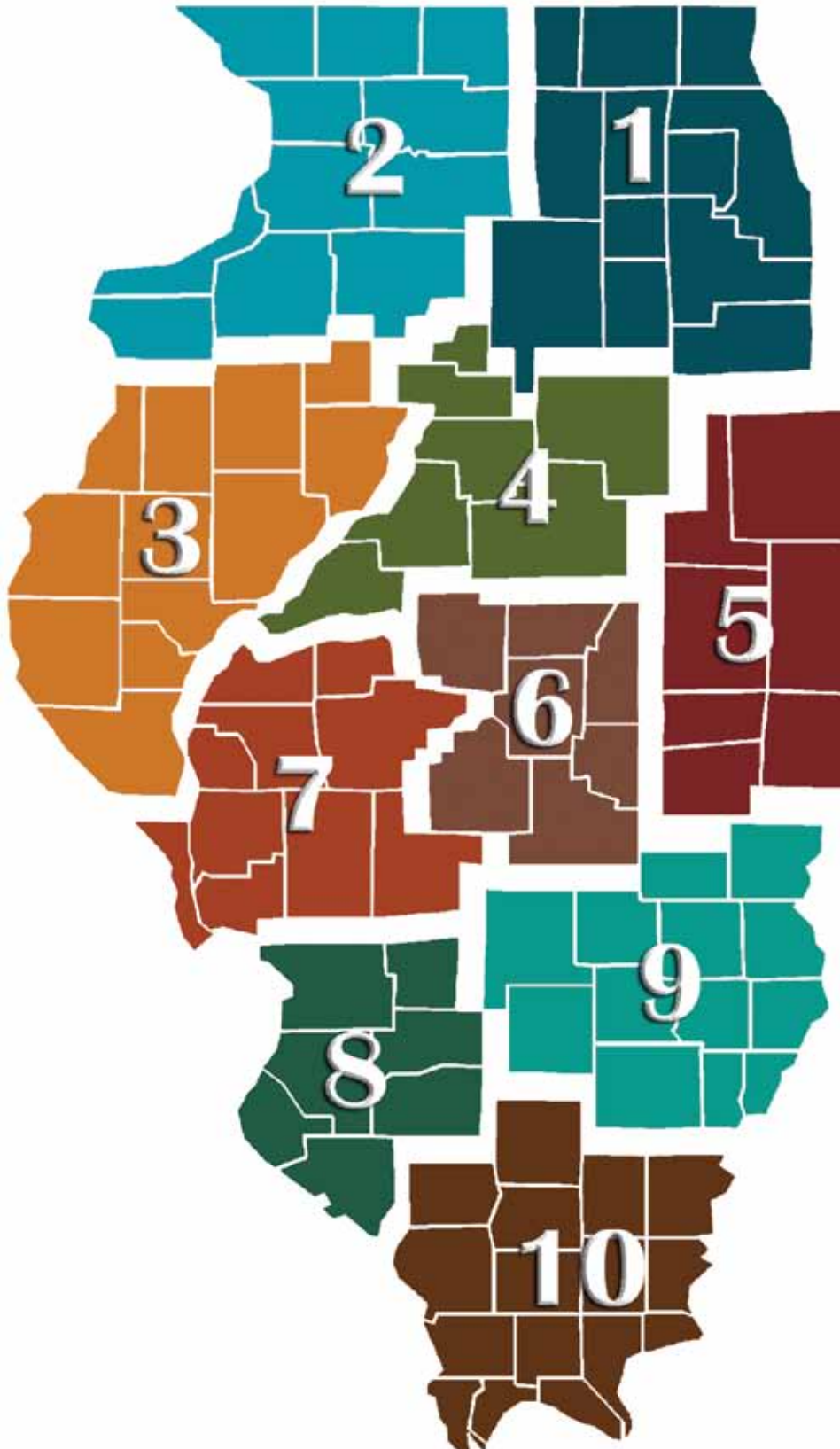


2014 Illinois Land Values and Lease Trends



Published by the
Illinois Society of
Professional Farm Managers
and Rural Appraisers

Land Regions



- 1. Northeast**
- 2. Northwest**
- 3. Western**
- 4. North Central**
- 5. Eastern**
- 6. Central**
- 7. West Central**
- 8. Southwest**
- 9. Southeast**
- 10. Southern**

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ISPFMRA President's Message



Norbert Soltwedel, RPR

President

Illinois Society of Professional
Farm Managers
and Rural Appraisers

The land market seems to have captured the attention of everybody in the past year. Farmland auctions have long been a big attraction in rural communities, coming very close in popularity to the local basketball team rivalries in attracting attendance. Nearly every agricultural seminar of the past year has featured a speaker covering the farmland market, and why not? We have been on a fantastic run of higher prices that has buoyed balance sheets to record high asset levels and record low debt-to-asset ratios. The farm economy has enjoyed some golden years with an ethanol-induced corn market, low interest rates, and strong exports. Alan Greenspan coined the term “Irrational exuberance” in 1996 to describe the stock market strength, but lately we hear the term “bubble” in relation to land prices. Our media and those who speak to it have a real way with words it seems.

