2010 Illinois Farmland Values & Lease Trends

Illinois Society of Professional Farm Managers and Rural Appraisers

AMERICAN SOCIETY OF FARM MANAGERS AND RURAL APPRAISERS

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ISPFMRA President's Message

Bret Cude, AFM
President
Illinois Society of Professional
Farm Managers
and Rural Appraisers

On behalf of the entire membership of the Illinois Society of Professional Farm Managers and Rural Appraisers, it is with great pleasure that I present the 15th annual survey of Illinois Farmland Values and Lease Trends. This 2010 report presents the most accurate summary of recent land values and lease trends compiled for Illinois land. In this book we present data from 10 different regions of the state, discussing and highlighting the 2009 land values and lease terms and rates. The Illinois Society, now in its 83rd year, is uniquely qualified to provide this information as our membership works in the areas of farmland appraisal and farm management, where land values and lease rates are intregal to their professions on a daily basis.

Our 300-plus members manage an estimated 4.2 million acres of Illinois farmland, which is over 18 percent of all Illinois farmland. We also appraise over a million acres of land annually, which is valued at over $ 2 billion. Staying on top of the current land values and lease trends in 2010 continues to be challenging, yet critical, to those who own and/or lease Illinois land. It is our expectation that this annual analysis and report will be a valuable asset in your yearly planning and evaluation. In this challenging economic climate, it is important that the public be reminded that land ownership is not only a secure investment, but also typically pays a nice annual return. An article at the back of the publication provides more information on that topic.

It is our belief that no other publication provides the amount of statewide data, by region, and by land quality, uses and trends. This *Farmland Values and Lease Trends Report* is now recognized as a valuable tool for those with interests in Illinois farmland. Bankers, investors, landowners, farm producers, realtors and many agriculture professionals use this book as the "premier source" for land values and lease trend information throughout the year. Last year copies of this book were mailed to 18 different states. The annual Illinois Land Values Conference, which is the event where the publication is released each year, is traditionally a media event with attendees from professional organizations, investors, landowners, tenants and regional and national media.

This report is the result of HUNDREDS of hours volunteered by our members. The primary team consisted of 10 regional collection chairs, three regional data review chairs, two conference co-chairs, an advertising sales chair, a survey chair and an overall general chair, for a total of 18 volunteers who committed a great deal of effort and time to this project. This is not counting the nearly 50 individuals that provided data and input for the 10 regions. Our hats are tipped to all of them for the time they have given to make this Report possible.

A special *Thank You* goes to general chair Bob Swires, who has served in this position for three years! The entire process is also supported and endorsed by faculty and staff at the University of Illinois College of ACES.

On behalf of the Chapter, I want to personally say *THANK YOU* for your interest in the data contained within, and our organization. Your support for the Chapter and the future of production agriculture is appreciated. We trust that you will continue to have an interest in this event and attend the 2011 Land Values conference in March 2011.

As questions come up in the future, we respectfully ask that you remember and refer to those professionals who use this information on a daily basis, and through their desire to have a more informed public, have labored to make this publication available. Their expertise, dedication, volunteerism and advertising dollars bring you this resource. You will find many of them in the pages of this book or you can locate one of our members by visiting our Chapter Website at www.ispfmra.org.

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Illinois Farmland Values - - At a Glance

by Bob Swires, AFM
General Chairman, 2010 Illinois Land Values Survey and Conference

The Illinois Chapter of Professional Farm Managers and Rural Appraisers are just that – **The Most Trusted Rural Property Professionals.** The farm management and rural appraisal service and consulting we offer our clients come from many years of experience, education, and professional training, tempered with a strong code of ethics.

Farm managers help clients accomplish their ownership goals. Most frequently those goals are:
• Maximize net income
• Maintain and improve rural property and its value over time.

The **rural appraisers** are well trained to research and analyze rural properties in determining their exacting values.

All of the members, including members of the RLI, are skilled communicators and give clients the necessary data to make **informed decisions** regarding their rural properties. We work for our clients!

Skilled professionalism is on display throughout this booklet. **Read regional reports** that are extremely informative and will give you a feel for the nature of the land market in that region. Common themes across the regions are:

Trends and Observations

1. There is a limited amount of land for sale. Transaction numbers across the state were low throughout the entire year. For example, in Region 2 "Good" tracts sold in 2008 - 11,000 acres; in 2009 - 5,900 acres. In some regions, the committee was cautious about identifying trends in certain categories because of the limited number of sales. That is a continuation of what we saw in the fourth quarter of 2008.

Potential sellers like the current returns, capital appreciation and safety of their farmland investment especially when compared to the low interest rates on CD's and bonds and certainly the past performance of the stock market.

2. In 2009 land values started out steady, possibly lower, depending on the region. During the summer the limited number of sales appeared to have steady movement and we finished out 2009 with a very strong land market in almost all of the regions.

• Land prices in the spring of 2009 were soft with a few auctions resulting in "no sale". Most were sold in private negotiations after auctions. In the fall/winter of 2009 there were not very many sales, and auctions had some very high prices.

• For farmland there is a lack of supply – for recreational and transitional tracts there is a lack of demand.

3. The majority of buyers are local farmers expanding their current operation, followed by a mix of local and non-local investors. Investors are looking to diversify their portfolio into a more safe and sound investment after the 2008/2009 financial crisis. There are no 1031 investors — make note of the **Region 4** discussion of size adjustment on tracts, possibly a reverse of past years now that farmers are the primary buyers, not 1031 investors.

4. Most of the sales were for cash, although low interest rates continue to make financing more affordable. Most sales do not have recordable mortgages.

5. There is strong demand for the Excellent category farms. Investors and farmers who are more return sensitive may be looking to invest in Good and Average tracts. New seed and chemical technology increases the productivity (returns) of the Good/Average categories.

Future Farm Managers?
Note the chalk marks on the sidewalk are corn hybrid numbers...

6. Recreational tract demand has softened along with the price and the number of transactions. This seems to be **region sensitive** on both the overall price and direction.

7. Regions 1 and 2 had most of the Transitional sales volume, which is down sharply. The Transitional tracts appear to be headed towards farmland values. Land in this area is even more location and price sensitive. Downstate, where there are few transactions, the price seems to be tied to specific projects and many are either government or quasi-government projects (schools and hospitals).

• There have been a few transactions where a farmer from northeast Illinois sold land for development six years ago, and with a 1031, moved those proceeds downstate. With the drop in the land values in the northeast, and the increase in land values downstate, we have seen a few isolated incidences where they are selling the downstate property and reinvesting in specific properties back in the northeast.

8. Wind farm development is still very active, especially in the northern two-thirds of the state (Regions 1, 2, 3, 4 and 5 most active). Some of the farms have been up long enough to result in some sales of tracts with turbines (see Region 4 narrative). It is met with a mixed approach on the sale of the tracts.

9. On the energy front, ethanol ended 2009 on an upswing after an absolute disaster in late 2008/early 2009. Most plants in Illinois that can be are active, running near capacity and improving the basis and resulting income in their market areas.

Summary by Region

Region 1 (Northeast Illinois)

The number of transactions in this region is down over 50 percent. This may be reflective of fewer development projects occurring. There is no demand to acquire raw farmland for development. Some land with partial development (i.e. maybe water, sewer, roads or a combination thereof) continues to drop more towards farmland values. Some buyers of these tracts are interested in specific locations and are willing to hold for 7 to 10 years for possible future development.

The value of Good and Excellent tracts is down 4 percent. They continue to attract both investors and farmers as buyers. The decline in value may reflect a move towards a traditional farmland type value. Most farmers in the area looked to the Average tracts, and with limited supply, that is up 10 percent.

Rents are catching up to the balance of the state in relation to productivity. In some areas they are up as much as 20 percent.

Region 2 (Northwestern Illinois)

The Excellent categories are steady with sales in the $6,200 per acre range and one sale exceeding $8,700 per acre. Good and Average tracts seem to hold steady in value with the Fair increasing by as much as 10 percent. This region still reports some migration of buyers from the higher priced land to the east.

The Average land is in a relatively tight range of sales in the $3,400 to $4,500 per acre category. Farmer demand is pushing up the Fair category. This region's recreational properties are down sharply.

Rents are increasing as well, up anywhere from 5 to 25 percent overall. **Pasture rent** is included in this region's report with ranges from $30 to $80, depending on the condition of the pasture and various amenities.

Region 3 (Western Illinois)

Strong farmer demand has the Excellent and Good categories up to as high as 16 percent, with Excellent exceeding $8,000 per acre. In the first half of the year, there were several public auctions that resulted in "no sale", only to be sold at near market values at private treaty after the auction.

Ethanol was the issue in 2008 and the global economy dominated 2009. The value of the Average and Fair tracts placed greater weight on the agriculture characteristics, not the recreational characteristics. There were a lot of recreational type sales in this region with values steady-to-potentially-down 28 percent overall. Region 3 has provided **a great summary** to read.

Cash rents were stable-to-up-slightly. Depending on land class, they ranged from $150 per acre up to $400 per acre.

Region 4 (North Central Illinois)

There is an excellent summary of wind energy and rental analysis at the end of the Region 4 section.

Land values overall were steady-to-up 3 percent with several Excellent sales at $7,500 per acre throughout the region. Private sales towards the end of the year seemed to lag auction sales.

A low volume of both Good tracts and the overall recreational tracts makes it hard to determine value trends.

Transitional land again was on a tract- and project-driven basis. Region 4 team members question if undeveloped land in these transitional areas would be forced on the market in 2010 by lenders reviewing or tightening credit policy.

Cash rents in this area are relatively stable-to-up. Flex rents involving a price component were steady-to-down-slightly because of lower grain prices. Continued strong demand keeps competition and values up. Region 4 and other regions report an increase in the percentage of cash rent leases.

Region 5 (Eastern Illinois)

Land values in this part of the state were steady-to-up 10 percent. Farmers are still the predominant buyers with some investors. The reporter has noted farmers bringing investors to the table to buy land so that they could farm it. One observation is that auctions were getting slightly higher prices towards the end of 2009. The rate of increase was highest among the Excellent and Good categories with Average being just steady. As with all regions, volume was down significantly.

Cash rents were strong in the area. Those rates set in early 2009 were under pressure from high input costs and the decline in grain prices. That was the opposite for 2010 rents negotiated towards the end of 2009. The percentage of leases that are cash rent are increasing, but this area noticed an increase in custom farming.

Region 6 (Central Illinois)

This region reported strong demand and the overall land values were steady-to-up 2 percent. They noted auctions were having some mixed results as opposed to private treaties.

This region pointed out that the **new government program** and the ACRE program generated lots of talk but had little or no impact on land values.

"Public perception of ethanol seemed to calm down with lower corn prices and fuel prices." Ethanol was the rage in discussion on land values in 2007 and 2008, but had pretty well died away in 2009.

Recreational values were down as a result of reduced demand which came as a reflection of the downturn in the economy and higher unemployment in this region.

Appraiser at Work
Dale Vogl, AFM, ARA, works on an appraisal of a grain operation

Cash rents overall appeared to be steady-to-possibly-down slightly in the good category. High costs and a declining grain market were factors in negotiations.

Region 7 (West central Illinois)

Values for Excellent and Good categories were up 3 to 7 percent while Average and Below were steady. Eight out of 10 counties in this region had farmland sales in excess of $7,000 per acre. Morgan and Sangamon counties had sales exceeding $8,000 per acre. The majority of the buyers were local farmers.

At the beginning of the year there was a large land sale in the Montgomery county area and another of Good to Excellent type soils. The same owner had another large sale in October of some Average/Fair recreational type tracts. There is an **excellent narrative in Region 7**.

Recreational prices overall are down with questionable demand. This region did identify a decline in overall livestock numbers throughout the general area. Cash rents were stronger overall. Most of the leases were share rent and share with supplemental cash and cash rent. Rents for the Excellent category trended from $250 to $425, with Good in the $210 area.

Region 8 (Southwest Illinois)

Average and Fair tracts with a few good tracts dominate this region. These categories overall were down as a result of less urban encroachment. There is still a location issue with the east side of the region being somewhat lower than the west side, which is closer to the St. Louis urban areas along the rivers. The few Good tracts are probably down as much as 10 percent. Average was steady-to-up 10 percent (see Region 8 narrative). Recreational tracts were softer, again reflecting reduced demand as a result of declines in the overall economy.

Transitional land is down possibly as much as 20 percent on a limited volume. This follows being up slightly in 2008 when this was one of the few areas in the state where development was still occurring.

With no Excellent tracts in this area, rents tend to be in the range of $120 per acre to $170 per acre with an increase in the number or percentage of flex type leases. **There is a good narrative at the end of Region 8 on flex leases and a strip mine sale.**

Region 9 (Southeastern Illinois)

Region 9 has lower productivity soils throughout the region with no Excellent and a limited number of Good tracts. The Average tracts are up as much as 15 percent, reflecting a limited supply of land in that area and several good financial years for the farmers.

An interesting analysis of land sales near Effingham has a December 2008 to December 2009 sale being up 12 percent but December 08 to May 2009 steady at best and possibly down slightly. That has been reflected over all of the regions of steady to low prices in the spring and a sharp upturn at the end of the year.

Recreational tracts overall are stable. Again, the low volume of transactions has appraisers a little anxious on establishing trends. The fairly extensive rural water systems in this area are a factor in some of the smaller Fair/Recreational tracts being potential building sites.

Share rent dominates this area with a 1/3-2/3 or 40/60 share arrangement. The percentage of cash rent leases is relatively low with the overall rates either steady or up slightly.

Meet a Farm Manager
Dan Patten, AFM, CCA
Soy Capital Ag Services
Bloomington, IL

Region 10 (Southern Illinois)

The limited number of Good tract sales are steady. Average tracts are up as much as 13 percent and recreational tracts are up 3 percent. Most of the sales are private treaty. Location continues to be a major pricing factor as "pockets" is a location factor on the final value issues.

On the Average/Fair land, potential buyers are putting more weight on the agriculture component versus the recreational component of these tracts with a higher percentage of non-tillable.

Recreational tracts are still attracting a lot of out-of-state buyers. Those tracts are up as much as 3 percent.

The majority of leases in this area are crop share leases. There are few cash rent leases which are under between $100 and $150, up from 2008.

Land Values Summary

	Excellent	Good	Average/Fair	Recreational
Northern Region (1 & 2)	-4% to steady	-4% to steady	0 to +10%	-15%
Central Region (3-7)	0 to +10%	0 to +10%	0 to +12%	-5% to -30%
Southern Region (8, 9 and 10)	--	-10% to +15%	0 to +13%	-10% to +5%

The variation within the three regions is wider than we have seen in the past. That could be a function of the low number of sales and the different micro-markets that we are seeing develop not only within the state, but within the regions.

Cash Rent

It is difficult to identify cash rent the way it is to set value on farmland. Leases are **privately negotiated** business contracts that are not on the public record as are land sales. However, skilled professional farm managers can help a client determine rent to meet the owners' goals. As you go down a country road, there can be upwards of a 40 percent differential in cash rents on identical types of ground.

This deals only with cash rents, although share rents and to some extent, flex rent, are still available and possibly growing in numbers. In 2009 many of the flex lease bonuses did not activate because of low grain prices.

A professional farm manager can help sort out the social versus business aspects of a farm operation. The analysis and communication can help the owner arrive at the best decision to attain their goals. The professional farm manager can help provide a lease, the implementation of a lease and monitoring the farming operations. Cash rent levels varied widely as you might expect throughout the regions.

Following is a summary of those ranges.

	Excellent	Good	Average/Fair	Recreational
Northern Region (1 & 2)	$180 - $375	$150 - $325	$100-$275	--
Central Region (3-7)	$240 - $400	$200 - $300	$100 - $225	--
Southern Region (8, 9 and 10)*	--	$150 - $180	$175 - $400	--

*These regions have more share rents and less cash rent leases.

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.

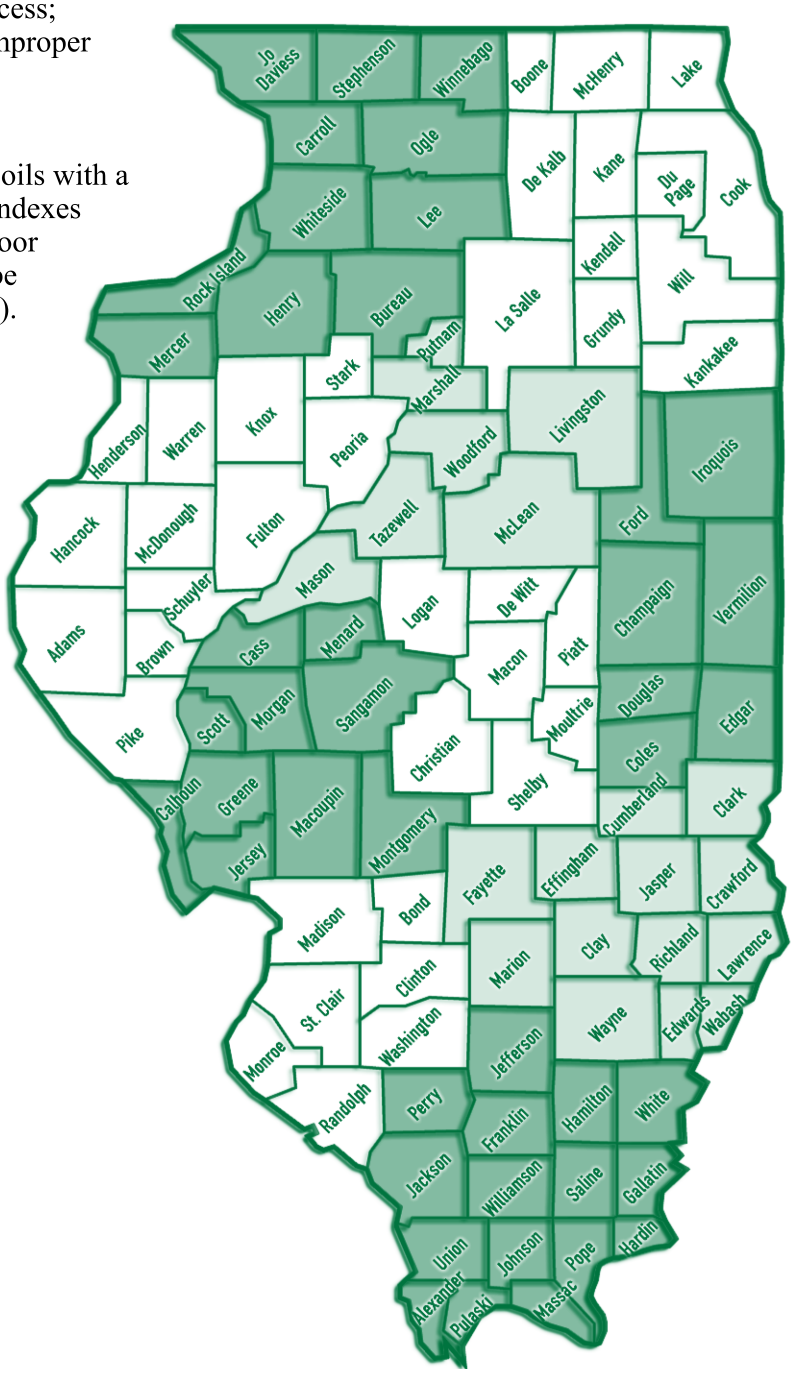
• **Good Productivity Tract** – productive soils with a significant amount of those soils holding productivity indexes of 117 to 132; located in desirable community with good transportation and market access.

• **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.).

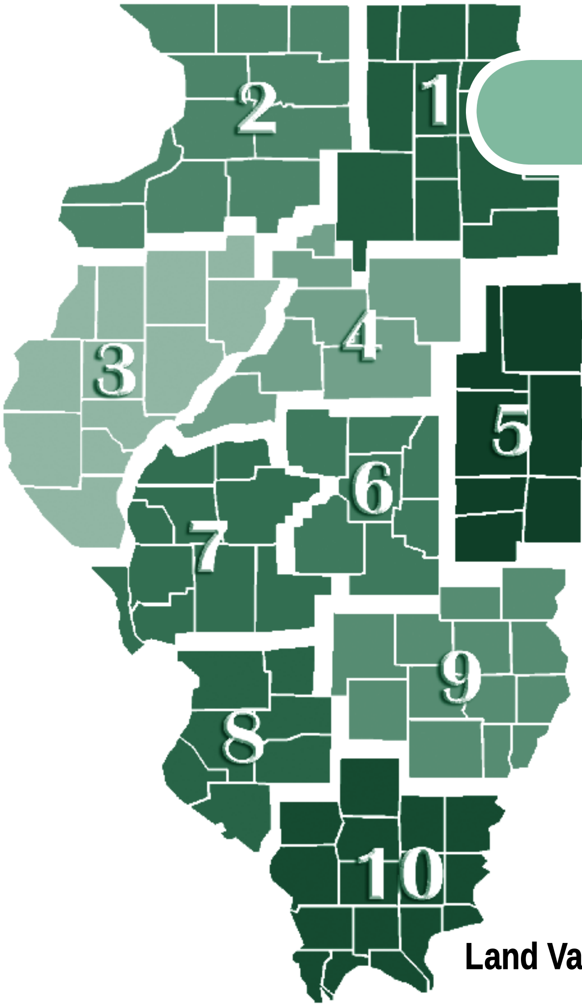
• **Recreational Tracts** – tracts are normally high in non-tillable acres with soils that may be subject to erosion and/or flooding. Tracts are typically purchased by nonresident owners for hunting, fishing and other recreational pursuits.

• **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**



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Land Value and Cash Rent Trends Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	$8,200	-4%	Down 50%	$270	Up 20%	$285
Good Productivity	$6,500	-4%	Down 50%	$250	Up 20%	$250
Average Productivity	$5,500	10%	Down 50%	$200	Up 5%	$220
Fair Productivity						
Recreational Land						
Transitional Tracts	$16,000	-11%	Down 50%			
Other Sales (describe)	$12,000	No change				

The most significant trend we are seeing in northeastern Illinois is the total exit of the premium paid for potential future appreciation from development or nearby development. Residential development and reinvestment that fueled prices above that paid in other areas for similar land has stopped. There is no residential development occurring. Few new homes are being constructed and there is a huge inventory of residential lots ready to be developed with no demand for them. The greatest influence is seen in Eastern DeKalb County and Northeastern LaSalle County where farmland is selling at prices similar to down state sales that have never had the development influence.

