents across Illinois. The 2012 mid-year survey also focused on the droughts impacts on farmland prices and cash rents."

"Overall, land values increased by 5 percent during the first half of 2012," says Don McCabe, AFM, chairman of the Society's Illinois Land Values project and president at Soy Capital Ag Services, Bourbonnais, IL "This is less than the double-digit increases we've seen the past few years."

"On July 1, 2012, farmland prices averaged $11,200 for excellent quality farmland, $9,200 for good quality farmland, $7,800 for average quality farmland, and $5,900 for fair quality farmland. A year ago the 2011 Mid-Year survey indicated the value of the best quality land surpassed $10,000 for the first time," McCabe explains

In a normal year, excellent quality farmland averages over 190 bushels of corn per acre, good quality farmland averages between 170 and 190 bushels per acre, average quality farmland averages between 150 and 170 bushels per acre, and fair quality farmland averages below 150 bushels per acre. "Yields will be below these averages in 2012," Schnitkey says. Respondents indicated that 2012 corn yields will be 44 percent lower than expected. Soybean yields in 2012 will be 30 percent lower than expected.

McCabe also noted that the volume of farmland being sold during the first half of this year was down slightly when compared to a year ago. "Most survey respondents expect the volume of sales to be at last year's level or greater during the second half of the year," he explained. Forty percent expect higher sales volume while 42 percent expect the same volume.

Below are the key points from the survey:

Farmland Prices

1. Respondents indicate that land values increased by 5 percent during the first half of 2012.

2. Most respondents expect farmland prices to increase over the next 12 months: 12 percent expect farmland prices to increase more than 5 percent and 52 percent expect increases between 0 and 5 percent, meaning that 64 percent expect price increases. Twenty-four percent of the respondents expect stable prices while 12 percent expect price declines of between 0 and 5 percent. Compared to the 2011 midyear survey, respondents are some-

what less optimistic. In 2011, 81 percent of respondents expected increases compared to 64 percent this year.

3. Most respondents expect corn prices to average between $7 and $8 per bushel for the 2012 crop. Twenty-eight percent expect prices over $8 per bushel while 63 percent expect average prices between $7 and $8. Nine percent expect prices between below $6.

4. For soybeans, 49 percent of the respondents expect prices between $15 and $16 per bushel. Sixteen percent expect prices above $16. Twenty-one percent expect prices between $14 and $15 and 14 percent expect prices below $14.

<u>2012 and Projected 2013 Cash Rents</u>

5. Respondents expect 2013 rents to average slightly higher than 2012 levels:

a. Excellent quality farmland: Respondents indicated that average cash rent in 2012 was $373 per acre and expect 2013 rents to average $384 per acre, an $11 per acre increase. In 2011, respondents expected a $38 per acre increase from 2011 to 2012.

b. Good quality farmland: Respondents indicated that average cash rent in 2012 was $317 per acre and expect 2012 rents to average $326 per acre, a $9 per acre increase. In 2011, respondents expected a $36 per acre increase from 2011 to 2012.

c. Average quality farmland: Respondents indicated that average cash rent in 2012 was $268 per acre and expect 2013 rents to average $272 per acre, a $4 per acre increase. In 2011, respondents expected a $28 per acre increase from 2011 to 2012.

d. Fair quality farmland: Respondents indicated that average cash rent in 2011 was $212 per acre and expect 2013 rents to average $214 per acre, a $2 per acre increase. In 2011, respondents expected a $24 per acre increase from 2011 to 2012.

6. Most respondents expect the 2013 corn price to be between $6 and $7 per bushel: 3 percent believe prices will be above $8 per bushel, 18 percent between $7 and $8 per bushel, 49 percent between $6 and $7 per bushel, 27 percent between $5 and $6 per bushel, and 3 percent below $5 per bushel.

7. Most respondents expect 2013 production costs to increase slightly over 2012 levels. Seventy-six percent believe they will increase slightly, while 5 percent expect large increases. Fourteen percent expect production costs to remain the same. Five percent expect cost decreases.

<u>Leasing Arrangements</u>

8. For 2012, survey respondents indicate that the following leasing arrangements were used as a percent of rented acres:

a. Share rent – 24 percent,
b. Share rent with modifications –13 percent,
c. Fixed cash rent – 35 percent,
d. Variable cash rent – 20 percent,
e. Custom farming – 8 percent.

9. Respondents do not see much change in lease types moving into 2013:

a. Share rent (decrease – 5 percent, the same – 90 percent, increase – 5 percent),
b. Modified share rent (decrease – 5 percent, the same – 95 percent),
c. Cash rent (the same – 100 percent),
d. Variable cash rent (the same – 85 percent, increase – 15 percent), and
e. Custom farming (decrease – 4 percent, the same – 96 percent).

10. The average supplemental rent on a share rent is $25 per acre.

Drought Impacts

11. Respondents indicated that 2012 corn yields will be 44 percent lower than expected. Soybean yields in 2012 will be 30 percent lower than expected.

12. Respondents indicated that few 2012 cash rents will be reduced as a result of the drought. Sixty-six percent of respondents indicated that no rents will be reduced while 34 percent of respondents indicated that cash rents will be reduced on less than 25 percent of their farms.

13. The most popular crop insurance product is Revenue Protection (RP). RP accounted for 76 percent of the insured acres. This was following by RP with the harvest price exclusion with 17 percent of acres. Group Risk Income Plan had 5 percent of the acres, followed by Yield Protection with 2 percent of the acres.

14. Coverage levels on RP polices were:

- a. 60% or lower coverage levels: 1 percent of acres,
- b. 65% coverage level: 3 percent,
- c. 70% coverage level: 15 percent,
- d. 75% coverage level: 24 percent,
- e. 80% coverage level 35 percent, and
- f. 85% coverage level: 22 percent.

15. Seventy-five percent of respondents believe that the drought will have no impact on farmland prices. Fifteen percent expected prices to decrease as a result of the drought and 10 percent expected farmland prices to rise.

16. Seventy-seven percent of respondents expect the drought to have no impact on 2013 cash rents. Twelve percent expect 2013 rents to decrease and 11 percent expect 2013 cash rents to decrease

17. Overall, respondents' expect the 2012 drought to have limited impacts on farmland prices and cash rents.

Miscellaneous

18. The average charge for on-farm grain bin storage is $.14 per bushel.

19. The average charge for pasture is $40 per acre.

20. Respondents were asked an open ended question on what are the most important factors influencing farmland prices over the next 12 months. The most common answers are grain prices and interest rates. Other responses included politics and the 2012 election, legislation (Farm Bill, tax policies), returns on alternative investments, crop expenses, investor demand, and local yields this and next year.

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Note to Editors/Broadcasters:

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