This year’s annual survey of farmland values and lease trends marks the 19th report issued by our Illinois Society of Professional Farm Managers and Appraisers. The word “professional” is unique to Illinois among the chapters of the American Society of Farm Managers and Rural Appraisers. Our members indeed are professionals who are actively engaged in the land market and who deal with real and documented facts. They conduct and attend land auctions, they negotiate land sales, they talk daily with participants in the land market, they bring landlords and tenants together in mutually agreeable leases, they research courthouse sales data and document their opinions of value called appraisals, they understand the costs and returns that drive values and rents; in short, they are experts in rural real estate. As you turn the pages of this report, you will find real data being reported to support the statements being made.

This report is the work of a large number of our members whose names have been reported. It also includes the results of our summertime ‘snapshot’ survey of members and industry colleagues concerning trends, land prices, and rent levels. Our Society enjoys a close relationship with the University of Illinois and benefits from their various economic studies. Special thanks go to Gary Schnitkey and Bruce Sherrick for their invaluable contributions. Members of our Society annually participate in several meetings providing input on land market issues. Copies of this report are widely distributed and relied upon by various advisors in assisting clients needing current and relevant facts on the real estate market. We very much appreciate those who have placed advertisements and trust that they will be used by those needing a service or product. Please consult our website at www.ispfmra.org for additional assistance.

This issue is literally filled with information that we hope you will find interesting and useful.

If you have any questions regarding information on particular regions of the state, I encourage you to contact the Regional chairs directly. They coordinated the collection of the information and are the closest to the actual information.

Best regards.

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Illinois Farmland Values and Lease Trends: At a Glance

by Dale E. Aupperle, AFM, ARA
General Chairman, 2014 Illinois Land Values Survey and Conference

In 2013, our agricultural super cycle appears to be taking a breather as red hot commodity prices have receded from their drought-induced peaks. Our prime farmland values have stabilized (*with spots of both strength and weakness*) across the great state of Illinois. A breather or correction in a long term uptrend (*yes*) - - a bubble that is bursting (*no*) and there is a lot more coming at us - - stay tuned!

It takes a special team to provide the detailed information you will find within the pages of the 2014 Illinois Farmland Values and Lease Trends booklet. Hope you enjoy the update coming at you!

▼ ISPFMRA Members

As you work within the Illinois farmland market you will encounter numerous Illinois Society members in their roles as farm managers, rural appraisers, consultants and real estate brokers. These professionals have shared their experiences, expertise, opinions, and data from their active files. It is the best you can get. Our thanks to the over 70 members that pitch in on this effort! A special thanks to our Executive Director Carroll Merry and the team at Countryside Marketing who do an amazing job to produce this booklet every year!

▼ University of Illinois

The College of ACES is a collection of some of the brightest minds in agriculture – and Bruce Sherrick, Ph.D. and Gary Schnitkey, Ph.D. are the best in their fields. They unselfishly share their time and expertise with us to produce this unmatched report. Bruce works with the real estate data from each of the regional data groups and is constantly giving us ideas on how to further investigate the Illinois farmland market for market-changing facts. Gary is an expert at surveys and coordinates our mid-year and year-end surveys on farmland values and lease trends. It always gives us a peek over the mountaintop. Several other professionals in the College of Agricultural Consumer and Environmental Sciences contribute by writing the articles that you will find at the end of this Report.

▼ REALTORS® Land Institute

The members of the Illinois Farm and Land Chapter of the REALTORS® Land Institute are professionals that work in the farm real estate market across Illinois. We appreciate their insight, expertise and cooperation on this project.

▼ Our Advertisers

A special note of thanks goes out to the individuals and firms who advertise in our report and support the Illinois Land Values Conference each March. You will find these businesses actively promoting agriculture in their respective areas.

2013 Land Values and Rental Rates – Our team has chosen to break down the state of Illinois into 10 regions so that the information you receive is localized. There is a lot of information that follows in this report covering all six categories of farmland. To get you focused - - we have selected the excellent quality farmland in each region of the state to show you the overall 2013 trend in land values and cash rents as noted below:

| <u>Region</u> | <u>Excellent Quality Farmland Values</u> | <u>Cash Rent Values</u> |
|---|--|-------------------------------------|
| Northern Illinois (Regions 1,2) | \$12,700 - \$14,500 per ac. (up 15 – 20%) | \$375 - \$450 per ac. (up 10 – 15%) |
| Central Illinois (Regions 3, 4, 5, 6, 7,) | \$10,500 - \$16,500 per ac. (+5% to -5%) | \$350 - \$450 per ac. (+5% to -5%) |
| Southern Illinois (Regions 8, 9, 10) | \$9,500 - \$12,700 per ac. (unch +5%) | \$159 - \$300 per ac. (steady) |

Gary Schnitkey’s survey gave us some clear insight into what happened across the four Illinois land categories last year. Here is what his report reveals:

| Type of Farm | % Change | Year 2013 | Year 2012 |
|--------------|----------|-----------|-----------|
| Excellent | -2% | \$13,100 | \$12,800 |
| Good | -3% | \$11,100 | \$10,800 |
| Average | -4% | \$9,100 | \$8,700 |
| Fair | -7% | \$7,100 | \$6,600 |

Note – The highest quality soils seem to have attracted the most buyers and therefore experienced a smaller decline this past year.