Excellent Productivity Tracts

Demand for excellent productivity tracts remains strong. The prices being paid reflect farmland values without influence from potential development pressure or 1031 exchanges from development land sales. Highly productive areas of LaSalle and DeKalb Counties are being developed into wind farms. Currently, it is too early to measure the effect on land values.

Sale County	Total Date	% Acres	P / I on Tillable	Total Tillable Ac	Price/Ac
DeKalb	Oct.	155	98	140	$7,629
DeKalb	May	154	99	137	$8,500
LaSalle	Nov.	40	94	143	$7,000
Kankakee	Oct.	120	97	133	$5,377
Grundy	Dec.	55	93	134	$6,100

Good Productivity Tracts

Sales of good productivity land are reflecting consistency across the area. This is a further indication of the reduction of the influence of the development reinvestment (1031 exchange) market that has been so strong in this area in the past.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
DeKalb	Feb.	116	98	128	$6,339
Will	June	40	99	117	$6,000
Boone	Oct.	70	97	128	$6,664
Kankakee	Nov.	90	97	131	$6,389
LaSalle	Aug	143	95	129	$5,429

Average Productivity Tracts

These tracts tend to be purchased by local farmers expanding their operation. Investors tend to look at "good" and "excellent" tracts while local farmers view these farms as good buys for their potential.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Kankakee	June	138	96	116	$5,300
Kankakee	Sept.	42	99	115	$5,300
Kankakee	March	81	99	111	$5,820
LaSalle	June	68	99	113	$6,000

Transitional Tracts

Most of the Transitional sales in this area are transitioning back to non-development usage. Many of these sales were purchased by the sellers with future development in mind. The current sales reflect buyers who are viewing this as farmland and are paying a premium for development seven to 10 years down the road.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
DeKalb	March	62	99	136	$19,709
Kane	July	59	100	120	$18,001
Will	May	60	96	106	$21,000
McHenry	April	246	93	125	$12,166
Grundy	February	117	99	129	$47,413

Other Tracts

These sales reflect school district and municipality purchases.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
LaSalle	May	33	99	137	$12,000
LaSalle	March	82			$10,411
Grundy	Jan.	42	92	131	$17,500

Special Interest Stories

New wind farms are being developed in East-Central DeKalb County and Southern LaSalle County. These developments are too new to be able to measure any effect on value to the adjoining land.

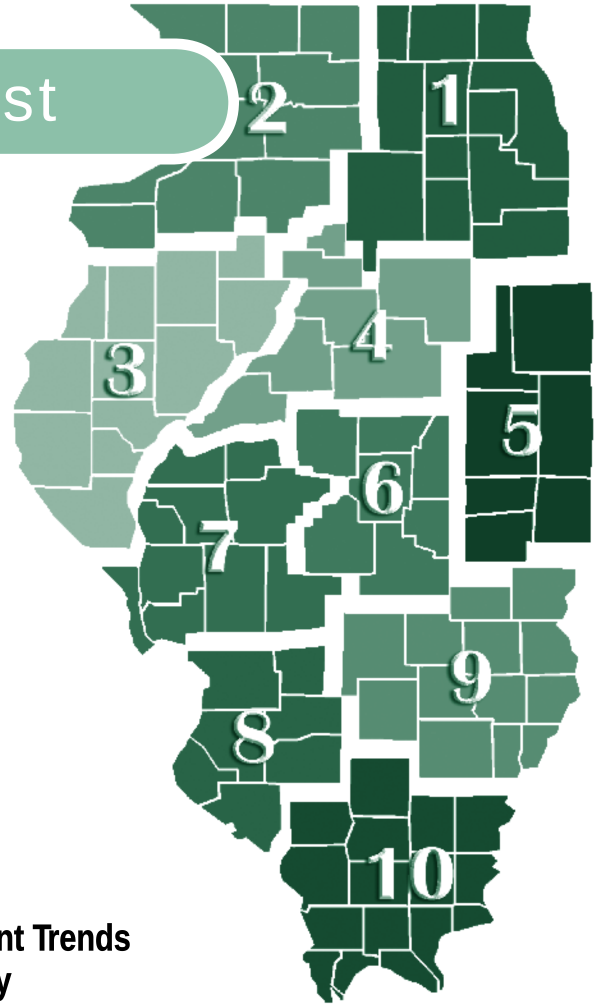
There are a number of sales that were sold for development prices (upwards from $25,000 per acre) a few years ago that are now selling near other farmland prices. Some sales in northeastern Illinois, with water and sewer run to the property and some land shaping, have sold for under $15,000 per acre to buyers who intend to farm the property and hold it for several years. Residential development has virtually ceased in northeastern Illinois. There is a huge inventory of developed lots that are sitting empty, and as a result, there is no pressure for raw development land in the area.

Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for: Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate	Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are: Cash	Flexible cash	Share	Other
Excellent Productivity	180	225	375	1 year	345	95	2	3	
Good Productivity	150	200	325	1 year	325	95	2	3	
Average Productivity	125	175	275	1 year	275	95	2	3	
Fair Productivity	100	150	225	1 year	200	95	2	3	
Recreational Land									
Pasture	40	60	80	1 year	75	100			
Other									

Some cash leases are on a fixed dollar per acre but with "bonus rent" due if the average Chicago Board of Trade closing price of corn on the 1st day of each month from January through October exceeds $4.60 per bushel. The bonus would be 1/3rd of the excess price times the farm's weighted corn yield per acre under optimum crop productivity rating from U of I Bulletin 811. In some cases a combined cash rent and bonus rent is not to exceed a stated price. There was no bonus rent in 2009 since the average was $3.98.

Region 2 - Northwest



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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	$6,100 - $7,200	Steady	Down 20%-40%	$225-$320	Up 5 - 15%	285+
Good Productivity	$4,500 - $6,200	Steady	Down 20%-40%	$200-$260	Up 10 - 25%	250
Average Productivity	$3,500 - $5,000	Increase 0 - 3%	Down 15%-30%	$160-$225	Up 5 - 10%	200
Fair Productivity	$3,400 - $4,750	Increase 5 - 10%	Down 10%-20%	$165-$195	Up 10 - 20%	180
Recreational Land	$2,200 - $4,700	0 - 20%	Down Down Sharply	Insufficient Data		
Transitional Tracts	$5,300 - $19,000	Insufficient Data	Insufficient Data			

The year 2009 began with a lot of uncertainty. Not only was the agricultural industry in a whirlwind, but only three months into the year we experienced the worst economic downturn since the Great Depression. In the mid summer months of 2008 corn prices had begun to push $8.00 a bushel, which were more than double what they had ever been. Just as fast as they had risen they began to fall, and by late fall corn was off approximately $3.00 a bushel. During this time a lot of input costs had doubled, if not tripled, for the 2009 season. Most of the fertilizer prices dropped back to normal levels, but a lot of buying had been done with the expectation of input prices continuing to rise. Along with lower commodity prices and higher inputs, farmers began to see landlords asking for higher cash rents. To add to the volatility of the commodity and input prices – the wet weather had extended the planting season and pushed harvest three to four weeks later than normal, with approximately 1 to 2 percent of the corn crop still standing in mid January. The cool and wet growing season also demanded the corn crop to be harvested with 5 to 10 percent more moisture, resulting in a higher than expected drying cost. Another important factor in Region 2 was the dramatic decline in livestock prices. Region 2 has the highest concentration of dairy in the state, and the dairy industry has seen some of the deepest and longest price declines in recent history. This area also has a number of hog operations, which have struggled with low commodity prices. However, land prices remained fairly stable throughout the volatility with some areas receding slightly early in the year, but regaining strength in the fall.

One of the most noticeable differences from 2008 to 2009 was the drop off in the number of farmland sales. Most of the region experienced declines in sales of 10 to 40 percent, with even further reductions for recreational tracts. Some of the drop in farmland sales could be attributed to the uncertainty in the general economy. The supply side seemed to be affecting farmland more so than the demand. It appeared that most land owners were holding their farmland because of unfavorable alternative investments. Lack of demand seemed to be the driving factor in the drop in recreational land and transitional property transactions and values. Disposable income from the urban areas has diminished considerably because of the economy, which at one time was fueling the recreational market.

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

Considering the adversities of 2009, the agricultural real estate market in Region 2 has remained resilient with steady-to-upward trends in land values and cash rentals. Strong farming profits carried over from 2007 and 2008, historically low interest rates, and farmland as an alternative investment to the stock market appear to be the predominant factors behind the stability in the agricultural real estate market.

Excellent Productivity Tracts

Again in 2009, there was a limited amount of Excellent class land offered for sale in this portion of the state. Many offerings were located in small pockets of Carroll, Stephenson and Winnebago counties and along the eastern portion of Ogle and Lee counties. Excellent productivity tracts in this area tended to sell quickly and set the upper end of the value spectrum. For example, at a December public auction in Sublette Township in southern Lee County, many people were surprised when the parcel sold for $8,700 per acre. This tract is a highly productive, level farm with a tillable productivity index of 141 in one field that is easily accessed. In the southwest portion of Region 2, the market price for Excellent and Good class farms in Mercer County has been increasing in post-harvest auctions. There have been many strong auctions with prices above where they were in late 2008 and early 2009. Conservative areas of Mercer County are even paying higher values for Excellent and Good class farms. A sampling of the most representative sales of this quality from 2008 indicated a median price of $6,277 per acre compared to the median price of 2009 Excellent class sales at $6,352 per acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Lee	March	160	98.8	139	$7,000
Lee	March	94	96.5	143	$7,200
Lee	Dec.	80	94.9	139	$7,500
Ogle	Oct.	235	96.8	139	$7,200
Ogle	April	80	95.4	133	$6,000
Ogle	Feb.	78	95.8	133	$6,147
Stephenson	Jan.	138	97	135	$6,409
Stephenson	Aug.	40	90.5	135	$5,625
Carroll	March	84	94.3	137	$5,750
Carroll	Sept.	79	99.2	138	$6,100
Carroll	March	216	94.3	133	$6,250
Mercer	May	80	96	135	$6,400
Mercer	Sept.	40	97.5	142	$7,100
Mercer	Nov.	160	97	142	$6,850
Bureau	Jan.	76.7	98.4	136	$7,150
Bureau	May	120	97.8	139	$6,300
Bureau	July	82	99.9	140	$7,300
Bureau	Aug.	229	95.7	143	$6,700
Henry	Aug.	173	96.5	136	$5,150
Whiteside	May	75.5	96.1	140	$6,500
Whiteside	March	237	95.3	137	$6,304
Whiteside	April	80	95.1	133	$6,300
Rock Island	Feb.	40	98.3	141	$5,093
Rock Island	Oct.	36	73.3	133	$4,694

Good Productivity Tracts

Most of the sales of Good productivity tracts in Region 2 occurred in the second half of the year. The median sales price per productivity index point was $47.39 in a range from $36.13 to $73.26 per productivity index. Lee, Carroll, Ogle and Winnebago counties led the way for the region with a majority of their sales being towards the upper end of the range. The one common difference between these four counties and the rest of Region 2 is superior location and the slight influence from the east. One sale in southeastern Stephenson County showed significant strength as three adjoining land owners competed in a sealed bid auction for a tract of land which sold for $6,200 per acre. A database search of Good productivity tracts in Region 2 indicated that sales in 2009 included roughly 5,900 acres of Good productivity land compared to the same search conducted for 2008 sales which indicated roughly 11,500 acres of Good productivity land sold. This decline in acres further validates the perception of a slower pace of farm sales in 2009.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Lee	June	80	99.5	118	$6,600
Lee	Sept.	84	88.3	117	$6,475
Ogle	Aug.	80	93	123	$5,625
Ogle	Sept.	189	97.7	131	$5,700
Ogle	Dec.	40	89	126	$5,200
Stephenson	Nov.	108	93.7	120	$4,900
Stephenson	Nov.	308	97.6	121	$5,199
Stephenson	Dec.	80	99.3	118	$4,800
Winnebago	Feb.	80	94.1	123	$5,450
Winnebago	Dec.	148	90.5	117	$6,000
Winnebago	Oct.	179	94.6	126	$5,700

(cont.) County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Jo Daviess	Oct.	489	85.2	121	$4,748
Carroll	March	80	96.1	129	$5,625
Carroll	March	127	80.5	129	$5,508
Carroll	Nov.	126	99.7	127	$6,330
Mercer	Jan.	100	75	128	$4,900
Mercer	Nov.	84	92	128	$4,600
Mercer	Nov.	63	74.3	120	$3,825
Bureau	Janu.	78	97.2	126	$4,800
Bureau	July	155	94.8	128	$4,400
Henry	Feb.	154	92.7	118	$4,100
Henry	March	100	50.9	118	$4,400
Whiteside	June	75	96.6	131	$5,900
Whiteside	Oct.	79	93.9	119	$5,542
Rock Island	May	73	99.2	126	$4,500
Rock Island	Oc.	98	80.6	124	$4,700

Average Productivity Tracts

There have not been very many sales throughout Mercer County for the year. In terms of value, sales from the latter part of 2008 and into the spring and summer of 2009 remained fairly stable. The sales that did occur during summer 2009 reflected the sales during the winter and spring time of early 2009. Average and Fair Class farms seemed stable-to-almost-soft in Mercer County. There have been very few sales for rougher farms in the past couple of months. It has been tough to get a sense on how much land prices have changed post-harvest. Sales in the northern portion of Region 2 for Average productivity ranged from $4,000 to $5,000 per acre. Stephenson County showed the most consistency with two sales in the $4,500 range. The post-harvest public auction of the Stephenson county tract in the northern portion of the county showed a slight increase, compared to the pre-harvest, August sale in Stephenson County. The high land sale in this category was from Winnebago County and was sold to settle an estate and was also sold in the later part of the year. Unlike the Excellent and Good land classes, the Average land class sales form a much tighter range throughout Region 2 from $3,450 to $5,300 an acre.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Lee	April	89	95.1	111	$4,000
Ogle	Dec.	96	92.5	110	$5,000
Stephenson	Aug.	155	91.9	111	$4,513
Stephenson	Dec.	70	95	111	$4,575
Winnebago	Sept.	43	99.5	111	$4,500
Winnebago	Nov.	222	91.9	109	$5,300
Jo Daviess	July	111	69.8	107	$4,853
Jo Daviess	Dec.	41	70.3	102	$4,900
Carroll	Feb.	41	56.4	108	$4,465
Carroll	March	110	77	110	$4,139
Mercer	Jan.	125	91.3	110	$4,300
Mercer	Sept.	170	89	116	$5,000
Mercer	Nov.	84	79	113	$3,500
Bureau	Feb.	52	99	116	$4,000
Bureau	April	82	95.7	113	$4,350
Bureau	Oct.	80	99	107	$3,450
Henry	Jan.	90	92.4	105	$5,100
Henry	Jan.	66	99.6	105	$4,100
Henry	Feb.	1986	85.9	104	$4,392
Whiteside	April	40	97.4	115	$4,500
Whiteside	March	90	98.1	115	$4,500
Whiteside	July	142	95.6	114	$5,116
Whiteside	March	289	91.5	107	$4,400
Rock Island	Oct.	38	74.7	114	$3,700
Rock Island	April	152	96.3	107	$3,550
Rock Island	Jan.	229	84.6	102	$3,700

Fair Productivity Tracts

Fair productivity tracts in this portion of the state tend to fall mostly on the western side and are in two different categories. The northwest portion of the region tends be the rolling and sloping hills of predominately timber soils, subject to erosion. The southwest part of Region 2 tends to be a mixture of sandier soils, river bottoms and rolling hills. A minimal number of sales were available in Region 2 that would be classified as Fair productivity tracts. Much of this type of land in the northwest portion of Region 2 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 ag buyer. Fair quality land has provided a means for smaller operators and beginning farmers to enter the market and expand their operation. Sales in this class continued the upward trend, despite having lower land productivity. Based on a limited number of sales, the 2009 median sale price of $4,375 an acre is up almost 9.5 percent from 2008. Farms that are highly tillable and located in a strong farming area remain strong to very strong as evidenced by the two Jo Daviess County sales.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Stephenson	May	70	86.1	96	$3,411
Stephenson	Oct.	40	81.5	95	$4,000
Jo Daviess	Sept.	40	85.5	99	$4,750
Jo Daviess	Sept.	70	96.3	97	$4,750

Recreational Tracts

Recreational tracts in Region 2 have been the hardest hit land segment. This market relies heavily upon buyers from the eastern portion of the state. Currently, the supply of recreational land significantly exceeds market demand. A search of recreational tracts in Region 2 revealed roughly 1,700 acres of recreational land sold in 2009 as compared to almost 3,000 acres sold in 2008. Marketing times of these properties have increased and listing prices are being reduced. 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. One of the Jo Daviess county sales was part of a larger auction including 11 tracts. This was the only tract that got an acceptable bid and was sold. Sales that did sell at higher values were those tracts that were certified timber and under management programs. There is at least some positive effect of the greatly reduced tax burden placed on these properties.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Lee	May	40	56	n/a	$4,250
Jo Daviess	Jan.	120	43	n/a	$4,600
Jo Daviess	March	40	73.75	n/a	$4,300
Jo Daviess	July	44	34.4	n/a	$4,100
Carroll	March	40	6	n/a	$4,000
Mercer	Feb.	66	42	107	$2,200
Bureau	April	69	53.2	129	$3,500
Whiteside	April	42	38.3	106	$4,725
Rock Island	Oct.	39	n/a	n/a	$4,100
Rock Island	Oct.	38	n/a	n/a	$4,200
Rock Island	Nov.	78	n/a	n/a	$2,757

Transitional Tracts

There has been minimal Transitional tracts changing hands within the region. Most of the Transitional market has been dramatically affected by the economic crisis. The sale prices ranged from $5,314 to $19,130 an acre. Most of the transitional tracts were purchased by buyers who were motivated by a specific use. For example, the Ogle County sale was purchased by Rochelle Community Hospital for future construction. In the past, some transitional tracts were purchased by speculators anticipating future development. Most of the speculative buyers are currently on the sidelines waiting to see what happens with the economy.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Winnebago	June	84	43	n/a	$6,512
Ogle	Sept.	139	97.6	126	$15,135
Bureau	Jan.	15.28	98	n/a	$19,130
Henry	Jan.	7	n/a	n/a	$7,500
Henry	August	78	88.6	114	$5,314

Other Tracts

The Henry County property is a farmette-type tract on 20 acres with roughly 9.3 acres tillable. The farmette included a home, cattle sheds and grain bin. The Whiteside county sale is located in Genesse Township and consisted of 74.95 acres with a majority of the land in pasture.

Sale	Total	%	P / I on	Total	
County	Date	Acres	Tillable	Tillable Ac	Price/Ac
Henry	Nov.	20	46.5	100	$8,850
Whiteside	April	75	47.6	113	$4,000

Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for: Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate	Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are: Cash	Flexible cash	Share	Other
Excellent Productivity	220	260	300	1-3 years	285	90	4	6	
Good Productivity	200	220	250	1-3 years	230	90	4	6	
Average Productivity	160	190	230	1-3 years	200	85	5	10	
Fair Productivity	130	150	170	1-3 years	180	85	5	10	
Recreational Land	10	50	100						
Pasture	30	50	80	1-3 years	50				

Some landlords and tenants in the southern portion of Region 2 are moving to variable cash rental arrangements. The variable cash rents are based on how the farm yields and resulting commodity prices which will determine how much the tenant pays. The northern portion of Region 2 has been slower to convert to variable leases. A vast majority of the rents in the northern portion of Region 2 are still cash rent with terms typically from one to three years. However, some cash rental tenants are opting to include bonus payments to landlords as a percentage of net, 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 for record keeping, input purchases, and how and when commodity prices are determined.

Cash rental rates were widely distributed throughout the southwest portion of Region 2. Indicated contract rents for prime ground were anywhere from $175 to $300 or more dependent on how aggressive the landlords were in getting higher cash rents. More recently negotiated prime ground topped out at $315 with some lower quality ground around $135. The normal range for most of the prime ground was $250-$275 in Mercer and Rock Island counties. Cash rents in the northern portion of Region 2 also varied greatly, however they do seem to be trending upward. Many of the cash rents in the northern portion of Region 2 were rented at $1.60 to $1.80 per productivity index in 2009, compared to many of the recently negotiated rents, indicating a higher range from $1.75 to $2 per productivity index for the 2010 rental year. The gap in rental rate from Fair to Average Class tracts seems to have narrowed. Technology advances in fertilizer application and tillage practices, crop insurance programs, and more than adequate rainfall have increased the yield and net proceeds on these lower quality farms.

These changes have increased competition among operators which then leads landlords to seek higher rental rates on these lower quality farms. Offers to maintain current, or only slightly increased, rent levels by some tenants have reportedly been declined by a few landlords who feel that higher rents are possible. As with all lease negotiations, landlords must weigh the potential of receiving the highest possible rent for their land with maintaining the fertility and integrity of their property.

Most of the pasture rental information is based on counties in the northwest portion of Region 2 including Jo Daviess, Carroll and Stephenson counties. Jo Daviess and Carroll counties still maintain a significant number of cow-calf operations, while Stephenson County pastures are typically used for summer grazing of dairy heifers and dry cows. As with tillable cash rents, pasture rents also indicate a wide range in price and terms. Some pastures are rented along with the tillable land and are not weighed heavily in the cash rent negotiations between the landlord and tenant. Other pastures are rented for considerable sums. Much of this divergence is based on location of the pasture, available water for the cattle, condition of the fencing, fertilizer application, and if the pasture is mowed.

Another consideration is the duration of the grazing rights. Typical pasture leases usually include the growing season which runs from some time in April to as late as November, dependant on the weather. However, some cow-calf operations are opting for leases that include grazing of the pasture during the summer months and the harvested ground for the late fall and winter, essentially these leases become year-round. Much of the driving force in the pasture market has been the high feed costs of grain and hay of the past few years.


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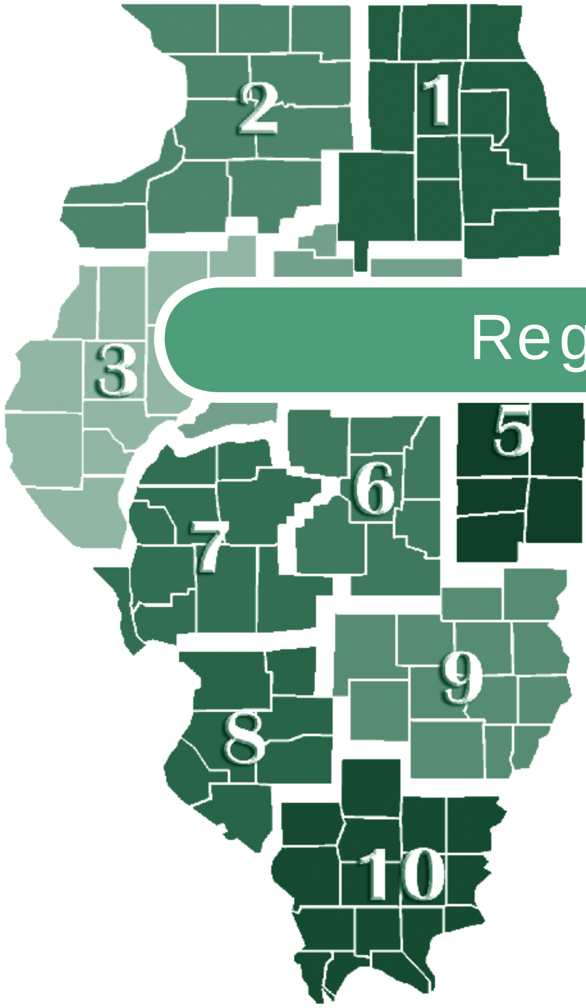

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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	$6,000 - $8,400	Steady - up	Up 0 - 9%	$250 - $400	Stable	$250 - $400
Good Productivity	$3,600 - $6,600	Steady - up	Up 0 - 16%	$250 - $350	Stable	$200 - $350
Average Productivity	$3,100 - $4,500	Steady - up	Up 0 - 12.5%	$150 - $250	Stable	$150 - $250
Fair Productivity	$2,700 - $4,200	Untested	-	$100 - $200	Stable	$100 - $200
Recreational Land	$2,600 - $3,300	Soft	Down 0 - 28%	$ 25 - $ 50	Stable	$5 - $--50
Transitional Tracts						

These numbers may seem surprising until we recall January 2008. The trend from January 2008 through June of 2008 was sharply upward. The trend changed to a declining market from September through December 2008 due to spillover from the national economy. The recovery became evident in December 2008 and January of 2009. From January 2009 through December 2009 there was a major recovery in the values of tilled land. The low end of the numbers for both years tended to be from sales in December 2008 and January 2009. The high for 2008 was in April with an $8,988 per acre sale in Stark County, an $8,050 per acre March sale in McDonough County and an $8,000 per acre sale in Brown County in September. The high sales prices in 2009 are in and around the eastern side of McDonough County with several sales over $8,000 per acre. The first sale back over $8,000 was in May 2009.

The Average, Fair, and Recreational classifications of sales tend to run together. We found this year that there is a point at about 70 percent tillable land in these sales were there appears to be a divide between the farmer buyers and the recreational buyers. The test used was to divide the total price by the total tilled acreage productivity. The sales with less than 70 percent tilled land began to have higher dollar-per-productivity prices. With more than 70 percent tilled sales the price per Productivity Index point is in the same ranges as the better tilled land.

The recreational market is the only classification that still shows a loss in value over the two year period. There are some wildlife outfitters and land traders who have significantly reduced their land ownerships in this region. They have still been successful in turning the land and getting some profits for the most part. This market has lower prices on sales where some individual owners are selling out. The reduced discretionary cash and tougher credit standards would be expected to hit this part of the market.

Excellent Productivity Tracts

The range in these sales, along with the sales from 2008, demonstrate the need to really know the recent market activity and the people who are active in the market. The 2007/2008 market season was dominated by the ethanol market. The global economy has been a major factor over the past 15 months. This group of prime land has remained very active with a large group of sales available from which to select sales for this report and for completing appraisals. There is a large variation in the prices per acre and the price per Productivity Index Point measure in this region, and more generally in this report due to the changes in the motivations of the buyers.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Fulton	Jan.	97.58	87.1	136	$6,000
Knox	Jan.	475.83	97.1	140	$7,275
Knox	Jan.	120	98.3	140	$7,550
McDonough	Feb.	157.39	95.3	141	$7,148
Warren	Feb.	151.38	95.8	135	$6,425
Peoria	Feb.	158	96.2	135	$6,614
Warren	Feb.	80	97.5	144	$7,000
McDonough	Feb.	84.57	98.1	143	$7,725
Henderson	April	200.39	95.8	139	$6,983
McDonough	May	40.6	100.0	142	$8,025
Fulton	Aug.	81.65	95.5	137	$6,700
Henderson	Oct.	88.25	95	145	$6,500
Hancock	Oct.	83.21	99.7	140	$7,600
McDonough	Nov.	71.53	91.2	135	$6,650
Hancock	Nov.	64.52	92.1	136	$6,700
Brown	Nov.	111	96.8	139	$6,975
Adams	Nov.	58.6	96.9	136	$7,695
Warren	Nov.	145.47	97.6	143	$6,200
Henderson	Nov.	74	99	146	$8,100
Adams	Nov.	62.53	99.2	137	$6,775
Peoria	Nov.	40	100.0	139	$7,700
Stark	Dec.	80	97.5	133	$6,250
Knox	Dec.	110.13	97.2	140	$7,500
Warren	Dec.	66	98.4	138	$7,650
Warren	Dec.	83.54	99.4	137	$8,400
McDonough	Dec.	73.5	100.0	142	$8,275

Good Productivity Tracts

This group of sales has a more limited group of sales from which to select data points for this part of the regional report. This land became less liquid during the downturn in the market. It was common in the fall of 2008 and spring of 2009 for auctions of Good and Average quality tracts of land to result in “no sales”. In these cases the sellers became the buyers for the day. Several of the auction sales where the bids were rejected at the auction resulted in a negotiated sale later in the year. The ultimate selling prices were typically slightly higher than the auction bids.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Stark	Jan.	88	90.9	128	$5,520
Adams	Jan.	135.1	91.5	127	$5,855
Brown	Feb.	73.64	97.8	132	$5,400
Knox	March	80	83.8	118	$4,200
Pike	March	344	93.2	129	$5,305
Hancock	April	75	90.3	126	$5,025
McDonough	April	60	98.8	128	$4,825
Pike	May	162.96	84.9	119	$4,025
Knox	Sept.	40	87.5	122	$5,200
Adams	Sept.	40	96.0	130	$6,200
Fulton	Sept.	40	97.5	131	$6,600
Henderson	Nov.	83	52.2	117	$2,700
Hancock	Nov.	62.78	79.2	130	$3,600
Adams	Nov.	60	79.2	120	$3,650
Henderson	Nov.	46.5	96.8	127	$5,700
Hancock	Nov.	100	100.0	129	$6,400
Schuyler	Dec.	85	99.5	119	$4,900

Average Productivity Tracts

The Average quality farms in this area are beginning to show the diminished impact of recreational influences in the market. The sales in this group of sales are the more agricultural properties. These sales tend to indicate that wooded land has a lower ratio of contribution to the price than found in recreational sales. The price per productivity point in this group of sales is often adjusted for the contribution of the woods, and we found that different appraisers have different ideas about how these sales should be analyzed, and therefore there was some variation in the data. The farms with a higher percentage of tilled land and lower productivity ratings form the group where the majority of the “no sales” occurred at public auctions.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Brown	March	40	48.0	113	$4,050
Adams	Jan.	130	53.7	103	$3,093
Pike	Feb.	124.85	98.8	116	$4,500
Schuyler	March	282	48.2	112	$3,227
Brown	March	170.33	59.3	111	$3,200
Adams	March	160	60.9	101	$3,000
Brown	March	141.34	72.9	105	$3,500
Pike	March	83.29	77.4	116	$3,638
Pike	May	158.3	73.3	113	$3,411
Adams	June	40.39	86.0	112	$4,500
Schuyler	July	111	73.9	104	$2,703
Hancock	Aug.	126	65.0	100	$2,600

(cont.) County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Fulton	Nov.	113	79.6	115	$4,336
Henderson	Nov.	41.5	89.2	108	$4,000
McDonough	Dec.	83.55	83.3	109	$3,172

Fair Productivity Tracts

These are rare sales where soils productivity ratings are low and the percentage of the farm that is tilled is still high. The prices of these sales generally fall within the same range as the recreational sales in the region.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Henderson	March	42.5	56.5	75	$2,706
Adams	July	162.63	87.6	98	$4,200
Adams	Janly	76	100.0	98	$3,750

Recreational Tracts

The Recreational market has a surprisingly large number of sales. These sales showed a decrease in the mainstream of prices. The very high sales prices in Pike and Adams counties did not show up in the market this year. One of the changes in this market is that the outfitting companies have been selling land at significantly lower prices, but they do not appear to be losing money on the land that they had in inventory. There were several of these companies in the region. These companies own significant tracts of land that are still listed for sale. This market is heavily influenced by discretionary money. The volume of land for sale does not appear to have increased much, and the current private owners are holding on to the land.

Region 3 has a relatively small transitional land market which is influenced by urban sprawl around Peoria, Macomb and Quincy.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Fulton	Jan.	34.11	0.0	0	$2,600
Adams	Feb.	120	0.0	0	$3,000
Pike	Feb.	249.37	23.4	107	$3,041
Brown	April	40	0.0	0	$3,300
McDonough	April	35.41	0.0	0	$3,200
McDonough	April	81.93	31.4	114	$3,000
Pike	May	138.5	40.9	96	$5,628
Hancock	June	80	0.0	0	$2,337
Pike	June	80.92	0.0	0	$3,100
Warren	Sept.	81	32.1	111	$2,723
Brown	Sept.	247	36.4	103	$2,733
Peoria	Oct.	48.41	31.0	117	$2,500
Adams	Nov.	40	0.0	0	$2,800
Warren	Dec.	94	36.1	123	$4,221

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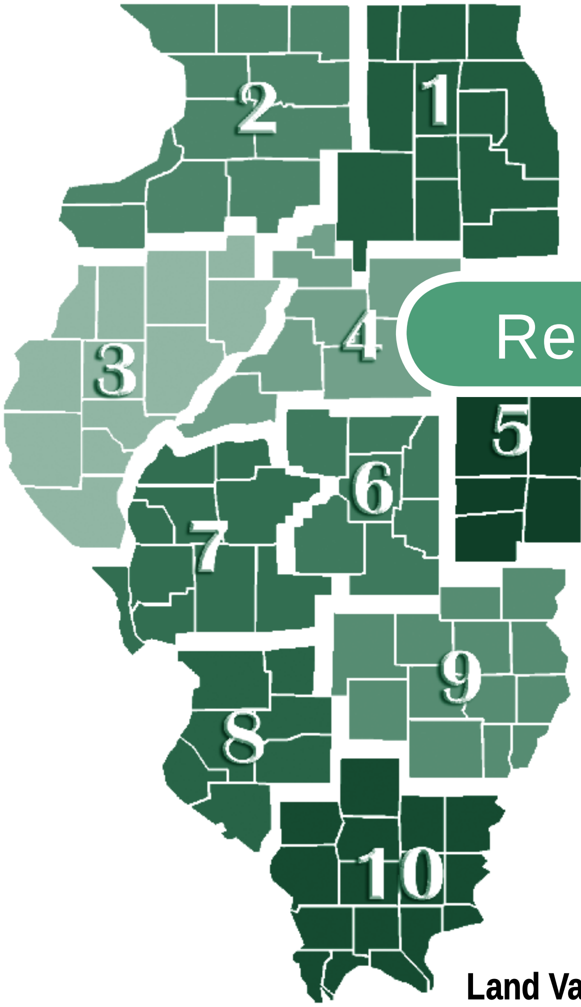

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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	$6,500 - $7,500	3%	Down 40%	$250	Steady	$265+
Good Productivity	$5,000 - $6,400	0%	Down 40%	$200	Steady	$210+
Average Productivity	Insufficient Data		Down 90%			
Fair Productivity	Insufficient Data		Down 90%			
Recreational Land	$3,000 - $4,000	1%	Down 30%			
Transitional Tracts	Insufficient Data		Down 90%			
Wind Energey Options	See Report					

Region 4 holds a variety of soils, crops and location influences which can lead to great ranges in value from one end of the region to the other. The northern portions 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 past years. The center of the region has some impact from the growing communities of Bloomington, Morton and Pekin. The southwestern portion of the region tends to be less influenced by reinvestment dollars and more influenced by the general agricultural economy.

Very few transactions occurred throughout 2009 as the general economy faltered and farmland became a safe-haven, hard asset for those who owned it. As infrequent auctions occurred and the general supply decreased, farmland prices remained firm from the general competition of the marketplace. In general, 2009 showed a continued decrease in the supply of large farmland tracts for the marketplace. 1031 exchange buyers were no longer present. Continued low interest rates kept farmers' interest in acquiring land. Most buyers were cash investors and farmers. Land quality and characteristics began to have an increased impact on the prices paid. The highest quality land tracts continued to sell at the higher end of the trading range, slightly raising the overall average. Tracts with imperfections received discounts and led to a "steady at best" mentality as buyers were looking to pay a premium for only the highest quality tracts. The growing season was delayed by excess rainfall, being the fourth wettest year on record for this region. Corn production continued its very good run in this area while soybean production varied. White mold affected some fields in the northern part of the region significantly while the southern part of the region had some very good yields. Most farmers did not finish harvest until at least the first week of December. We continued to see increased strength in the 80-acre-or-less sized tracts from farmer-buyers. Modestly sized tracts of 40 to 80 acres attracted the highest demand from both farmers and individual investors. This is a shift from the trend in past years where the larger sized tracts were receiving a premium at the auctions.

In the final quarter of 2009, the outlook for 2010 became somewhat clearer. The general economy was recovering some, fertilizer and some other crop input prices were moderating while grain prices strengthened. Budgeting showed that margins could be better for the 2010 crop if the 2009 harvest-damaged soil could be repaired. This allowed cash rental rates to remain steady after some believed in mid-summer that they might slip lower. As more land sells, more farmers retire, and more leases move to cash rent in this historically crop-share lease region, the average rental rate also increases.

The strong influences of cash returns for straight farmland investors continue to drive both the farmland market and cash rent environment. Determining cash rent values has become more difficult in this region, and has raised the call from many operators and their lenders for some form of a variable, or base-plus-bonus cash rent lease due to the volatility of the markets and input costs. Some owners have also begun to once again look at alternative leases where they share in the crop production to address this concern. However, the overall trend in this region for both rental rates and land values is steady to higher as we move toward 2010.

Excellent Productivity Tracts

Excellent productivity farmland maintained its value in 2009 and sustained its value better than other land classes when values dropped from 2008 harvest through late summer 2009. Bare farmland values retracted some in mid-year only to strengthen again in November and December. Sellers bringing publicly advertised, high quality, high percentage tillable tracts to the market toward year-end saw some record prices in the western part of Region 4, often receiving over $7,500 per acre. The limited supply in this land class best met demand with auction sales or listings that came to the market after a recent area auction. Privately negotiated sales typically lagged auction values. As the year moved along there were no large-scale transactions, and farmers or investors continued to show good interest in acquiring any small, high quality investment-grade tracts. By year-end most Excellent quality farmland was selling between $6,500 and $7,500 per acre throughout Region 4, with a weighted average price per productivity index point per tillable acre in the upper 40's to low 50's and an overall increase of 3 percent from year-end, 2008.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
McLean	Jan.	141.8	96.0%	135	$6,500
Woodford	Jan.	345.2	98.2%	134	$6,000
Woodford	Jan.	156.47	96.6%	138	$6,500
McLean	Jan.	103.4	99.0%	135.1	$6,050
McLean	Jan.	90	98.4%	140	$7,000
Woodford	Jan.	80	97.3%	141	$7,550
Woodford	Jan.	74.14	98.2%	142	$7,303
Woodford	Feb.	53.17	96.1%	135	$7,500
McLean	March	72.35	99.4%	143.5	$7,600
McLean	March	98.53	91.2%	135.9	$6,400
Tazewell	March	70.15	98.1%	138	$4,990
Woodford	April	56	98.5%	137	$6,200
McLean	June	80	99.4%	136.8	$6,600
Woodford	July	82.67	94.8%	137	$6,781
McLean	Aug.	80	96.3%	141.6	$6,755
McLean	Sept.	77.6	96.4%	143	$7,500
McLean	Sept.	297.93	95.7%	140.4	$6,500
McLean	Sept.	105.5	95.3%	134.6	$5,450
McLean	Nov.	196.21	96.9%	139	$7,100
Tazewell	Dec.	60	96.3%	138	$8,000
McLean	Dec.	92.61	98.8%	141.2	$6,800
Tazewell	Dec.	51	97.1%	139	$8,600

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 lower supply in Region 4 and any area that had an excess supply experienced softer values. By year end the typical price paid per soil productivity index per tillable acre was running in the mid $40's. The majority of the sales in this land class were negotiated purchases, not auctions. Most farms sold from $5,500 to $6,400 per acre. You will notice a large price disparity in this land class 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 this will continue in 2010 will depend upon the supply of farmland available in the overall marketplace.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Marshall	Jan.	315.4	97%	130	$5,575
Woodford	Jan.	64.04	93%	133	$5,550
Livingston	Feb.	80	98%	127.3	$5,800
Livingston	Feb.	80	96%	123.5	$5,500
Livingston	March	78.39	100%	128.1	$6,028
Livingston	March	69.5	92%	118.2	$3,891
Marshall	March	158.02	98%	131	$5,500
Marshall	March	20	99%	131	$6,450
Mason	April	77.2	97%	120	$5,800
Tazewell	April	146.7	94%	119	$5,500
Livingston	May	40	100%	129.9	$7,150
Livingston	May	80	85%	127.1	$4,250

Tazewell	May	162.68	98%	131	$6,675
McLean	Sept.	80	99.9%	130.2	$6,800
Marshall	Sept.	160	97.8%	130	$5,468
Woodford	Nov.	163.76	93.6%	126	$6,150
Marshall	Dec.	249.9	92.1%	133	$5,500
Livingston	Dec.	77.73	99.2%	127.8	$6,200

Average Productivity Tracts

We did not have enough transactions in the average to fair productivity land class areas for 2009 to establish any trendline analysis.

Recreational Tracts

Recreational acreage continues to be met with reasonable demand in select locations of Region 4. However, 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 value ranges remained similar to 2008 due to the minimal number of parcels for sale.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Tazewell	Feb.	58.9	55%	121	$3,140
Mason	March	40	20%	All CRP	$3,000
Woodford	April	102.92	0%		$4,097
Woodford	July	105	71%	140-all CRP	$5,714
Woodford	July	80	0%		$6,250
Woodford	Sept.	77.42	53%	113	$4,700
McLean	Sept.	196.54	76%	118.7	$3,480
Woodford	Dec.	34.27	0%		$4,786

Transitional Tracts

The general economy stopped the number of traditional transitional property tracts in Region 4 during 2009 as development came to a halt. One estate sold a 106.48 acre tract in a private bid auction format in February at Bloomington, receiving a price of $26,000 per acre, which might have been higher in the 2004-2007 time period. 2010 may begin to see undeveloped land in these transitional areas forced on to the marketplace if lenders require improved balance sheets.

County	Sale Date	Total Acres	% Tillable	Location Future Use	Total Price/Ac
McLean	Feb.	106.48	97%	135.5	$26,000
McLean	June	7.4526	100%	136	$29,555
Woodford	July	136.64	98%	133	$7,087
McLean	Dec.	318.92	95%	130	$10,100

Wind Turbine Option Tracts

Wind energy continues to be an important influence on the future Region 4 land values. We recorded the first true arms-length transaction in McLean County of a farm property with operating turbines in 2009. This 80-acre tract had been on the market for nearly a year when it finally sold for $7,750 per acre. It contained 3 turbines producing over $15,000/year additional income. The property contained excellent soils, but required significant repairs to field drainage tile and attention to an abandoned well. A farmer purchased the property and made those improvements before planting the 2009 crop. The 80-acre property directly north of this tract, having similar soils, with no turbines, sold in April, 2007 for $4,850 per acre.

The other three arms-length transactions all involved some influence from potential wind energy, but no turbines installed on the property. One unique sale retained the wind rights, even though no turbines have been built yet, but sold the land. These will help establish a baseline for us to measure the impact of wind energy on land values in this area.

Currently, McLean County holds the largest land-based, wind energy project in the U.S. east of the Mississippi River. Zoning approval was made for an expansion of this project, located east of Bloomington, late in 2009. This will double its size, with construction anticipated to begin in 2010.

In Livingston County, turbines went up in between rainstorms at a project north of Pontiac along the Cayuga Ridge. Iberdola Renewable Inc. has turbines up and running east of Interstate 55. Vision Energy is exploring an expansion of its planned project in the far northeast corner of Livingston County, while Gamesa has a proposed 100-turbine project on the Woodford-Livingston County border, between Flanagan and Minonk. Invenergy announced they will be constructing only the McLean County portion of the White Oak project northwest of Bloomington-Normal, beginning in Spring, 2010. They are also working on developing a project in Livingston County, north of Cropsey.

Multiple projects have run into public opposition in Woodford County, which has essentially delayed most projects in that area. Horizon Wind Energy began the exploratory process of expanding their current project further, looking between Gridley, Chenoa and east of Lexington. They also continue to work on a project in northern Livingston County and west of Interstate 55. Trade Winds is attempting to develop a project southeast of Heyworth on the McLean-Dewitt County line.

The benefits, disadvantages, risks and rewards of wind energy development is being debated by several Illinois communities at this time. The availability of credit and investment capital will also impact the speed of construction. We will look forward to reporting more on this area of our land values in next year's summary.

continued on next page

County	Sale Date	Total Acres	% Tillable	P/I on Tillable Acres	Price/ Acre	Existing Lease & # of Turbines or Option
McLean	April	80	95%	142.0	$7750	3 operating turbines paying $15,445 in 2009.
Woodford	Sept.	85	96%	136.0	$6000	Seller retained wind easement for 25 years, but no turbines constructed yet.
Livingston	Nov.	80	89.90%	113.4	$3750	Wind turbine agreement offered but no turbines up yet.
McLean	Dec.	278.3	98.30%	124.9	$5250	$15/acre/year neighbor agreement, no turbines planned.

Rental Market Conditions

	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:			
Farm Classification	Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate			Cash	Flexible cash	Share	Other
Excellent Productivity	$150	$225	$285	*(see below)	$265+	50	25	15	10
Good Productivity	$100	$175	$225	1 Year	$210+	50	35	15	0
Average Productivity	$80	$125	$250*	1 Year					

* 1 year, but more multi-year leases exist than in the past on the higher end.

Several flexible cash rent lease options have been observed in this region. Some include a base plus a bonus rent with only price and production factors while others involve an extensive evaluation of each year's input costs, as well. Managers commented that their variable cash rents paid in 2009 finished lower than 2008 due to lower average prices, and in some rental arrangements, higher input costs for the 2009 crop.

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-shared where these opportunities exist. As a result, it 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.

Lease trends throughout Region 4 remain steady to higher as profitable sales opportunities existed in December and January for both corn and soybeans at given crop input prices. Many lease rates were still being determined at year-end 2009 due to the late harvest.


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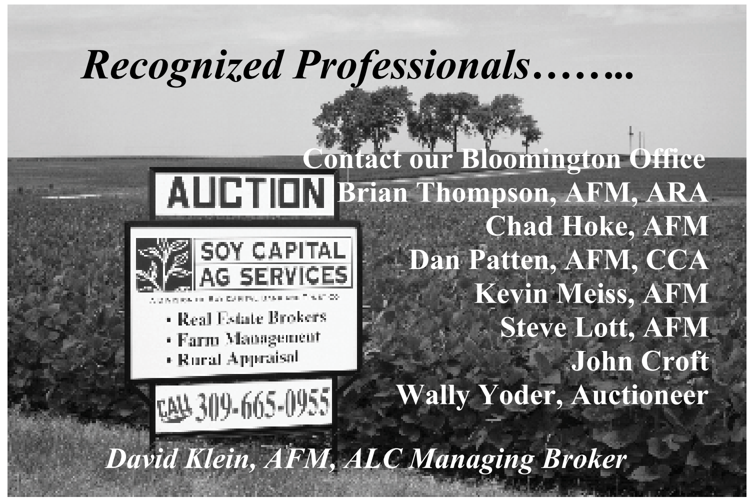
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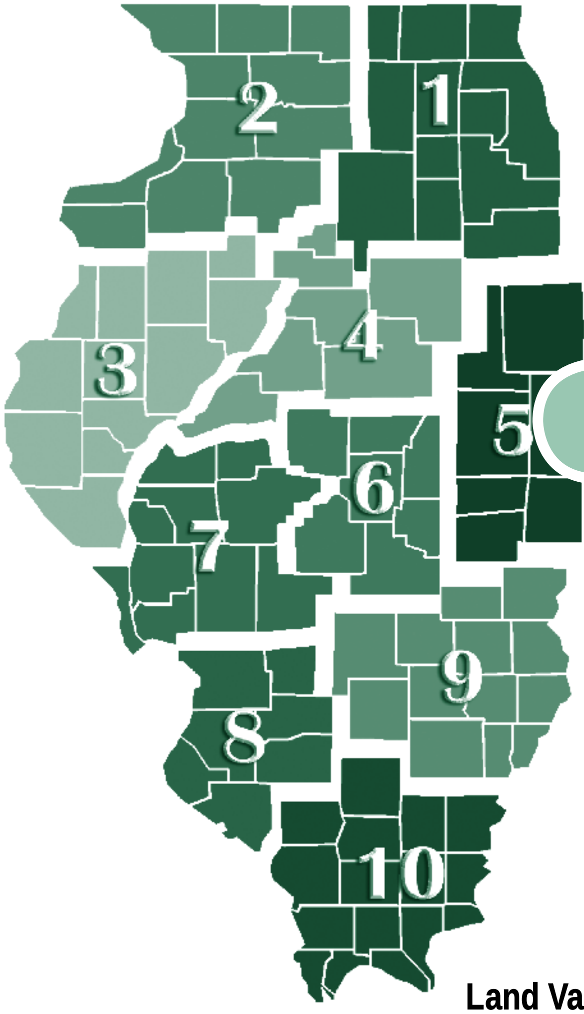

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Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	$5,500 - $7,000	Steady to +10%	Down 50%+	$240 - $300	Higher	$275
Good Productivity	$4,400 - $5,600	+5% to +10%	Down 40%+	$220 - $250	Higher	$220
Average Productivity	$3,500 - $4,600	Steady to +5%	Down 50%+	$175 - $215	Higher	$190
Fair Productivity	No Data					
Recreational Land	$2,200 - $3,200	Down 10% - 30%	Down 60%+			
Transitional Tracts	$7,000 - $24,000	Down 10% - 25%	Down - little activity			

The last quarter of 2008 brought changes in the land market that continued into 2009. Farmers were the main driver of the land prices in 2009, with investors being less prominent buyers in the market. Investors with lots of cash were still present in the market, but farmers were the significant buyers in this region. After a fairly steady first quarter land market in 2009, with good-to-strong commodity prices, buyers continued to bid land prices higher. The economic downturn and an uncertain forecast of where to invest available cash led to a significantly reduced supply of land for the year. The supply of available properties to buy was very low during the last three quarters of 2009. Demand for land came back strong in the second quarter and continued to be strong during the remainder of the year. This demand was mainly from farmers who had enjoyed the earnings of the three previous years, and who were anticipating good commodity prices for the remainder of the year.

All categories of row-crop land reflected increases in sales prices. These prices ranged from steady at the start of the year to a 10 percent increase in the better-quality tillable land as the year moved forward. This market was already at all-time highs in mid-2008. The use of land auctions continued to be a larger factor in the marketing process in 2009 than it had been over the past few years. Farms were still being sold privately as well. However, in many instances, the higher priced sales were properties sold at auction. That was the result of strong competition for these tracts, because of fewer available properties and more buyers than sellers. This resulted in a fairly volatile 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 at substantially different prices. Some of the higher auction sales were the result of competitive bidding by adjacent farmers and landowners. Often the only major difference was the method and timing of the auction or selling process.

The agricultural economy was good-to-excellent in this region and the demand for land was very strong again in 2009. There was vigorous demand for land from farmer buyers as well as retired farmers and some land investors in this region. The 1031 tax-deferred exchange, which affected a very large part of the market over the last two or three years, was no longer much of a factor in Region 5 in 2009. Farmer buyers competed vigorously for available parcels and once again pushed land to near-record price levels. Farmers were also bringing in absentee investors to the market who would allow them to farm the land once the investor had purchased it. These were current landlords, for whom they were already farming, as well as other potential investors who had agreed to let the farmer lease the land if he found a suitable investment for them.

Because of the economy, these investors still favored land for several reasons. Farmland was still in a very strong earnings position, with excellent rental income resulting from high commodity prices, and a 20-year history of very positive appreciation of value. 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 popular area in which to purchase land. This region produced some of the highest yielding farms, which has converted into some of the stronger cash rents and farm incomes to the landowner over the last several 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 just more difficult to find farms to buy during 2009, than it had been in our recent history. It is apparent that land still enjoyed a "favored asset" status over most other investments. With an uncertain stock market still in a place and interest rates at a very low level, land was selected as one of the best places to invest cash in 2009.

Land was sold through real estate auctions and private treaty sales. While private treaty sales were predominant in many areas in Region 5 in the past, many sales, and especially some of the higher-priced sales, were sold by auction in 2009. In addition to these sales methods, farmers and land speculators were still looking for land for themselves or for other buyers associated with them by contacting potential sellers directly. Some landowners still sold their land without the use of a broker or an auctioneer. In some cases, uninformed farm sellers sold their land for prices that were slightly-below to substantially-below what other sales in the area were bringing. These sellers often didn't consult with land professionals in the area to assist them in getting something closer to current market sales prices. It has caused the land market to have a very wide range of sales prices for sold properties during 2009.

Cash rents in the Eastern Region were generally strong, as landowners, farm managers, and farm tenants negotiated new leases for the 2009 crop year. Cash rents have been increasing over the past three or four years. Because of strong commodity prices and improved profitability of the past couple of years, farmers tended to be very aggressive in 2009 in acquiring additional land to farm. As landowners and exchange buyers received more information about cash rents being received in Region 5, there has been a tendency for them to competitively move towards higher cash rent values. However, during the late summer and fall of 2009, some resistance to increases in higher cash rents was seen because of the higher input costs in the 2009 crop year. However, there has been some moderation in input costs being charged by fertilizer, chemical and seed companies for the latter part of 2009. Most cash rents have been negotiated with the current cost information in place and cash rents negotiated were in a steady-to-upwards price movement. It appears that any new cash rents being negotiated for the immediate future will be adjusted on the yearly price of our farm commodities and our cost structure on the farm.

In addition to cash rent leases, there are 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 continue to be the dominant lease types used in 2009. However, there appears to be a push towards variable cash rent leases being implemented in this region.

Excellent Productivity Tracts

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	Jan.	50	97	143.2	$6,500
Champaign	Jan.	99.5	99.5	144	$6,400
Champaign	Feb.	113.78	99	140.3	$6,250
Champaign	Feb.	132.34	97	143.8	$5,700
Champaign	March	80	96.3	136.4	$5,738
Champaign	April	40	97.5	144	$6,765
Champaign	April	77.14	98.9	141.8	$6,675
Champaign	May	80	98.8	142.6	$6,000
Champaign	Aug.	197.83	98.6	144	$7,250
Champaign	Nov.	40	97	135.6	$8,700
Champaign	Dec.	160	98.7	142.2	$7,025
Coles	March	150	92.5	139.6	$6,666
Coles	March	226.15	99.3	138.8	$7,577
Coles	April	160	99.2	133.9	$6,000
Coles	Nov.	83.3	99.1	142.9	$6,002
Coles	Nov.	60	99.2	132.6	$7,600
Coles	Nov.	38.9	97.4	139.8	$7,800
Douglas	Jan.	47	98	130.5	$6,098
Douglas	Jan.	74.3	98	134.1	$5,052

Douglas	Feb.	25	95.2	134.4	$5,200
Douglas	Feb.	200.81	99	135.7	$6,800
Douglas	March	80.023	98.7	137.1	$5,648
Douglas	May	40	100	142	$5,160
Douglas	May	158	98.7	139.9	$5,759
Douglas	May	77.254	100	139.2	$5,174
Edgar	Jan.	276.98	100	142.8	$6,000
Edgar	March	40	100	141.1	$5,700
Edgar	April	40	96.5	143.7	$6,100
Edgar	April	40	100	141.4	$5,300
Edgar	May	79	100	142.7	$5,641
Edgar	July	40	86.8	118.3	$5,000
Edgar	July	39.5	100	143.6	$4,810
Edgar	Sept.	80	99.4	144	$7,100
Edgar	Nov.	80	98.1	135	$6,000
Edgar	Dec.	80	99.9	137.4	$6,000
Ford	Nov.	160	98.8	143.6	$6,450
Ford	Dec.	101	97.3	133.8	$5,100
Iroquois	April	40	93.8	136.7	$5,400
Iroquois	April	470.32	97.8	133.8	$5,369
Iroquois	Oct.	80	97.8	136.8	$5,200
Iroquois	Nov.	64	98.8	134.2	$4,950
Vermilion	Jan.	81.73	99.4	137	$5,250
Vermilion	Feb.	80.08	98.2	143.3	$6,000
Vermilion	Feb.	70.15	99.1	143.4	$4,562
Vermilion	Feb.	80	98.8	133.3	$4,000
Vermilion	March	43	99.1	144	$5,219
Vermilion	March	50.28	99.4	144	$6,961
Vermilion	May	40	97.5	144	$6,000
Vermilion	April	53.33	99.4	141.4	$6,000
Vermilion	April	51.09	97.9	141.9	$6,000
Vermilion	April	40	99	136.8	$5,070
Vermilion	June	160	98.9	137.7	$5,450
Vermilion	Nov.	217.5	95.7	140.8	$5,500
Ford	Dec.	99	99	132.7	$5,100
Iroquois	Feb.	80	98.9	122.8	$5,225
Iroquois	Feb.	119.4	97.8	125.7	$5,000
Iroquois	Feb.	119.4	97.8	125.7	$5,600
Iroquois	March	80	98.1	132	$5,156
Iroquois	April	98.88	96.6	125.6	$5,400
Iroquois	April	78	98.8	125.4	$4,750
Iroquois	April	58.29	98.6	119.4	$5,466
Iroquois	June	118.48	98.3	123.9	$4,900
Iroquois	July	40	98.5	129.8	$5,600
Iroquois	Aug.	88.28	96.3	121.5	$4,800
Iroquois	Sept.	160	98.9	117.1	$4,570
Iroquois	Sept.	155	100	125.2	$4,485
Iroquois	Oct.	62	95.6	122	$4,758
Iroquois	Nov.	75.97	99.2	125	$4,492
Vermilion	Jan.	367.86	100	128.3	$4,600
Vermilion	Feb.	80	99.8	127.3	$4,600
Vermilion	Feb.	40	99	127.8	$4,600
Vermilion	Feb.	40	99	126.8	$4,600
Vermilion	March	51.08	91.4	125.7	$3,400
Vermilion	March	40	71	132.7	$4,000
Vermilion	March	80	99.8	127.3	$5,200
Vermilion	April	57.44	86.1	124.8	$4,352
Vermilion	April	40	99	127.8	$5,070
Vermilion	April	71.5	95	127.9	$4,300
Vermilion	May	33.57	95.7	131.9	$2,700
Vermilion	May	58.13	100	125.2	$5,705
Vermilion	June	46.13	98.9	122.5	$4,500
Vermilion	June	40	70	126.3	$4,250
Vermilion	July	160	89	124.4	$4,650
Vermilion	Aug.	120	99.2	131.8	$5,208
Vermilion	Sept.	112.5	95.6	126.3	$4,865
Vermilion	Oct.	238	95.7	128.5	$5,500
Vermilion	Oct.	77.16	96.8	126.4	$3,100

Good Productivity Tracts

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Champaign	March	99.76	98.7	125.9	$5,012
Champaign	April	77.93	99.7	119.6	$5,124
Champaign	May	40	99.3	124.6	$5,925
Champaign	July	80.32	97.1	132.8	$5,500
Champaign	Oct.	80	98.9	123.9	$5,000
Champaign	Nov.	76.38	94.3	122.2	$5,564
Coles	March	26.17	99.2	122.9	$3,492
Coles	July	20.5	53.5	125.7	$4,146
Douglas	March	32.516	93.7	116.9	$4,300
Douglas	Dec.	35.81	100	131.9	$7,200
Douglas	Dec.	35.89	100	132.5	$6,600
Douglas	Dec.	80	92.1	128	$5,500
Ford	Jan.	105.1	98	124.2	$5,033
Ford	Jan.	156.88	97.8	121.7	$4,100
Ford	Jan.	105.76	97.4	124.5	$5,000
Ford	March	89.9	95.2	120.4	$3,471
Ford	April	80	99.5	128.6	$5,500
Ford	July	182	98.1	120.7	$4,588
Ford	Sept.	134.6	98.4	117.3	$4,987
Ford	Sept.	275	97.7	121.7	$4,945
Ford	Sept.	155.3	99.1	120.2	$5,225
Ford	Dec.	40	97.8	125.9	$5,003
Ford	Dec.	156.43	97.9	127.2	$5,550
Ford	Dec.	127.5	91.1	118.4	$5,647
Ford	Dec.	127.87	90.9	119.3	$5,631

Average Productivity Tracts

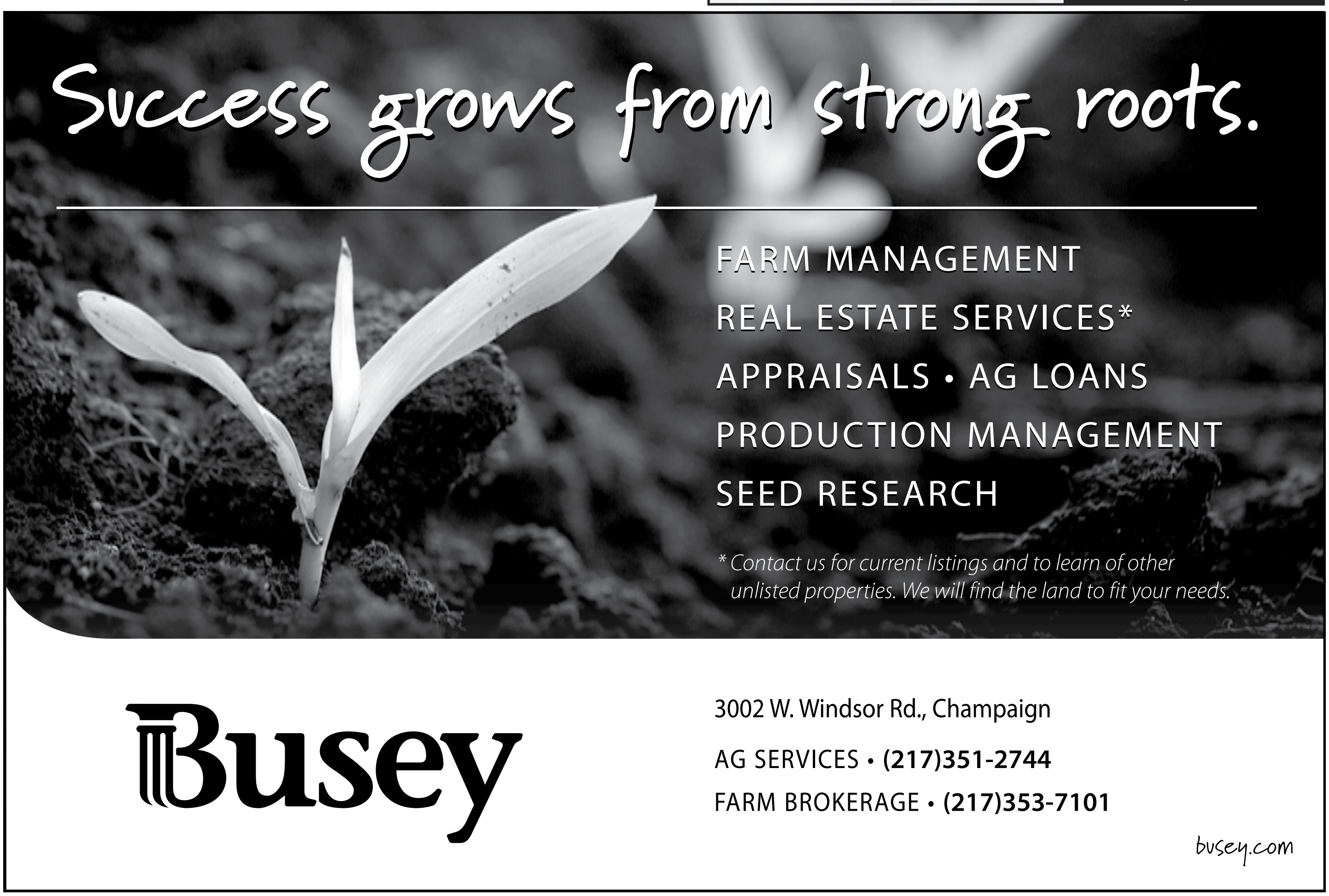
County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Ford	Dec.	79.4	93.9	109	$3,840
Iroquois	April	50.85	61.1	109	$3,441
Iroquois	April	40.02	92.5	116.9	$5,397
Iroquois	April	46.23	98.6	104.2	$4,697
Iroquois	May	34.82	94.8	110.9	$4,750
Iroquois	May	57.59	98.8	100.6	$4,098
Iroquois	Oct.	80	99.1	118	$4,659
Iroquois	Dec.	80	96	118.6	$5,450
Vermilion	March	260	65.8	104.4	$3,602
Vermilion	August	193.86	94.6	116.1	$4,200

Recreational Tracts

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Coles	Aug.	40	15		$3,000
Coles	Aug.	51.39			$1,210
Douglas	Jan.	56	70	126	$4,250
Edgar	Jan.	126.5	23.4	104	$1,744
Edgar	Feb.	28.61	0		$2,200
Edgar	May	79.17	37.8	131.8	$2,291
Edgar	May	43.92	0		$2,500
Edgar	Aug.	65.25	0		$2,789
Edgar	Aug.	40	0		$3,250
Vermilion	Jan.	233	0	123	$3,500

Transitional Tracts

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Coles	March	18.54	96	136	$18,000
Coles	April	11.39	96.3	114	$15,000
Coles	April	40	89	128	$10,200
Coles	June	70.14	98.4	135.8	$7,000
Douglas	Dec.	9.25	43.2		$7,568
Edgar	Feb.	28	100	141.1	$6,850
Vermilion	Jan.	213.54	98	141	$10,308
Vermilion	Jan.	123.25	95	141	$11,442

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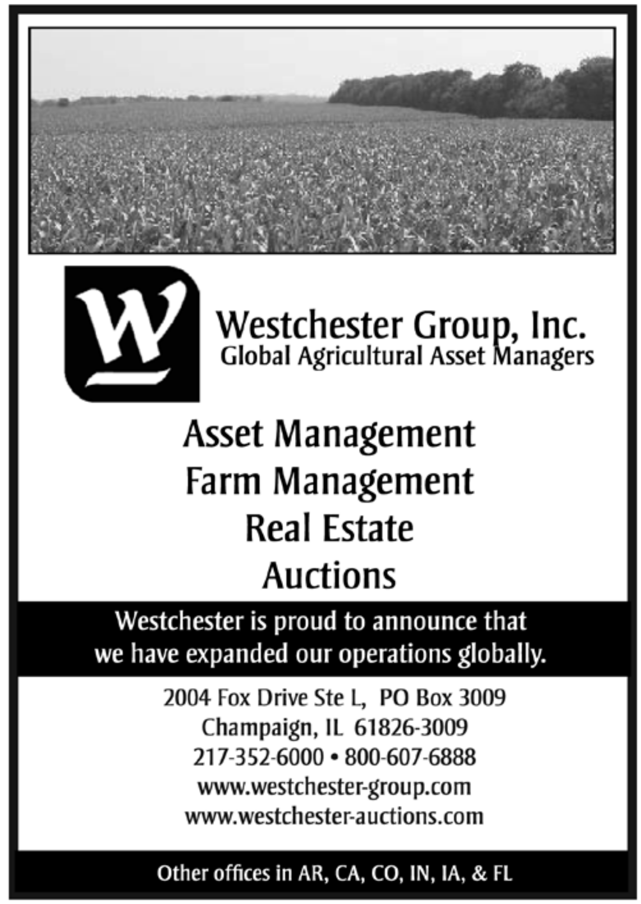
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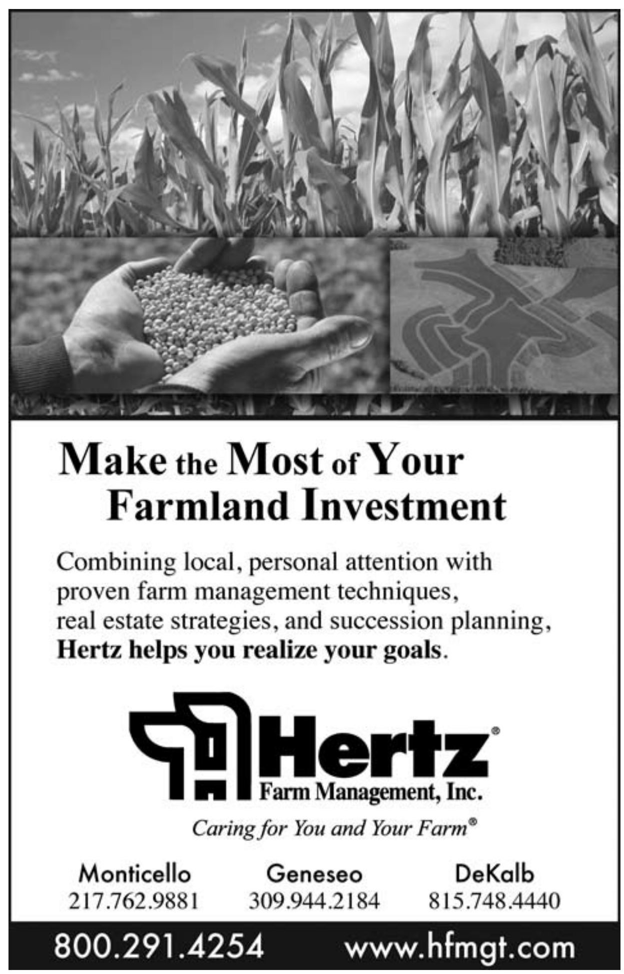
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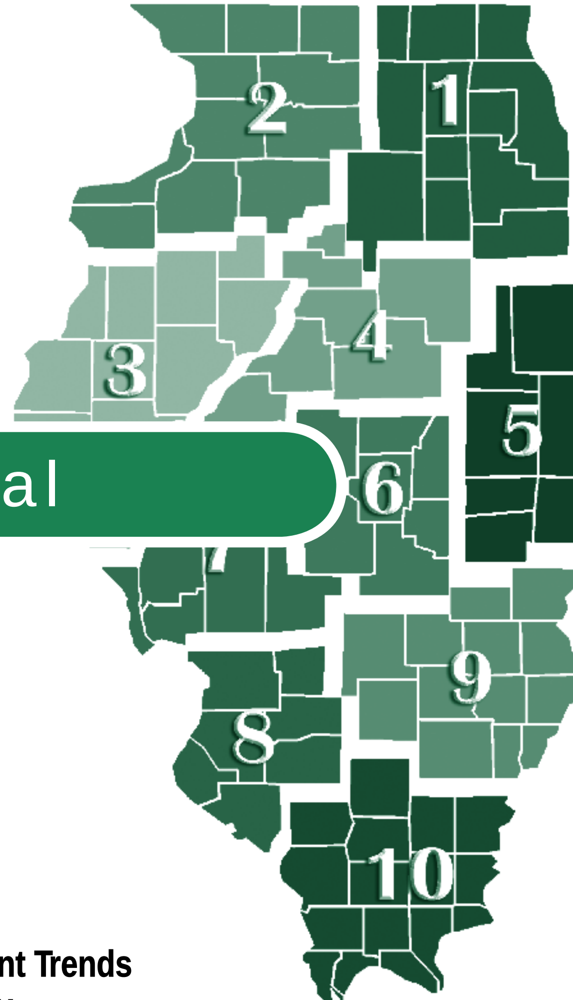

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Brent Bidner, AFM
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Region 6 - Central

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Black Prairie Ag Services, Clinton, IL

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	$5,500-$7,500	Up 2%	Down 5%	$275	Steady	$275
Good Productivity	$4,500-$6,500	Up 2%	Down 5%	$225	Down 10%	$225
Average Productivity	$3,000-$5,000	Steady	Down 10%			
Fair Productivity	$2,500-$4,000	Steady	Down 10%			
Recreational Land	$2,000-$5,000	Down 5%	Down 10%			
Transitional Tracts	$9,000-$18,000	Steady				

Region 6 consists of seven counties located in Central Illinois. Macon County is located in the center of the area and is surrounded by Logan, DeWitt, Piatt, Moultrie, Shelby and Christian counties. These counties have predominantly excellent soils, a large agribusiness support network and a high level of interest from non-agriculture sectors.

Much like 2008, 2009 was again a very challenging year. Spring planting was much later than normal due to the frequent wet weather. Many acres originally planned for corn were converted to beans when it became too late to plant corn.

The unsettled weather pattern continued for the majority of the crop year and led to a very late harvest. There were, in fact, some fields of corn and beans left unharvested at year's end.

Here are some observations on the 2009 year:
• Despite the late planting, but perhaps because of the continued frequent wet weather, average yields were much higher than many anticipated.
• Commodity prices were volatile, and overall were significantly lower than in 2008. They seemed to settle to acceptable levels with corn at $4.00+/-, and beans at $10.00+/- per bushel.
• With the exception of seed, crop input costs were much lower than 2008 but still higher than three to five years ago.
• Agriculture was one of the bright spots in the overall economic environment.

• The public perception of ethanol seems to calm with lower corn prices. Lower corn prices also meant ethanol plants were economically feasible again.
• There were fewer 1031 exchange buyers in the market. A few owners who had acquired farmland by using a 1031 exchange after selling development property are reversing the trend and selling farmland to buy development property.
• There are more farmers and local investors in the market.
• Other value considerations taking a more prominent place:
  – Wind Towers
  – Pipeline Easements
• A few more auctions were taking place later in the year with mixed results.
• Farmland continues to be a very good investment option, and compares very favorably with other alternatives.
• Although there was much discussion about the new ACRE program and its associated pros and cons, the government farm programs appeared to have little or no affect on land values

The majority of the soils in Region 6 are primarily from two soil associations: Drummer, Flanagan and Catlin silt loam and Tama, Ipava and Sable silt loam. Title to the land in this area of the state is very tightly held and when it does become available there is an excellent demand. In general, the soil in Region 6 is well-managed with good subsurface drainage, soil conservation practices and well-balanced fertility. There is very good access to strong grain markets in the area with ADM, Tate & Lyle, Cargill, and Illinois Cereal Mills and other handlers. These markets help to provide improved prices for this part of Central Illinois, which is in turn reflected in net farm income and land values.

Excellent Productivity Tracts

We selected 18 sales in the Excellent Productivity category, representing typical transactions for farmland sales in our seven-county region. The sales prices range from $5,950-$7,600 per acre. The average sales price indicated was $6,958.50 per total acre, or $7,133.66 per tillable acre. The tracts ranged in size from 40 to 491 acres, with an average of 97.5 percent tillable.

The average weighted productivity indexes ranged from 136 to 144, with an average of 140.7. The average price per productivity unit indicated is $50.74.

The average price indicated in this region for 2008 was $6,839 per acre. We feel that land values for Excellent Productivity tracts have increased approximately two percent during the past year in Region 6.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Christian	Contract	80	99.3	142.2	$7,500
Logan	Jan.	238	100	137.1	$7,358
Piatt	Jan.	159.1	95.3	143	$6,536
Macon	March	154.3	94	138.7	$6,909
Macon	March	238.9	94	139.7	$7,600
Piatt	March	78	100	143	$7,300
Piatt	April	81.3	98	138.3	$6,593
Logan	June	491.9	92	141.3	$6,500
Moultrie	June	84.4	99	138.9	$7,084
Piatt	July	151	100	143.9	$6,440
DeWitt	Oct.	239.4	99	140.8	$6,672
Macon	Nov.	80	99.5	136.4	$7,467
Macon	Nov.	68	97.8	143.5	$7,519
Macon	Nov.	76	97.7	141.2	$6,600
Macon	Nov.	40	99	141.6	$6,575
Macon	Dec.	69.5	94	136	$5,950
Macon	Dec.	82.5	97.8	143.2	$7,250
Macon	Dec.	230.2	99	142.9	$7,400

Good Productivity Tracts

The sales in the Good productivity category tend to have somewhat more sloping land with erosion potential and often drainage issues. The soil types found in this category do, however, respond well to good management; but more intensive management is required than in the "excellent" category.

The committee selected 12 sales representing the Good productivity category. They ranged in size from 50 to 400 acres, and were an average of 92.8 percent tillable. The prices range from $3,350 per acre to $6,712 per acre. These sales have an average price of $5,411.90 per acre. The average price per tillable acre is $5,803.33. The sales would seem to indicate that the market for this category is up 2-5 percent from a year ago.

The weighted productivity indexes on University of Illinois Circular 811 range from 120 to 131.7, with an average of 127.85. The average price per productivity unit indicated on the sales selected is $45.61 per unit.

The indicated change in value in this category for 2009 is extremely hard to isolate. There is a large range in price, and also in the quality of the land sold. It is our opinion that values for the sales in this category would indicate a 2- to 5 percent increase in price.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Logan	Feb.	312.9	93	124	$6,392
Logan	Feb.	293.6	83	120	$3,350
Christian	March	77	97	125.5	$5,500
Christian	March	75	100	127.7	$5,100
Logan	March	80	86.6	122	$4,800
Christian	May	80	97	131.7	$5,800
Logan	May	50	99	131.2	$5,700
Piatt	May	80	94	131	$5,300
Shelby	July	400	98	130.5	$6,712
Christian	August	117.1	75	128.9	$4,189
Moultrie	Nov.	153.5	99	131.5	$5,900
Moultrie	Nov.	291.2	92	130.2	$6,200

Fair Productivity

Two sales were cited in the Fair category. They range from 72.9 to 82.7 acres in size, and were on average 85 percent

tillable. The productivity indexes average is 98.3. The average sales price received was $3,661 per acre, or just over $4,274 per tillable acre. The indicated price per productivity unit is $43.50. It is very difficult to ascertain a change in value in this category because of the lack of sales. The committee feels that the market is relatively level
.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Shelby	March	82.7	76	97.6	$3,000
Shelby	April	72.9	94	99	$4,322

Recreational Tracts

Land found in this category generally has a lower percentage of tillable, less-productive land. It often has a significant amount of timber or brush, and may be subject to overflow. Most buyers purchasing land in this category are interested in hunting, fishing, or recreational activity.

Our committee identified three sales in this category ranging from 23 to just over 170 acres in size. The sales averaged just over 33 percent tillable. The tillable acres had an average productivity index of 117.1. The prices ranged from $2,399 per acre to $4,450 per acre, indicating an average price of $3,326 per acre. Our committee feels that the market value for recreational tracts is stable to possibly-down-slightly, in response to the general economic conditions.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Christian	**March**	**80**	**47**	**118.6**	**$4,450**
Shelby	**July**	**170.1**	**10**	**106**	**$2,399**
Christian	**Nov.**	**23**	**44**	**126.7**	**$3,130**

Transitional Category

In this area of the state, there is land being farmed near cities, towns and villages where the highest and best use is changing to development, or for other purposes such as residential, industrial, or commercial property. Transitional tracts can often have very productive soils with a higher percent tillable. This is not, however, generally a factor in the sales price.

Our committee is citing four tracts in the transitional category. While one tract is 100 percent, the other three parcels indicate no tillable acres. The sales prices ranged from $9,000 per acre to $18,035 per acre.

The demand for transitional properties around the small communities in Region 6 appears to be relatively stable. The sales shown would not seem to indicate a decrease in value, as might be anticipated in today's overall economic climate.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Piatt	**March**	**108.7**	**100**	**121**	**$18,035**
Piatt	**May**	**14.6**	**0**	**NA**	**$9,000**
Piatt	**June**	**37.5**	**0**	**NA**	**$11,653**
Piatt	**October**	**30.9**	**0**	**NA**	**$14,100**


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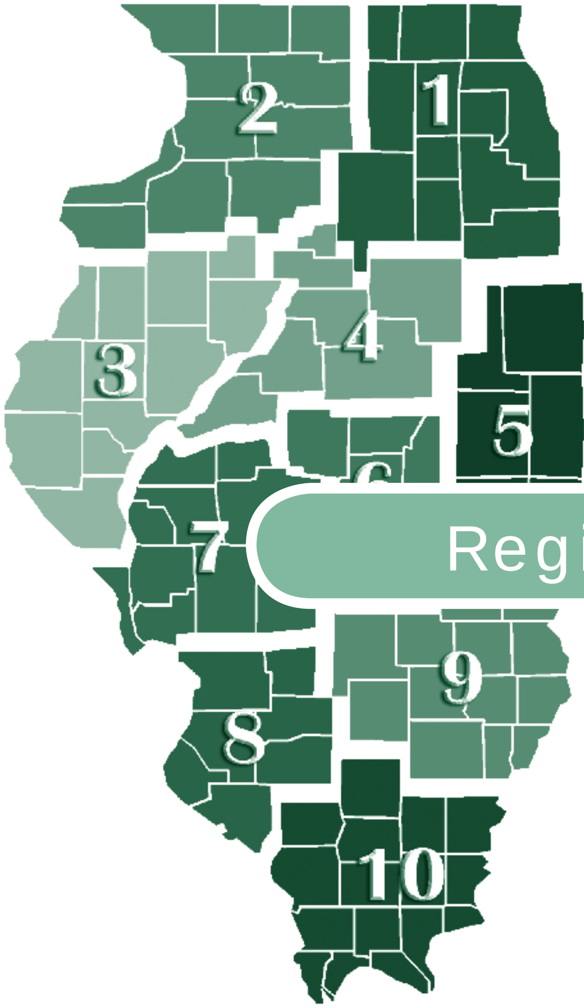

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Land Value and Cash Rent Trends
Overall Summary

Farm Type	Gross Sales Price/Acre	Activity Trend	Cash Rent Range	Activity Trend
Excellent Productivity	$7,300	Up 3-7%	$300-$400	Steady
Good Productivity	$5,500	Up 3-7%	$200-$300	Steady
Average Productivity	$4,500	Steady	$180-$200	Steady
Fair Productivity	$3,000	Steady	$130-$150	Steady
Recreational Land	$2,800	Weakened		
Transitional Land	$9,000	Steady		

Volume of Land Sales in 2009 appears to be off by as much as 50 percent.

There is significant demand for Class I & Class II farms, mainly by operating farmers.

Speculator and 1031 buyers have nearly quit buying in this area.

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

The broad, mostly level prairies are mostly Tama, Ipava and Sables soils north of the Moraine line and Virden, Herrick and Harrison soils south of the line. The rolling area formed under upland hard wood 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, which lies farthest southwest of the Region 7 counties, is located between the Illinois and Mississippi

Rivers. These rivers influence weather pattern sufficiently to allow particularly, peach and plum orchards and vineyards.

Sale prices varied widely in 2009 in the West Central area. Eight of the 10 counties in this area had sales exceeding $7,000 per acre.

Over 50 percent of 2009 sales in Sangamon and Morgan counties were in excess of $6,500/acre. All for agriculture purposes. Sangamon and Morgan counties saw sales exceed $8,000 per acre.

Land sales for development in these counties has generally dried up.

The demand for Class I land remained extremely strong. Factors that contributed to the strength of the market included:
• High commodity prices
• Extremely good crop yields.
• Low interest rates.

Participation in auctions and private sales were strong. In most cases demand is greater than supply.

Farmland values in Region 7 continued to show strength throughout 2009. By and large, local farmers outbid outside investors to enlarge their operations.

Frequently, local farmers compete for smaller neighborhood tracts which may come up for sale only once in a lifetime.

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

The demand for recreational properties has remained steady-to-declining, due in large part to the current U.S. economy.

2009 was more challenging than any in recent memory. A late wet spring followed by a cool summer and then a wet harvest season has contributed to an extremely difficult crop harvest with high moisture corn and the need for drying, an expense not required since the early 1970's.

Using the University of Illinois Circular #811 to establish Production Index's, cash rent bidding has frequently been $2.00 per P/I to as high as $3.00 per P/I, mostly by local farmers.

Excellent Productivity Tracts

This land, generally described as flat, black and square, is in great demand, particularly in Sangamon, Morgan, Montgomery, Macoupin and Menard Counties. The principle buyers have been operating farmers.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Calhoun	April	82.5	95	134	$7,212
Cass	April	67.1	99	140	$7,294
Greene	Jan.	180	98	136	$5,814
Macoupin	March	200	99	137	$7,250
Macoupin	Sept.	162.7	99	135	$7,599
Menard	March	80	99	141	$7,650
Menard	July	191.9	99	140	$7,350
Montgomery	Feb.	160	99	135	$7,500
Montgomery	Feb.	280	98	135	$7,180
Montgomery	Sept.	80	94	130	$7,125
Morgan	Jan.	105.1	99	141	$7,751
Morgan	Feb.	108.5	98	136	$7,690
Sangamon	Jan.	80	99	141	$8,000
Sangamon	Jan.	140.3	96	142	$7,238
Sangamon	July	80	99	134	$7,187

Good Productivity Tracts

Properties in this category generally have sold $800-$1,000 less than the Class I farms. Generally speaking, this class of land will sell between $4,000 and $6,500 per acre. This class usually has one or more hazards including: lessor productive soils, unusual shape, varying topography, lack of road frontage, ditches or ponds, cut by roads or railroads or other public utilities, or neighborhood history. Since the demand is greater than the availability of Class I land, more buyers seem willing to look at and negotiate purchases of lesser classes of farmland.

Of special interest - one of the larger estate sales of Fair to Good (not Excellent) farmland was sold in Macoupin and Montgomery during 2009. In January 2009, Aumann Auctions of Nokomis, IL sold 3,912 acres of Kilton Farms, as 43 tracts, at auction for over $24,000,000 or about $6,135 per acre. Of those acres, 2,462 were sold to a consortium of farm tenants. The balance went to ten other area buyers. All buyers were required to pay a 4 percent premium.

In November 2009, Aumann also sold 3,055 acres of additional Kilton Farms Land. This sale of 41 tracts, 2,000 of which, were tillable, with 1,500 described as bottomland sold in a range of $1,700 per acre to $6,000 for an average of $3,470 per acre. Overall, there were 12 buyers with 25 of the tracts going to a consortium of eight members from outside the area.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Cass	April	64	96	130	$4,687
Cass	June	400.7	85	115	$3,743
Greene	March	180	95	135	$5,814
Greene	April	128	92	125	$4,570
Greene	Aug.	160	80	128	$4,237
Jersey	Aug.	72.5	95	120	$3,931
Macoupin	Jan.	164.6	96	123	$5,740
Macoupin	Jan.	240	97	125	$5,867
Menard	April	103.5	94	139	$6,110

Montgomery	May	170	94	123	$6,414
Montgomery	June	427.3	92	112	$4,194
Morgan	Jan.	121.3	93	135	$4,632
Morgan	April	80	94	133	$5,975
Morgan	April	79.5	95	125	$5,831
Sangamon	March	113.7	98	136	$5,383
Sangamon	June	160	91	137	$6,250
Scott	Feb.	42.5	97	140	$4,650
Scott	Oct.	394	95	131	$5,038

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 $4,500 per acre. Higher prices generally are nearer to metropolitan centers, and north of the glacial moraine.

Recreational Property

There has been a significant reduction in demand for recreational properties, although a few continue to sell often times at premium prices if frequented by whitetail deer, turkey and/or waterfowl.

There continues to be considerable out-of-state demand for hunting rights. Hunters are willing to pay as much as $1,000 per week, per person, to get that trophy white tail buck.

Special Use Properties

Calhoun County represents one of the unusual counties in this area, lying between the Illinois and Mississippi Rivers. This confluence provides the near perfect environment for peach orchards; although seldom sold they do enhance the county values. Calhoun and Jersey counties also are subject to rural residential pressure from the St. Louis Metropolitan area.

One unusual sale occurred in Cass County in the Beardstown area, in July 2009. Walmart, Inc. bought 110.6 acres for $108,718 per acre totaling over $12 million.

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

Rents

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

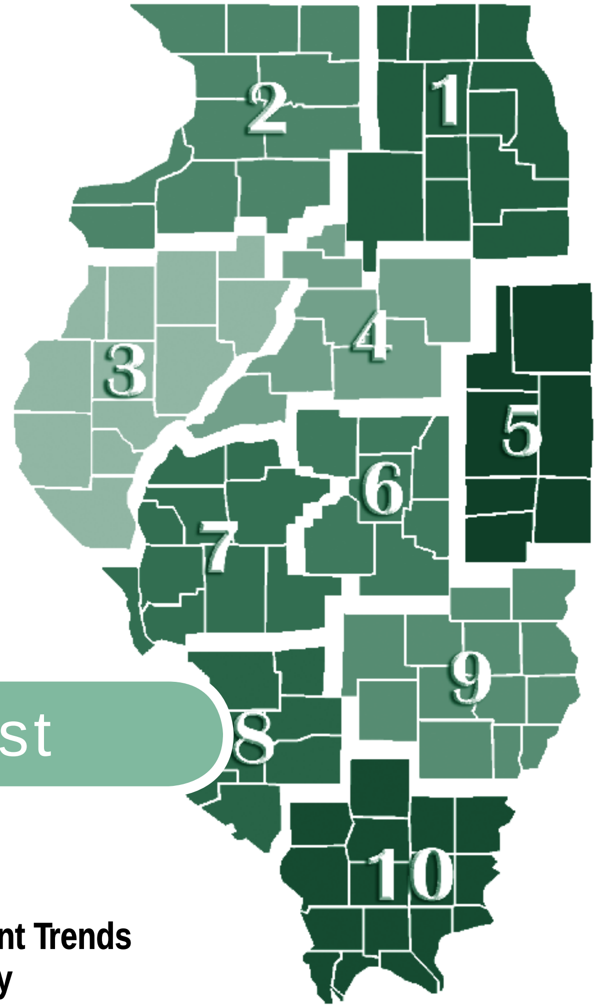
Most of the leases are one of three types, those being crop share, crop share with supplemental cash rent, and cash rents.

Crop share is as it sounds—owner and operator share both income and expenses, taking equal risk of production. In several west central counties, a supplemental cash rent of from $20 per acre to $40 per acre is added to the tenant operator's share to equalize income.

Cash rents have stayed strong, primarily because all risk is shifted from owner to operator. Competition between aggressive farm operators has led to rents in the area of $1.75 per production index point average to a high of $3.00 per P. I.

Examples would be:

Ipava Soil - P/I of 142 x $2.10 = $298 per acre
Ipava Soil - P/I of 122 x $1.75 = $215 per acre
Fayette Soil - P/I of 142 x $3.00 = $426 per acre



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Region 8 - Southwest

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Good Productivity	$6,500 - $8,500	Steady - 10% lower	Down 10 - 20%	150	10-20% lower	$170
Average Productivity	$4,000 - $7,000	Steady	Down 10 - 20%	130	5-15% lower	$140
Fair Productivity	$3,000 - $5,500	Steady - 10% higher	Down 10 - 20%	105	5-15% lower	$120
Recreational Land	$2,500 - $4,000	Steady - 10% lower	Down 40%			
Transitional Tracts	$9,000 - $11,500	Steady - 20% lower	Down 20%			
Other Sales	$2,000 - $$3,500					

Region 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 population. Prior to 2007, new residential development on the Illinois side of the river was taking farm land out of production for development at a fairly brisk pace. Since then, the pace of new residential development has essentially evaporated to a standstill due to the economic recession. Nevertheless, the population in the St. Louis metropolitan area still has a strong positive influence on the economy of the region and an influence on land values depending on location. With a large population 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 primarily used for raising corn, soybeans, and wheat. For the second year in a row, the region experienced above average rainfall and a late growing season. There was uncertainty in the agricultural community during the growing season, but for the second year in a row, yields were above average due to plentiful rainfall. Input costs fell compared to the previous year and grain prices were better than average. Improved farm income and rates of return helped farm land values appear attractive compared to alternative investments and provided optimism for the future of agricultural farm land values. Recreational and transitional land values remained weak due to high unemployment and lack of residential and commercial development.

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 and Washington Counties in Region 8. Sale prices in 2009 for the Good productivity tracts in Region 8 generally ranged from about $6,500/acre to $8,500/acre and tended to center around $7,000/acre. These values appear the be off somewhat from the previous year and might be attributable to their location near the St. Louis urban fringe influence where there is weaker potential for future development than in previous years. Most of the above cited sales were purchased by local farmers expanding their operations.

Sale	Total	%	P / I on	Total	
County	Date	Acres	Tillable	Tillable Ac	Price/Ac
Madison	May	80	99	123.6	$6,500
Clinton	March	40	100	120.3	$6,750
Madison	Jan.	114	95	118.7	$6,800
Madison	Dec.	145.8	86	118.5	$7,000
Madison	Sept.	40	97	130.9	$7,030
Madison	March	158.2	100	122.2	$7,035
Madison	Nov.	119.2	90	124.9	$8,452

Average Productivity Tracts

Most of the Region 8 area is made up of Average productivity soil types. Location is an important factor of value in this region. Land values in the western portion of the Region 8 area are more strongly affected by the St. Louis urban fringe influence. As a result, land values near the metropolitan areas in the northwestern portion of Region 8 tend to be higher than values for the same type of soil in the counties further away from St. Louis. Land values for Average productivity tracts closer to the St. Louis urban fringe influence tend to be in the $6,000/acre to $7,000/acre range while farms in the eastern and southern portions of Region 8 tend to fall more in the $4,000/acre to $5,000/acre range. As more farmland in the western portions of St. Clair and Madison Counties is absorbed into development, there is a trend for the farmers to expand further away from the metropolitan area toward the east, north, and south.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Randolph	June	32	86	100.4	$3,800
St. Clair	Jan.	205.5	98	109.1	$4,331
Bond	March	117	99	101.9	$4,667
Washington	March	159.5	94	106.2	$5,016
Washington	Feb.	78	100	100.2	$5,200
St. Clair	Aug.	108.7	87	106.6	$5,450
Monroe	Dec.	147	85	109.6	$5,911
St. Clair	July	38	89	107.3	$6,105
Clinton	March	69.1	99	114.5	$6,400
Clinton	Jan.	50	98	106.2	$7,000
Madison	Dec.	75.7	99	109.6	$7,264

Fair Productivity Tract

Fair productivity tracts in the Region 8 area tend to be more rolling farms or creek bottom properties subject to overflow. Often fields are irregularly shaped with a certain amount of non-tillable acreage, usually wooded. These types of farms generally require additional inputs of time, labor, and management, and can be more inefficient to farm with large modern machinery than better types of properties. As a result, the Fair productivity tracts are less appealing to farmers and investors for agricultural purposes than the better farm types. 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 fall in a range of roughly $3,000/acre to $5,500/acre depending on the quality of the farm and frequency of creek overflow flooding. Creek bottom farms at the lower end of the range of values tend to overflow more frequently and for longer duration than those at the upper end of the range.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Madison	Aug.	18.7	97	84.1	$2,908
Washington	Jun.	80	63	94.9	$3,000
Washington	Feb.	40	68	80.8	$3,300
Randolph	April	71.5	77	99.5	$3,497
Randolph	Sept.	80	88	97.2	$4,000
Randolph	Jan.	118.6	74	98.9	$4,003
Washington	March	39	100	98.7	$4,769
St. Clair	June	41	100	99.4	$5,000
St. Clair	Oct.	50	98	94.9	$5,200
St. Clair	June	67	87	96.5	$5,490

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. Usually, the buyers of these recreational properties are non-farmers and hunters looking for the recreational opportunities, rather than agricultural production of the tract. There is a 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 a recreational property.

Demand for Recreational tracts in Region 8 has fallen significantly since the economic recession began. As shown below, most sales of recreational properties fall within a range of about $2,500/acre to $4,000/acre. Most recreational tracts tend to be toward the southern and eastern portions of Region 8 away from the more heavily developed and urbanized areas in the northwest part of Region 8. The Kaskaskia River flows through the eastern and southern portions of Region 8 and much of the wooded area in the Region follows along the Kaskaskia and its tributaries.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clinton	April	30	0	0	$2,567
St. Clair	June	27	0	0	$2,963
Randolph	Feb.	195	15	100.8	$3,050
Madison	Nov.	58	17	104.8	$3,465
Bond	May	34	19	98	$3,600
Randolph	Feb.	47	57	110.1	$4,043

Transitional Tracts

Transitional properties are well-located farm land tracts usually located near small towns or along major traffic routes. These properties may have potential for residential or commercial development at some point in the future, but are not expected to be developed immediately. Usually, these types of properties lie in the path of expected future city utilities, but it may be several years before adjoining properties are fully developed to make utilities available to the subject. During the interim holding period they are likely to continue to be used for agricultural production. Prices for transitional tracts can vary widely depending on location and expectations for future use. The number of transitional property sales taking place backed off noticeably since 2007 coinciding with the slowdown in residential subdivision development.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Monroe	July	112	58	100.3	$8,821
St. Clair	Oct.	41.5	100	94	$10,751
Madison	Nov.	75	98	125.1	$10,920
St. Clair	Feb.	70	86	89.9	$11,429

Other Tracts

The sales included in this group are reclaimed strip mine properties. Some have little or no tillable acreage while others have a substantial amount of tillable land. Most of

Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for: Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate	Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are: Cash	Flexible cash	Share	Other
Good Productivity	$140	$150	$165	1 year	$170	25%	75%		
Average Productivity	$120	$130	$140	1 year	$140	50%	50%		
Fair Productivity	$95	$105	$115	1 year	$120	25%	75%		
Recreational Land	$11	$13	$16	1 year					
Pasture		$25	$50	1 year					

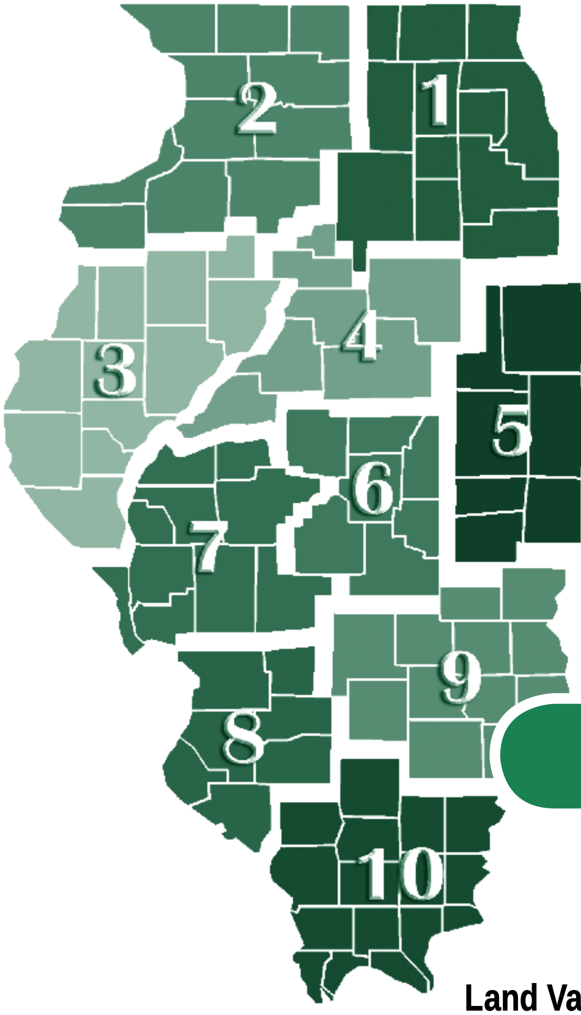
The Summer and Fall of 2008 ushered in lower grain prices and significantly higher fertilizer prices. The results were lower 2009 cash rents and decreased fertilizer application rates. Base cash rent levels for Average and Fair Productivity tracts saw 5 percent to 15 percent decreases. Rents on Good Productivity land were lowered 20 percent because these leases had been raised significantly more in 2008.

In addition to decreases in base cash rents, the bonus clauses on all land classes were adjusted so that they wouldn't 'kick in' until somewhat higher farm incomes, yields, and/or grain prices were achieved. In several cases when bonuses were due in the Fall of 2009, adjustments were made because of the high costs of grain drying. Fertilizer prices returned to more normal levels in 2009 and some of those savings will be accounted for in higher 2010 base cash rents.

The bonus rent clauses can take on many forms. The simplest is a base cash rent plus a bonus schedule based on yields. For example, a bonus of $10/acre could be due if the corn yields 150-160 bushels/acre; $25 for 160-170 bu.; and so on. A more complex format would be based on the farm's gross income. For example, the landowner would receive the higher of: 1.) a base cash rent of $xxx, or 2.) 40 percent of the gross farm income. The calculation for the gross farm income would include yield x price per bushel. The price per bushel could be determined any number of ways. Two ways could be: an average price across several months, or an average of several prices chosen by the tenant and landowner.

the reclaimed acreage that is not used for crops was sown to grass, fenced in, and utilized as pasture. Reclaimed strip mine soils are likely to be droughty without supplemental irrigation. Some of these properties have small lakes left after the strip mining and reclamation process. There are actually four properties included in this group of five sales. One of the sales was re-sold a month after purchase for 15 percent more. The original four tracts were sold by the coal company. These properties are located in the northeastern portion of Randolph County and adjoin the World Shooting Complex near Sparta. Three of the properties were completely stripped and reclaimed. The fourth tract is half stripped and half natural undisturbed soil. It is the 60-acre tract that sold for the highest price.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Randolph	March	95.5	0	0	$1,906
Randolph	June	159	57	89	$2,000
Randolph	March	255	78	88.3	$2,300
Randolph	April	255	78	88.3	$2,650
Randolph	May	60	15	101.6	$3,496



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Region 9 - Southeast

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Excellent Productivity	NONE					
Good Productivity	$4,800	15%	down 15-20%	$165	2-5%	$170
Average Productivity	$4,200	10%	down 15-20%	$150	2-5%	$150
Fair Productivity	$3,150	5%	down 15-20%	$120	2-5%	$125
Recreational Land	$2,300	5%	down 15-20%			
Transitional Tracts	$8,000-$12,000	unchanged	Little activity			

Region 9 is located in Southeastern Illinois and contains 13 counties. Most soils are formed from prairie and timber vegetation in the Illinois glacier till. Several areas include bottomland soils located along the Kaskaskia, Little Wabash, Embarras and Wabash rivers.

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

The 2009 Year began with relatively stable pricing. In the fall we saw increasing prices for farmland in the northern part of the region. In the southwest part of the region, there was very little price change.

In Effingham County, there was a land auction in December 2008 and an auction of similar land in December 2009. Once the sales were adjusted for differences in their land mix, pairing the two sales would indicate a 12 percent increase in prices for 2009. A similar tract of land sold May 2009 indicates little change for the December 2008 auction. Sales activity was down throughout the region.

Good Productivity Tracts

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

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Lawrence	Jan.	160.00	99.94%	132.00	$5,750
Clark	June	107.34	88.41%	117.30	$6,000
Wabash	June	201.00	84.94%	125.00	$5,124

Average Productivity Tracts

Average Productivity soils make up the majority of the cropland in our region. Most of the soils are developed from prairie and timber vegetation. Prices for this land class vary widely throughout our region.

In 2009, sale prices ranged from around $25 per P/I point in Wayne County to over $60 in Jasper County. The average for all sales reviewed in Region 9 was $40.20 per P/I point.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clark	Jan.	57.72	74.32%	111.53	$3,628
Fayette	Feb.	30.00	81.67%	101.79	$3,000
Cumberland	Feb.	80.00	97.75%	112.00	$5,000
Marion	April	40.00	100.00%	111.30	$4,626
Edwards	April	40.00	91.75%	108.00	$3,000
Effingham	May	80.00	94.63%	108.13	$4,887
Wabash	May	44.60	78.48%	105.00	$3,442
Jasper	May	43.50	97.47%	104.30	$5,830
Wayne	July	64.00	97.36%	106.00	$2,567
Crawford	Sept.	225.21	98.00%	106.00	$5,100
Richland	Nov,	22.50	100.00%	100.00	$3,125
Effingham	Dec.	40.00	97.50%	104.80	$5,550

Fair Productivity Tracts

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

The value of the non-tillable land has been strongly influenced by buyers seeking land for recreational purposes. Also, many areas now have public water available. In these areas, fair productivity land is often purchased as a rural building site. In 2009, sale prices averaged around $44 per P/I point.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Wayne	Jan.	40.00	98.25%	97.00	$2,382
Clay	March	40.00	82.00%	97.40	$2,700
Cumberland	March	84.63	99.26%	99.00	$3,716
Wabash	April	80.00	90.25%	98.00	$3,814
Lawrence	May	50.00	74.80%	92.00	$2,548
Fayette	May	40.00	96.00%	99.19	$3,800
Effingham	June	40.00	89.50%	98.40	$3,000
Crawford	July	91.31	92.32%	97.24	$3,189
Clay	Sept.	80.00	86.90%	98.70	$2,875
Wayne	Sept.	20.00	84.50%	96.00	$3,000
Edwards	Oct.	19.90	95.98%	95.00	$2,814
Richland	Nov.	20.00	82.50%	89.00	$3,333

Recreational Tracts

Recreational land prices would appear stable. With the economic downturn, there appears to have been fewer sales. In 2009, the Lawrence County area did experience an increase in prices. Lawrence County has historically lagged other areas of Region 9 in recreational land prices, but now appears to be more in line with other parts of the region.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clark	Jan.	73.30	47.75%	111.94	$2,553
Lawrence	March	20.00	0.00%	N/A	$2,014
Clay	June	40.00	44.33%	125.70	$3,180
Cumberland	July	80.00	72.38%	98.00	$2,500
Wayne	Aug.	40.00	0.00%	N/A	$1,500
Edwards	Aug.	71.80	0.00%	N/A	$1,002
Crawford	Aug.	40.00	23.50%	99.70	$2,525
Effingham	Sept.	195.59	12.94%	96.80	$2,300
Clay	Nov.	35.00	32.06%	98.30	$2,675

Transitional Tracts

There was little activity in Transitional land for 2009 and very little land developed. This property sold the end of 2008. This is mostly cropland, but includes wooded shoreline along East Fork Lake north of Olney. The property would be expected to be developed into lakefront residential lots in the future.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Richland	Dec.	84.00	83.45%	94.90	$5,369

Bottomland

These two sales are subject to flooding. The Clay County tract is located along the Little Wabash River and probably has more flood exposure than the Cumberland County tract.

.

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
Clay	May	30.00	49.70%	117.20	$2,100
Cumberland	March	50.00	69.20%	96.40	$2,860

Special Interest Information

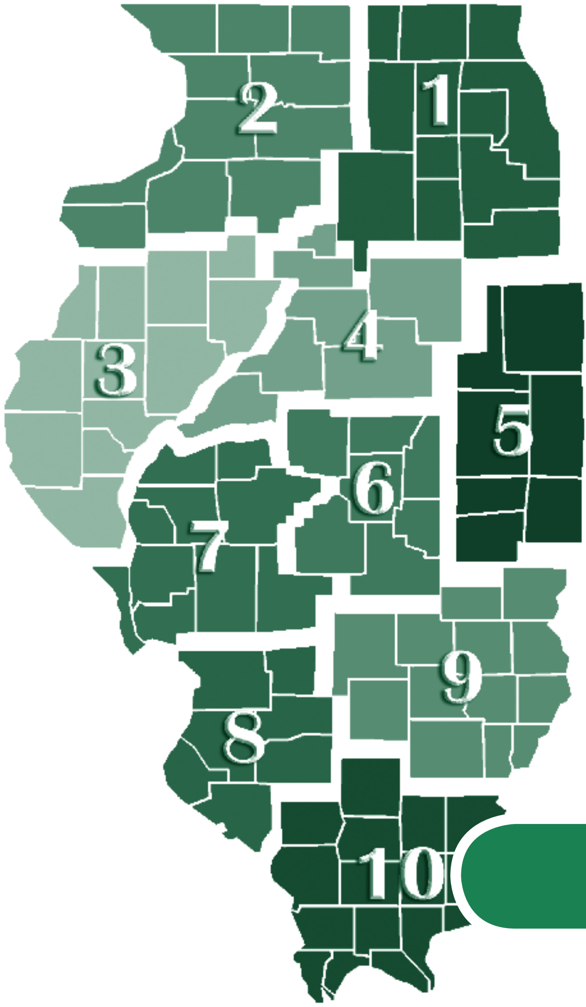
There has been little new development in Region 9 for 2009. In December, we did have a sale of pastureland in Moccasin Township, Effingham County. This property was comprised of 203.87 acres with 45.3 tillable acres of average cropland, a building site with a few outbuildings, and with the balance of the land in pasture. It sold for $638,000 or $3,129/acre.

Other . . .

There are very few flexible leases in Region 9. Most land owners are owner-operators. The crop share lease is more common with most land rented under the 1/3 -2/3 or 2/5-3/5 lease. The last few years have been successful for the land owners with good yields and grain prices so many are reluctant to change to a cash rent contract. Cash rent tends to vary through the region with higher prices typically occurring in the north part of Region 9.

Rental Market Conditions

Farm Classification	Typical Existing Cash Rental Rates for: Lowest 1/3 by rate	Middle 1/3 by rate	Top 1/3 by rate	Avg Length of lease contract	Most representative rate on NEW cash lease in area for 2010	Percentages of NEW leases that are: Cash	Flexible cash	Share	Other
Good Productivity	$150	$165	$180	2 years	$170	30%	5%	65%	
Average Productivity	$110	$150	$165	2 years	$160	30%	5%	65%	
Fair Productivity	$90	$120	$145	2 years	$125	30%	0%	70%	



Doug Healy, ARA – Chairman
Farm Credit Services of Illinois, Harrisburg, IL

Brett Berger, ARA
Brett Berger, ARA, Albion, IL

Tom Harmon
Harmon Appraisal Service, Shawneetown, IL

Todd Hortin
Farm Credit Services of Illinois, Harrisburg, IL

Roger Raubach
Raubach Appraisal Service, West Frankfurt, IL

Matt St. Ledger
Farm Credit Services, Albion, IL

Region 10 - Southern

Land Value and Cash Rent Trends
Overall Summary

Farm Classification	Total Value/Acre	% Change in $/Acre from 2008	Change in rate of land turnover (up, steady, down) and %	Ave. Cash Rent Per Acre	% Change from 2008	Ave. Cash Rent/Ac. on recently negotiated leases
Good Productivity	$4,782	Up 1.8%	Down 30%	$150	Up 20%	
Average Productivity	$2,767	Up 13.4%	Down 20%	$120	Up 10%	
Fair Productivity	$2,240	No change	Steady	$75	Unchanged	
Recreational Land	$2,443	Up 2.6%	Up 5%			

Crop share agreements (of a wide variety) are common in this region. Cash rents are not only less common, but are also not renegotiated regularly.

Good Productivity Tracts

The sales of these types of farms are predominantly by private treaty. Most of this quality of land is located 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. Sales of this quality of land in the area are not common and are primarily due to deaths or retirements and occurred in a very small numbers during 2009. The majority of the buyers of this quality of land are local farmers purchasing for expansions. In 2008, the average values were $4,698 per acre. In 2009 the average values were $4,782 which is an increase of 1.8 percent from the 2008 observed values.

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

County	Sale Date	Total Acres	% Tillable	P / I on Tillable Ac	Total Price/Ac
White	March	79.4	98		$5,200
Gallatin	March	80	98		$4,242
Gallatin	Aug.	26.7	89		$3,969
Jackson	Dec.	39	100		$6,000

Average Productivity Tracts

This is by far the most common quality of crop production farms found in Region 10. The majority of the buyers of these farms are area farmers purchasing land to expand their current farming operations. The sellers are mostly estates and their beneficiaries, and retiring farmers. Observed sales of this quality of farm were in a wide range from $2,100 to $5,500 per acre, but tended to group into two separate ranges of $2,100 to $3,250 and $2,750 to $5,500 per acre.

Farms selling in the $2,100 to $3,250 per acre range are those most representative for this quality in Region 10. The simple average of the most representative sampling of 21 sales of this quality is $2,767 per acre which is up 13.4 percent from an average of $2,441 per acre for the sampling from a year ago. Sales in the $2,750 to $5,500 per acre range are from stronger farming and sales "pockets" which are scattered throughout Region 10. The simple average of a sampling of 8 sales which are the representative of this group is $3,618 per acre which is up 11.1 percent from the $3,255 per acre average from a year ago. Above is a sampling of sales viewed as representative.

Sale County	Total Date	% Acres	P / I on Tillable	Total Tillable Ac	Price/Ac
Johnson	Jan.	190	89		$2,526
Jackson	June	130	100		$2,900
Franklin	Aug.	200	100		$2,600
Alexander	Oct.	160	98		$2,500
Hamilton	Dec.	162	94		$3,099

Fair Productivity Tracts

Many of these farms have lower percentages of cropland than the average quality farms and often have value for recreational uses. The buyers of the higher cropland percentage farms are still mostly local farmers while the buyers of the lower percentage cropland farms are recreational buyers, many of whom are from larger metropolitan areas. The sellers are mostly retired farmers and estates. These farms typically have sloping topography and/or weak soil types.

The average price of the fair productivity farms in this survey is $2,240 per acre. The average price from the 2008 study was $2,218 per acre. Comparing the averages, there is basically no change in the values observed from the 2008 study to the 2009 study.

County	Sale Date	Total Acres	% Tillable Ac	P / I on Tillable Ac	Total Price/Ac
Franklin	Jan.	40	77		$2,750
Saline	March	59	73		$1,898
White	May	40	95		$2,250
Hamilton	May	75	71		$2,000
White	Sept.	60	89		$2,700

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 and 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. The average value per acre of the 26 sales sampling is $2,443 per acre as compared to the $2,380 per acre from the 2008 study which is an increase of 2.6 percent.

Illinois Farmland Brings More than $10.49 million

Approximately 1,600 acres of Illinois farmland sold for a total of $10,492,610 on September 10, 2009.

The auction was closely watched by area farmers and investors as a barometer of the strength of prices for tillable land, according to Rex Schrader, president of Schrader Real Estate and Auction Co., manager of the sale.

“There was a lot of interest in this sale, not only among those seeking to buy the land, but among those who saw it as a test of the strength of the farmland market. Even with approximately 1,600 acres selling in one day, the market absorbed it nicely,” said Schrader.

The sale included three farms that were being sold as part of the Chapter 11 reorganization of VeraSun Energy to maximize the return for creditors.

The sale included:

- Approximately 487 acres in Litchfield, Ill., in Montgomery County offered in 11 tracts and sold for $3,282,610, or an average of $6,740 per acre. The land, primarily tillable farmland, sold to five different buyers with the two largest buyers including a local buyer (who had originally sold part of his land to VeraSun) and an out-of-state investor seeking land for a possible future grain terminal.

  “There was a great deal of interest in specific tracts as well as various combinations. The rail access made it attractive as a grain terminal site, and that added to the demand,” said Schrader. The soils included: Herrick-Biddle-Piasa Silt loam & Oconee-Coulterville-Darmsadt Silt Loam.

  Summary Breakdown:

  (A) 5 Tracts = 255 Acres @ $6449/Ac
  (B) 4 Tracts = 216 Acres @ $6995/Ac
  (C) 1 Tract = 14 Acres and home @ $120,000
  (D) 1 Tract = 1.7 Acres @$7000

- Approximately 380 acres in Madison County, Ill., near Granite City with rail access was offered in eight tracts. There was active bidding in various combinations. In fact, one investor buyer bid on the combination of the Montgomery County and Madison County farms together until the very end of the auction.

  The property sold to a local farm family as an entirety for $2,884,000, an average of $7,591 per acre. The successful buyers had originally owned the farm and sold it to VeraSun. The soils included: Tice, Dozaville, Beaucoup & Shaffton soils.

- Approximately 733 acres in Vermilion county, near Danville, Ill., was offered in six tracts. After bidding in various combinations, the property sold as entirety for $4,326,000, or $5,903 per acre.

  “This was a buyer who was adding to his family’s existing land holdings. While there was a great deal of participation among both farmers and investors, institutional and investor interest diminished because some of the land excluded mineral rights and was adjacent to a Superfund site. There was also a portion of the land where underground mining had been conducted some years back and had affected the yields on that land”, said Schrader. The soils included: Ipava silt loam and Sable silty clay loam.

Returns to Leasing and Variable Cash Leases

by Gary Schnitkey, Ph. D.
University of Illinois

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey of its membership concerning farmland leasing in Illinois. Results from this year's survey suggest that, on average, cash rents in 2010 will be slightly lower than in 2009. A series of questions were asked about variable cash rental arrangements. Overall, there is diversity in variable cash rental terms. While terms are diverse, respondents were pleased with the overall performance of variable cash rental arrangements.

2009 Incomes

Survey respondents were asked to estimate average incomes landlords received from alternative leases in 2009. 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 2009 are reported in Table 1 for four different land qualities: excellent, good, average, and fair.

Table 1. Per Acre Farm Incomes that Landlords Receive for Different Lease Types and Land Qualities, 2009

	Land Quality			
Lease Type	Excellent	Good	Average	Fair
	$ per Acre			
Traditional crop share	224	191	158	125
Cash rent	253	206	171	136
Custom Farming	311	253	187	154

For excellent quality farmland, traditional crop shares had average income of $224 per acre, cash rent had $253 per acre, and custom farming had $311 per acre.

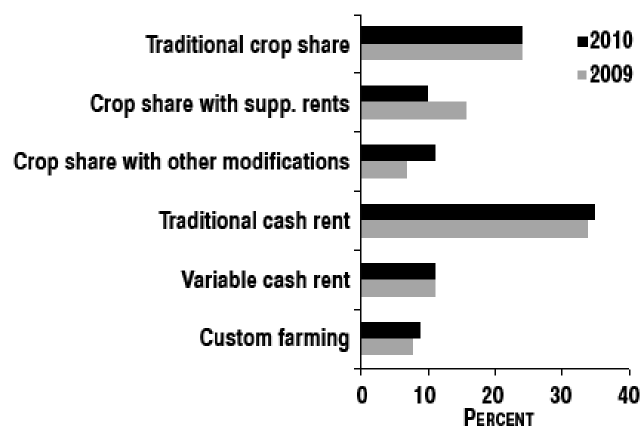
Incomes in 2009 differed from 2008 returns:

1. Incomes for traditional share rent leases were lower in 2009 than in 2008. Crop share net income for excellent quality farmland was $280 per acre in 2008 compared to $224 per acre in 2009. Reductions in returns were due to higher costs and lower commodity prices in 2009.
2. Cash rent incomes were about the same between 2008 and 2009. Cash rent farmland for excellent quality farmland was $251 per acre in 2008 and $254 per acre in 2009.
3. Incomes for custom farming were lower in 2009 as compared to 2009. Custom farming incomes were $324 per acre in 2008 and $311 per acre in 2009.

Leasing Arrangements Used in 2010

Among respondents to the survey, the most common lease arrangement was a traditional cash rent, accounting for 35 percent of the leases used (see Figure 1). Under a traditional cash rent, the rental amount will not change and is negotiated before the growing season. Variable cash rent leasing arrangements vary rental rates on a variety of factors including revenue, yields, prices, and sometimes costs. Variable cash rental arrangements accounted for 11 percent of leases. Between traditional and variable types, cash rental arrangements account for 46 percent of leases.

Figure 1. Lease Arrangements Used by Farm Managers



Crop share leases accounted for 45 percent of leases in 2010. Traditional crop share, basing lease terms strictly on a percentage of revenue and direct costs, accounted for 24 percent of leases. Crop share with supplemental rents accounted for 11 percent of leases while crop share with some modifications other than supplemental rents had a 10 percent share.

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Cash rental arrangements had a 46 percent share of leases and crop share had a 45 percent share. These two general lease types accounted for 91 percent of leases. The remaining 9 percent of leases were custom farming arrangements.

Overall there was little change in lease types between 2009 and 2010: cash rental arrangements accounted for 45 percent of leases in 2009 and 46 percent in 2010. Traditional crop share arrangements accounted for 47 percent in 2009 and 45 percent in 2010. There was some shifting in crop share leases between those with supplemental rents ant those leases with other modifications, with crop share with other modifications gaining share. Custom farming arrangements increased from 8 percent of the leases in 2009 to 9 percent of the leases in 2010.

Cash rental arrangements

Table 2 shows per acre cash rents for the 2019 crop year. Average cash rents are broken out by four different land quality classes: excellent, good, average, and fair quality (see the front of this booklet for the definition of the different land quality categories). Society members were asked to divide out cash rents by the high 1/3, mid 1/3, and low 1/3 of cash leases.

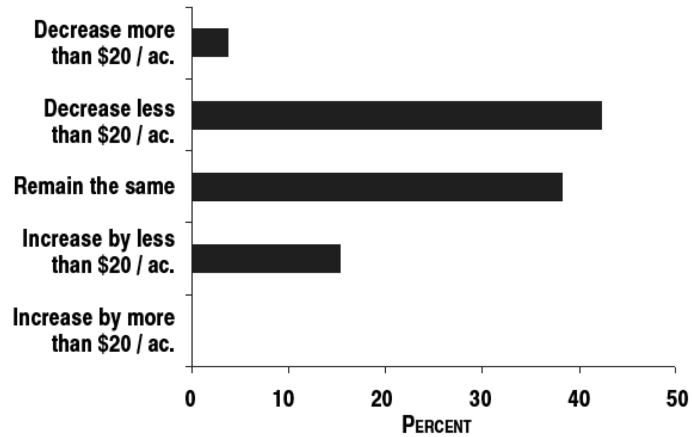
Table 2. Per Acre Cash Rents for Top 1/3, Mid 1/3, and Low 1/3 Cash Rent Leases by Land Quality, 2010

	Land Quality			
Category	Excellent	Good	Average	Fair
	$ per acre			
High 1/3	302	264	211	177
Mid 1/3	268	231	189	156
Low 1/3	226	187	155	124

As can be seen in Table 2, there is a great deal of variability in cash rents for a given land productivity. For example, the average cash rent for the mid 1/3 group on excellent quality farmland was $268 per acre (see Table 2). The high 1/3 of leases, however, averaged $302 per acre, $34 higher than the mid 1/3 group. Similarly, the low 1/3 group averaged $226 per acre, $42 lower than the mid 1/3 group. From the high 1/3 group to the low 1/3 group, there is a $76 per acre difference in average rents for excellent productivity farmland. Similar ranges exist across good ($77 from the high 1/3 to low 1/3 averages), average ($56 per acre), and low ($53 per acre) quality farmland classes.

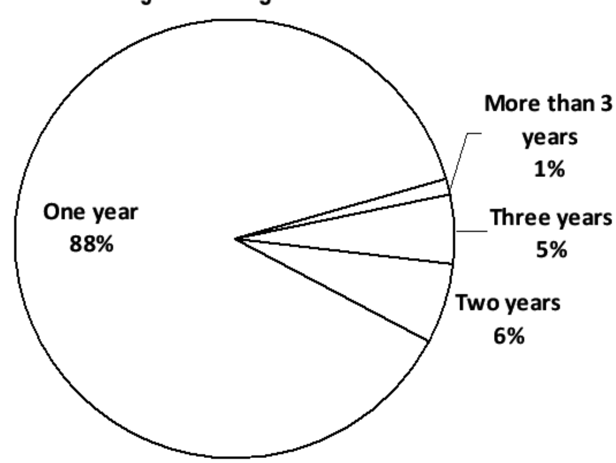
Overall, cash rents in 2010 were lower than in 2009 (see Figure 2). A majority of survey respondents indicated that cash rents were declining: 4 percent indicated that cash rents decreased by over $20 per acre while 42 percent indicated declines of between $0 and $20 per acre. Thirty-eight percent of respondents indicated that cash rent would remain the same while only 15 percent of respondents indicated that cash rents will increase. The 2010 year likely will break a string of years in which cash rents have increased at a fairly large amount.

Figure 2. Percent of Respondents Expecting Cash Rents to Change Given by Ranges



Lease terms on rental arrangement remain short (see Figure 3). Respondents indicated that 88 percent of the leases were one year in length. Longer termed leases include two-years (6% of leases), three-years (5 percent of leases) and more than 3 years (1 percent of leases). Short lease terms are used because of swings that can occur quickly in the agricultural economy.

Figure 3. Length of Cash Rent Leases



Variable Cash Rent Arrangements

A series of questions was asked about variable cash rental arrangement so as to quantify specifications of this lease type. Generally, variable cash rental arrangements have become more popular recently. Compared to traditional cash rent arrangements, variable cash rent arrangements allow rents to more quickly adapt to changing economic conditions

Most variable cash rent arrangements had minimum cash rent (see Figure 4). Respondents indicated that 89 percent of variable cash rents had a minimum cash rent. Minimum cash rents likely are used to assure a level of return to landlords as well as to meet Farm Service Agency regulations to classify a lease as a cash arrangement, thereby not requiring a split of government payments between the landlord and tenant.

Not many of the leasing arrangements had a maximum cash rent. Seventy-two percent of the respondents indicated that none of their variable cash rental arrangements had a maximum rent (see Figure 5).

Figure 4. Proportion of Variable Cash Rents Negotiated by Farm Managers Having a Minimum Cash Rent

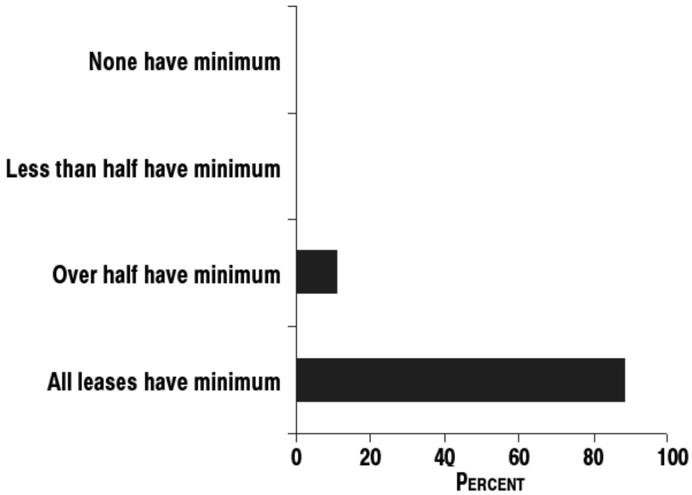


Figure 5. Proportion of Variable Cash Rents Negotiated by Farm Managers Having a Maximum Cash Rent

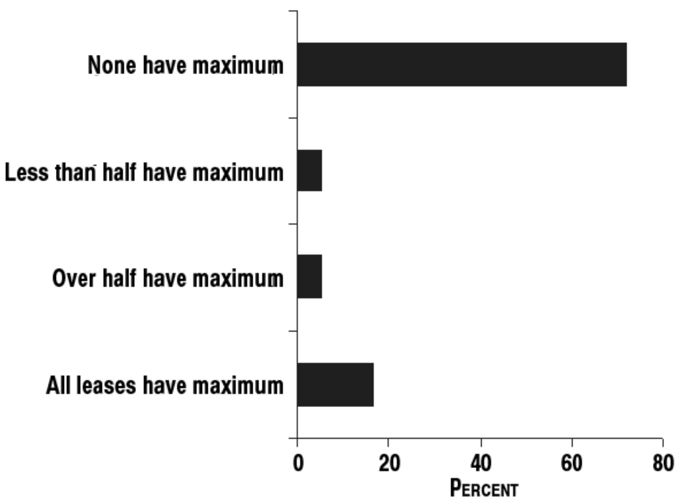
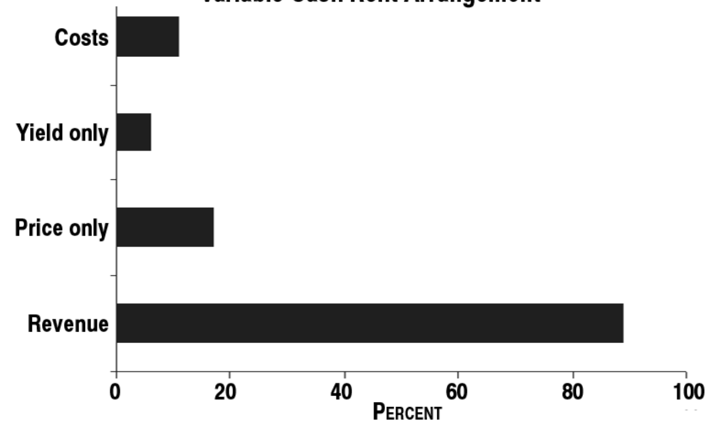


Figure 6. Factors used to Vary Cash Rent in a Variable Cash Rent Arrangement



The predominant factor used to vary the cash rent was revenue (see Figure 6). Of the variable cash leases, 89 percent varied cash rent based on revenue. Other leases varied rents based on yields only and prices only. About 11 percent of leases varied payments based on costs.

If the lease used yields to vary cash rents, respondents indicated that all leases used farm yields in the rental

Figure 7. Number of Prices Used in Determining Price

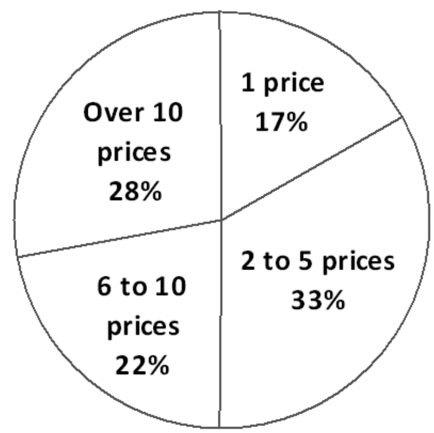


Table 3. Ratings of Variable Leases for Several Characteristics

	Percent of Survey Responses [1]					
	Not Well		Neutral		Very Well	Score[2]
Ease of landlord understanding	5%	33%	19%	29%	14%	3.1
Ease of tenant understanding	0%	10%	29%	19%	43%	4.0
Eliminate the need to renegotiate lease yearly	10%	15%	20%	25%	30%	3.5
Deal with risks	0%	5%	24%	38%	33%	4.0
Overall performance	0%	10%	10%	38%	43%	4.1

[1] ~~Respondents were asked to rate lease on a 5-point Likert scale with 1 = not well and 5 = very well~~

[2] Each score is give a 1 to 5 weight with 1 = not well and 5 = very well. The score is averaged across respondents.

calculation. Prices used in calculating revenue either were from futures contracts (41 percent of the leases) or for cash delivery at local elevators (59 percent). The survey asked respondents to indicate the number of prices used in rent calculations. Responses varied considerably with 17 percent indicating that one price was used while 28 percent indicated that more than ten prices were used (see figure 7).

Survey respondents were asked to rate leases from a number of objectives (see Table 3). Overall, variable leases rates "well" on a scoring system ranging from 1 (not well) to 5 (very well). From an ease of understanding perspective, respondents indicated that landlords generally understood leases (3.1 score) while tenants generally had a better understanding (4.0 score). Survey respondents indicated that variable leases aided in reducing the need to renegotiate leases yearly (3.5 score). Respondents generally felt that variable leases were an effective way of dealing with risk (4.0 score).

Overall, survey respondents were satisfied with the overall performance of variable leases, giving variable leases a 4.1 score for overall performance (see Table 3). While satisfied, it is safe to say there is not a "standard" variable cash rental arrangement. Responses to surveys indicate that many different types of leasing arrangement exist. Over time, there may be iterations toward standard terms as variable cash rental arrangements become more prevalent.

Land Prices Flat in 2009, Expected to Increase in 2010

by Gary Schnitkey, Ph. D.
University of Illinois

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts a survey in which it asks knowledgeable individuals about the farmland market. This year, the survey focused on land price changes in 2009, expectations for 2010, characteristics of buyers and sellers, and volume of farmland sold.

Land prices in 2009

Respondents were asked to estimate land price of January 1, 2009 and December 31, 2009 for Excellent, Good, Average, and Fair productivity farmland (see Table 1). Excellent productivity farmland was estimated to have a $7,000 per acre price on January 1 and a $7,050 per acre price on December 31st, an increase of .7 percent during the year. Good quality farmland price was estimated at $6,250 at

Table 1. Estimates of Land Price, Beginning and Ending of 2009

	Date		Percent
	January 1, 2009	December 31, 2009	Change
	---------- $ per acre -----------		
Excellent	7,000	7,050	0.7%
Good	6,250	6,300	0.8%
Average	5,200	5,200	0.0%
Fair	4,350	4,250	-2.3%

the beginning of the year and $6,300 at the end of the year, an increase of .8 percent. Average farmland's price was $5,200 per acre at both the beginning and end of 2009, indicating no change in price for Average productivity farmland. Fair productivity farmland's price was $4,350 at the beginning of the year and $4,250 at the end of the year, indicating a price decline of -2.3 percent.

Respondents were asked if imperfections to farmland had a larger impact on price in 2009 than in previous years. Sixty-three percent indicated that imperfections had some, additional impact on price in 2009 than in previous years. Eleven percent indicated that imperfections had substantial impacts while 26 percent indicated that imperfections had no change in price impacts.

Some discussion has focused on whether the price of recreational land has decreased more than farmland during the current economic recession. Respondents were asked for their estimate of the change in recreational land during 2009. Eighty percent of the respondents indicated that recreational farmland decreased in value, with 13 percent indicating that recreational land price decreased by between 1 and 5 percent, 35 percent between 6 and 10 percent, and 33 percent by more than 10 percent. Overall, respondents indicated larger price declines had occurred for recreational land than for farmland.

Table 2. What happened to the Price of Recreational Land in 2009?

Response	Percent of Respondents
Increased by more than 5 percent	4%
Increased between 1 and 5 percent	2%
Remained the same	13%
Decreased between 1 and 5 percent	13%
Decreased between 6 and 10 percent	35%
Decreased by more than 10 percent	33%

Overall, farmland prices remained relatively stable in 2009, with some evidence that poorer quality farmland had price declines. Imperfections may have had a larger role in price in 2009. The price of recreational land declined more than farmland.

Expectations for 2010 and the Next Five Years

Most respondents expect relatively modest changes in farmland prices during 2010, with over 91 percent of respondents expecting a price change between -5 and +5 percent (see Table 3). More expect stable (36 percent) and increasing (47 percent) prices then expect declining prices (17 percent). The 47 percent expecting an increase in 2010 is up from expectations in 2009. In winter 2009, 26 percent of respondents to that year's survey indicated that price would increase in 2009. The 26 percent in winter 2009 compares to 47 percent in 2010.

Table 3. Expectations of Prices in 2010

Increase more than 5 percent	6.7%
Increase 1 - 5 percent	40.0%
Stay the same	35.6%
Decrease 1 - 5 percent	15.6%
Decrease more than 5 percent	2.2%

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Respondents were asked if they were bullish or bearish about farmland prices over the next five years. Forty-six percent of respondents were bullish about prices, 39 percent were neutral, and 15 percent were bearish (see Table 4). More respondents were bullish in winter 2010 than in winter 2009. In winter 2009, only 30 percent of respondents indicated that they were bullish. The winter 2010 percent is up by 16 percent to 46 percent.

Table 4. Outlook for Land Prices for the Next 5 Years

	2009	2010
Very Bullish	0%	0%
Bullish	30.0%	45.5%
Neutral	6.7%	38.6%
Bearish	30.0%	15.9%
Very Bearish	3.3%	0%

Table 5. Likely or Very Likely that the Following Factors Will Occur

	2009	2010
Lower returns on farmland	93.4%	93.3%
Higher interest rates	93.3%	93.3%
Higher inflation rates	93.3%	93.3%
Increase in capital gains taxes	88.6%	86.7%
Continuing economic difficulties	93.4%	93.4%

Respondents were asked about the likelihood that several detrimental factors to farmland prices will occur over the next five years. Eighty-three percent of respondents indicated lower returns to farmland were either likely or very likely, 93 percent indicated that higher interest rates were likely or very likely, 93 percent expected higher inflation rates (this may not be detrimental to farmland prices), 86 percent expected an increase in capital gains taxes, and 93 percent expected continuing general economic difficulties. These expectations were about the same as indicated on last year's survey.

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 51 percent of the sales and were, by far, the largest category of sellers (see Table 6). Estate sales were followed by farmers, making up 25 percent of sellers. Thirteen percent of those farmers were retired and 12 percent were active farmers. Individual investors accounted for 15 percent of the sellers, followed by institutions (6 percent) and others (3 percent).

Table 6. Sellers of Farmland by Category, 2009

Active Farmers	12%
Retired Farmers	13%
Estate Sales	51%
Institutions	6%
Individual Investors	15%
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 52 percent of the farmland sales (see Table 7). "Receiving a good price for farmland" was the next highest reason with 22 percent of the sales. Remaining reasons were need cash (12 percent), re-orient investment portfolio (4 percent), close-out undivided interest (4 percent), forced liquidation (3 percent) and, and other (2 percent). Overall, most sales occurred to free up funds for other uses and were not the result of financial stress.

Table 7. Reasons for Selling Farmland, 2009

Settle Estate	53%
Need cash	12%
Force liquidation	3%
Received a good price	22%
Re-orient investment	4%
Close-out undivided interest	4%
Other	2%

Methods used for selling farmland are shown in Table 8. Forty-six percent of sales were sold by private treaty, 36 percent by public auction, 11 percent by multi-parcel auction, and 7 percent by sealed bid. Percent of sales by method did not change much between 2009 and 2010.

Table 8. Method of Selling Farmland

Sealed Bid	7%
Multi-parcel auction	11%
Public auction	36%
Private treaty	46%

Overall, percentages shown in Tables 6, 7 and 8 vary little across years. For example, estate sales make up the largest category of sellers for the last several years of the Illinois survey. Stability in these percentages is indicative of a stable source of sellers of farmland. Generally, sellers either represent estates or farmers coming to the end of their careers. In either of these cases, the number of sellers will not change greatly over time as a result of changes in the farmland market.

Buyers of Farmland

Survey respondents were asked to classify buyers into categories as farmers, investors, institutions, or recreational buyers. Farmers accounted for 62 percent of the purchasers, with 58 percent being local farmers and 4 percent being relocating farmers (see Table 9). Individual investors who would not farm the land were the next largest

Table 9. Buyers of Farmland, 2009

Local farmers	58%
Relocating farmers	4%
Non-local investors	13%
Local investors	16%
Institutions	5%
Other	4%

group, accounting for 29 percent of the buyers. Non-local investors accounted for 13 percent of the buyers and local investors accounted for 16 percent. Institutions accounted for 5 percent of buyers.

Volume of Farmland Sold

Respondents indicated that the volume of farmland sold in 2009 was lower than in previous years (see Table 10). A total of 79 percent of respondents indicated that volume decreases, with 45 percent indicating that volume decreased and 34 percent indicated that volume decreased substantially. Overall uncertainty about the economic environment can be attributed to the volume decline.

Table 10. What happened to the Volume of Farmland in 2009?

Decreased substantially	34.1%
Decreased	5.5%
Remained the same	11.4%
Increased	9.1%
Increased substantially	0%

Summary

Compared to last year's survey, respondents to this year's survey were more optimistic about the farmland market. Most respondents expect rising farmland prices in 2010 than responses to the winter 2009 survey. The percentage of respondents that are bullish about prices over the next five years increased compared to last year's survey. However, survey respondents indicate that the number of factors that could have detrimental impacts on prices will be very high over the next years. Overall, economic conditions have settled but significant uncertainties remain.

The Performance of Farmland Investments: Part II

by
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Several years earlier, I wrote an article for this publication series that compared the returns to Illinois farmland with a broad set of alternative investments across differing time periods, holding period assumptions, and both as an investment in isolation as well as in the context of a portfolio of other investments. The summary message at that point in time was quite clear: Illinois farmland compared extremely favorably with virtually all other common asset classes both in actual returns measures, and in terms of the diversification benefits offered by its low correlation with other financial assets and its inflation hedging potential. Important caveats included that transactions costs are higher with real assets, holding periods tend to be longer, but that tax management of capital gains in particular is simpler with real assets. The data period examined in that article ended in most cases in 2003-04, leading to the caution that farmland returns had, at that time, experienced recent appreciation rates that were very high by its own historical standards, and the requisite caution against interpreting the results as direct advice to invest in farmland.

Since that point in time, the financial and real markets have experience unprecedented turmoil, with swings in returns and market values many orders of magnitude greater than at any point in time in the memorable past of most investors.

What is now often simply referred to as "the financial crisis" has its origins typically attributed to declining housing prices and resulting increases in subprime mortgage delinquencies and the cascading effects through securitized credit exposure and highly leveraged funding conduits through undercapitalized investment banking channels (see Paulson and Sherrick, 2009; Ellinger et al. 2009 for more extensive discussions of linkages to agriculture).

While there is no clear way to forecast the ultimate duration of the related effects, the direct default experiences of firms seems to have peaked during the fourth quarter of 2008, or early 2009, and the markets have entered what many view to be part of a long-term, slowly equilibrating period.

In response to the crisis, the role of the federal government apparently forever changed, both in terms of direct intervention and investment, and in terms of regulatory design and active oversight of financial firms. The historic distinctions among investment banks, brokerage houses, and traditional banking channels are largely gone. The actual and de facto government takeovers of government sponsored enterprises as well as the use of direct (though perhaps temporary) government equity stakes in private companies has been argued to have fundamentally and permanently altered the relationship between fixed-income and equity investment returns. These events have led to significant reconsiderations of many of the long-held tenets of modern portfolio and investment theories. The previously axiomatic "equity premium" is difficult to discuss in serious terms in light of the past two years; the "buy and hold" strategies that dominated thinking by many efficient market economists are being reconsidered; and questions about a complete structural realignments between risk and return under assumptions of complete market efficiency seem relevant to question as well.

In farmland markets, while the developmental and 1031 interest seems to have waned somewhat, the institutional interest in farmland as an asset class has increased dramatically. Questions about acquisitions, how to develop "tradable shares" in agricultural real estate, and other efforts to create meaningful holdings by large long term money managers have flooded in over the past two years during the general equity market "meltdown" as the ag sector was viewed by many to have been relatively unscathed and immune to the revaluation pressures that bled from mortgage markets back to their underlying asset markets. In light of these issues, and the simple need to re-evaluate empirical issues every so often, it seems useful to again examine the performance of farmland investments, and to put them into context against their own histories, and in a more diversified portfolio of holdings as well.

The questions that have motivated prior examinations are still relevant including: (i) how should returns to agricultural real estate be measured; (ii) how variable are the returns; (iii) how does an investment impact the total risk/return profile in conjunction with holdings of other assets; and (iv) what are the institutional and market differences in real investments compared to financial investments.

Answers to these questions, along with investor preferences, may provide useful guidance in evaluating potential farmland investments relative to a wide variety of other financial assets for the future.

In what follows we emphasize Illinois farm real estate and its historic and prospective income and capital gain characteristics. To provide a meaningful backdrop for comparison, historic returns data were compiled for alternative real estate investments, traditional equity investments, corporate bond and fixed income alternatives, and default-risk free Treasury investments. Data came from the National Association of Real Estate Investment Trusts (NAREIT) on all publicly traded real estate investment trusts (REITs), as well as mortgage REITs, to provide alternative real estate benchmarks. For equity markets, returns data were collected on the Dow Jones Industrial index and the broader S&P 500 index as well as regional indices maintained by MSCI for the US, North America in total, EAFE, and developing markets. Returns on corporate bonds rated Aaa to Baa, as well as commercial paper rates were collected to provide representative corporate debt investments. Various Treasury series were compiled including yields on 3-month, 1-year and 10-year constant maturity series published by the Federal Reserve. Inflation indicators of the Consumer Price Index (CPI) and Producer Price Index (PPI) were taken from the Bureau of Labor Statistics to measure inflation hedging potential and the correlation of returns with items representing constant purchasing power.[1] Finally, given the recent interest in commodity "baskets", the CRB futures and spot index were collected to proxy for general commodity price level experiences (the CRB commodity index includes a broader set than agriculturals of course, but is among the most widely cited commodity price index series available).

For farmland returns, the returns are calculated from the perspective of an Illinois farmland owner whose returns are in the form of cash rent and capital gains, less property taxes. Data from 1970-2009 were collected on cropland rental rates, cropland values, and the total value of farmland per acre.[2] To construct the returns measure, state-level data from ERS on the ratio of cropland rental rates to crop land values were used to create the current income series, and the capital gains rate was calculated from changes in the base land values. Estimates of average property taxes were subtracted from the sum of current income and capital gains. The returns are then converted to a compounded rate of return that allows a measure of the accumulated returns through time to be consistently compared to alternate investments.

Figure 1 provides a historic view of the price pattern through time and the average rate of capital appreciation from 1970 to the present. As shown in the figure, the capital gains have averaged 5.9 percent per year with a long and relatively stable pattern with only one period during the 1980s that had declining farmland prices.

Figure 1. Average value of Illinois Farmland, 1970-2009

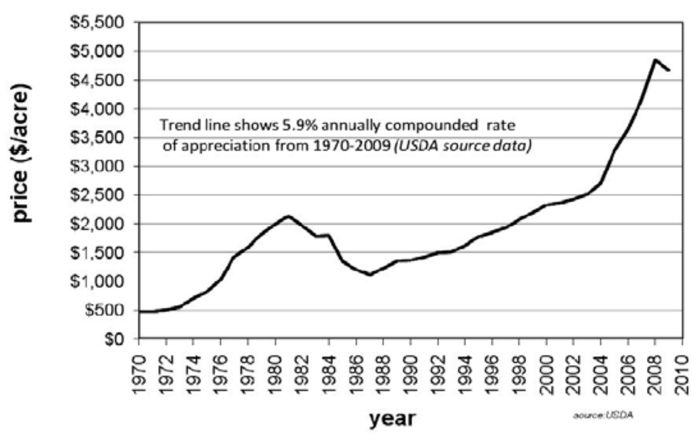


Figure 2. Components of Illinois farmland returns.

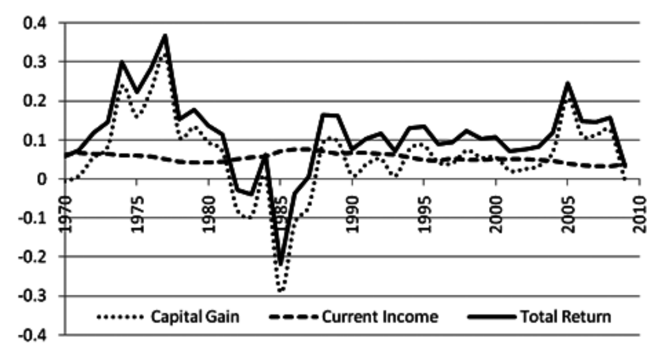


Figure 2 shows components of farmland return through time. Notable features are that the current income component has been remarkably stable, while the capital gains have been positive except for a period in the 1980s when farmland responded to an export crisis that was accelerated through lending market stresses. The slightly lower current returns near the end of the sample period are primarily due to an increase in asset values prior to a full adjustment in rental rates, though cash levels of income would have remained similar or higher than previous periods .

continued on next page

[1] Data on the equity indexes were obtained from MSCI and Dow-Jones, REIT returns data from the NAREIT data warehouse, Treasury instrument data from the Federal Reserve h.15 release, and corporate debt rates from Moody's Investor Services.

[2] Data from ERS on cropland values from 1970-1996 were spliced with data from NASS from 1995-2009. The splice was done using base values from the later data set to avoid any irregularities from the switch in data sources. Property tax rates were estimated at state levels from ERS sources on total farmland property taxes paid divided by total farmland values, excluding operator dwellings. The tax rates are then applied to farmland totals from both NASS and ERS sources. In addition to Illinois data, similar series were created for 42 other states. The results are qualitatively very similar across the remainder of the Midwest region, and the other major crop producing regions of the U.S. as well.

Table 1. Asset Return Characteristics

	Annual Avg Return	Standard Deviation	Coefficient of Variation	Annual Avg Return	Standard Deviation	Coefficient of Variation
Asset/Index	.... 1970 - 2009			.... 1990 - 2009		
Illinois Farmland	10.25%	9.73%	0.949	10.40%	4.40%	0.423
S&P500	6.24%	17.56%	2.817	5.75%	19.28%	3.356
Dow Jones	6.42%	16.30%	2.540	6.66%	16.42%	2.467
CP3M	6.25%	3.22%	0.514	4.15%	1.97%	0.474
Baa	9.43%	2.48%	0.263	7.80%	1.08%	0.139
Aaa	8.32%	2.24%	0.269	6.85%	1.17%	0.171
Mortgage/REITS	9.00%	30.48%	3.388	10.43%	34.42%	3.300
T-10y	7.30%	2.54%	0.348	5.56%	1.39%	0.250
TBCM1y	6.28%	3.06%	0.488	4.18%	1.87%	0.448
TBsm3m	5.67%	2.89%	0.510	3.77%	1.85%	0.490
CD3M	6.42%	3.26%	0.508	4.26%	1.92%	0.451
EAFE	6.93%	23.92%	3.452	-1.26%	25.24%	-20.01
CRBSpot	3.25%	13.16%	4.052	2.40%	12.26%	5.109
CPI	4.36%	2.88%	0.661	2.69%	1.12%	0.415
PPI	3.98%	5.01%	1.259	2.27%	4.01%	1.763

Table 1 provides summary statistics for returns by asset class for farmland and the competing asset classes considered for the complete period 1970-2009 and for a period covering the past 20 years (providing both a more recent perspective, and eliminating the only period of decline in farmland values from the mid 1980s). All returns are calculated ignoring any transactions cost (which are likely higher for farmland investments); ignoring capital gains taxes (which are likely easier to avoid with real estate investments); ignoring income taxes (which have roughly equal effects on all classes); and assuming an unlevered, or zero-debt position in all investments. Another important caveat – Illinois farmland, like the case in most regions, is fairly thinly traded, and may present a challenge to adjusting holdings as a result. It is also generally a "lumpy" asset though the availability through dedicated funds with institutional management is beginning to improve.

The annual average return provides the most commonly reported feature of returns while the standard deviation represents the amount of uncertainty about that average – or the riskiness of the returns. To summarize the risk per unit of return, financial analysts often calculate the coefficient of variation (CV) or the standard deviation divided by the average. Higher values of the CV are associated with relatively more risky investments.

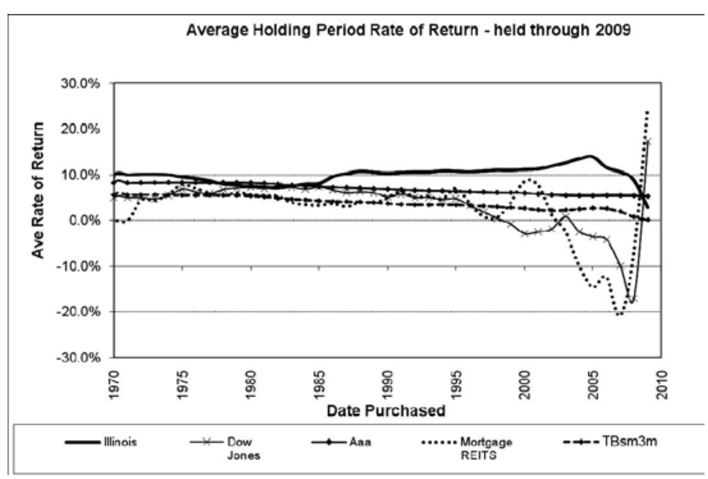
From the information in this table, Illinois farmland has performed very well relative to most equity categories and fixed income alternatives, whether we use the average return to rank, the standard deviation, or the CV; and regardless of which subperiod is examined.

Except for farmland, the general pattern in financial and fixed income assets over the longer period confirms that higher returns are accompanied by higher risk. In the case of farmland, there may be substantial "smoothing bias" from use of aggregated and average returns data from ERS, but from related examinations of property-level returns data, the number of separate farmland parcels needed to approach the stability of the state average is generally low (in the neighborhood of 30 properties). Thus, it is hard to imagine that the results are due solely to the methods used to construct the data series.

Investors with whom we work often are quick (and correctly so) to point out that farmland returns are highly smoothed relative to other financial investments and that they display strong serial correlation – that is, positive returns tend to follow positive returns, and the negative returns seem to be associated in time with other negative returns, while other assets have returns that appear more randomly distributed through time. Just as we have had a relatively long and stable run up in farmland prices, the 1980s were witness to a set of related declines lasting longer than one period. To give a sense of the potential importance of this issue, the total holding period returns for each asset class were calculated under alternative holding period definitions as though the investment had been made in each year from 1970 on, and held until present.

Figure 3 provides a graphical summary of the results showing the average holding period rate of return for a selected set of investments assumed. Most remarkable is that farmland again looks very good for virtually the entire final 20 years of the sample period with far less variability than the equity indexes in particular. After the fact, it is easy to find the time period during which it would not have been as attractive to have initiated an investment – in each of the asset classes, not just with farmland in the 1980s.

Figure 3. Average holding period returns, selected investments, held until end of 2009

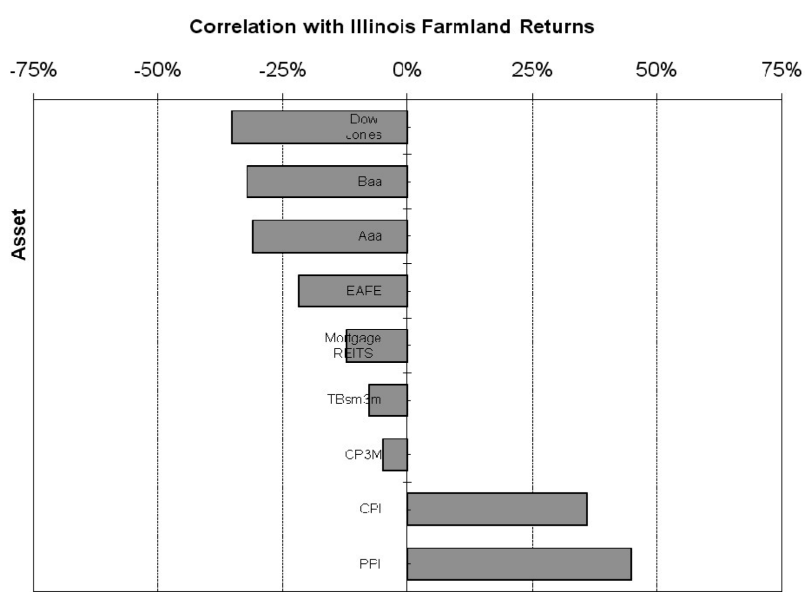


Portfolio Considerations

When evaluating the investment performance of an asset, it is important to not only assess its own performance in isolation, but to also understand its role in the diversification of a portfolio, and its relationship to inflation and other factors that affect future purchasing power. Measures of correlation provide a summary means to describe the degree to which returns move together, and hence the degree of diversification benefit is attainable from holding them together. The measure of correlation ranges from positive one where the returns move in lockstep together, to negative one where the returns move in exactly opposite fashions. A zero correlation implies no systematic relationship. Negative correlations in investment returns are desirable because they allow for the reduction in portfolio risk by holding assets whose movements in returns tend to offset each other -- and smooth out the total portfolio return series. Positive correlation with inflation is likewise desirable as it provides a greater hedge against the erosion of purchasing power.

Figure 4 shows what is perhaps the most astounding feature of Illinois farmland returns. The time period chosen does of course affect the magnitude of the results, but the general story is the same that farmland has shown low or negative correlation with traditional equity investments while maintaining a positive correlation with inflation and the PPI. For comparison, the Dow and the S&P series have about a .96 correlation with each other and approximately -.20 on average with inflation as measured by the CPI.

Figure 4. Correlation of asset returns by class with Illinois Farmland returns



Summary:

The information about farmland investments presented above amplifies the message from the previous analysis and much past academic research -- farmland returns have been relatively strong and display low systematic risk, high inflation hedging potential, and good diversification benefits.

The recent few years have (again) witnessed rates of capital gain that are (again) relatively high by historical standards, and as a result, have generated (renewed) high interest in farmland investments by non-operator investors, institutional investors, and by owner-operators seeking to expand. In virtually all cases, the evidence suggests that the investment class has performed well whether viewed in isolation, or as a complement to other investment holdings and should be considered when evaluating any mixed-asset investment set.

Returning to the opening questions, the returns from capital gains and current income less current property taxes provides one measure of the investment performance that is somewhat comparable to an equity investment that pays dividends and also experiences capital gains/losses. Farmland has done well in this regard. The variability of returns to farmland investments demonstrates exceptional "risk efficiency" with reasonably low risk per unit of return.

Acquiring and managing real investments does require greater expertise than that for most financial assets, but it is hard to imagine that transaction costs, or asset specific knowledge has caused the relative performance to remain so attractive. The correlations of returns are low or negative with most other investments that might accompany farmland in a portfolio, and perhaps most importantly, farmland returns have shown positive correlation with inflation measures.

As always, one must be careful when interpreting the past as a projection of the future, but as an asset class, the returns performance has been remarkable in both levels and in measures of stability. The recent "crisis" has perhaps only made it easier to observe its unique relative performance.

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