ISPFMRA members monitor the pulse of the Illinois farmland market daily. Gary Schnitkey captured their observations and outlook in our year-end survey. Here are some of the interesting facts that you can find out by reading Gary’s report at the end of this booklet:

▼ **Sellers of Farmland**

Estate sales accounted for 50 percent of the volume of Illinois farmland sold. Interestingly, the next category was landowners who sold because these are excellent prices!

▼ **Buyers of Farmland**

Farmers accounted for 68 percent of the purchases made in 2013. Most were reinvesting into their farming businesses - - a good sign for long-term values.

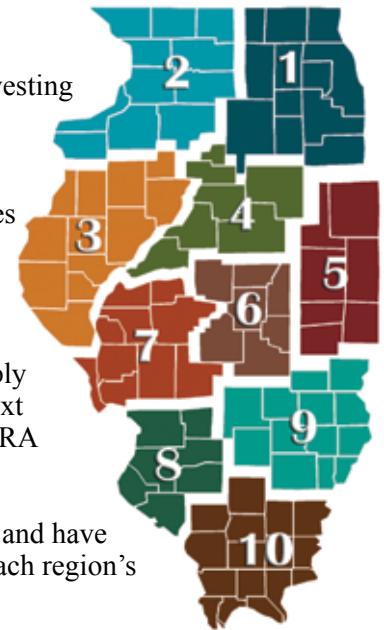
▼ **Methods of Sale**

43 percent of the farmland transactions were sold by public auction which becomes more popular during periods of rising prices. There was little change in methods since 2012.

▼ **Cash Rents**

In general, farm income was lower in 2013. Crop share lease income was noticeably reduced as compared to cash rent. On excellent quality farmland, cash rents for next year (2014) declined by \$21 per acre to an average of \$375 per acre. Most ISPFMRA members expect 2015 cash rents to be lower than the current year.

Illinois farm managers and rural appraisers are the best — we are a diverse bunch and have wide-ranging thoughts and opinions. Here are some firsthand observations from each region’s report that stand out:



▼ **Net Farm Income**

Farmland is what it earns! Lower corn and soybean prices will reduce net farm income by over 20 percent in 2014. Crop insurance payments are marginalized! We could have some tough earning years in front of us.

▼ **Return on Investment**

The usually competitive return on farmland investments is diminished below the traditional 3½ to 4 percent results. Farmland values have gone up faster than net farm income.

▼ **Alternative Investments**

Agriculture is always competing with other financial opportunities. As farmland’s performance levels off the competition from other financial assets is enhanced. Money could leave agriculture at some point.

▼ **Tile Drainage**

Drainage can be one of the most important enhancements to Illinois soils. Farmers continue to redirect their profits into expanded tile drainage systems on their farms. The reduction of the IRS tax benefit in 2014 may slow down future projects.

▼ Interest Rates

Interest rates on operating loans and farm mortgages are critical to profitability. Long term mortgage interest rates ticked up this year. The Federal Reserve actions may precipitate higher interest rates for agriculture.

▼ Livestock Industry

Livestock farmers have enjoyed enhanced profitability through higher prices and reduced feed costs. They have competed vigorously for additional land purchases with their profits.

▼ Auction Sales

The process of auctioning farmland is one of price discovery. As commodity prices and net income declined - - there were fewer bidders at auctions and an increasing number of no sale transactions. Over 40 percent of the farms sold at auction.

▼ Tax-Free Exchanges

This popular method of avoiding capital gains taxes is starting to resurface in Northern Illinois where some farmers are selling prime farmland and buying back development land for future opportunities.

▼ Large Tracts

A contiguous 960 acre tract of Douglas County land sold at public auction in November 2013 for a record price of \$14,583 per acre. The buyer was an investor. In December a 1,354.6 acre Crawford County bottom farm on the Embarrass River sold for \$5,869 per acre.

▼ Ethanol's Future

Farmers and landowners are concerned about the EPA regulations which could affect the renewable fuel standard. A lot of our corn usage is dependent on a vibrant ethanol industry moving forward.

▼ Grain Handling Facilities

Central Illinois reports ongoing expansion of major grain handling facilities to move our increasing corn and soybean production to end users.

▼ Conservation and Stewardship

There are numerous reports of ongoing stewardship activities to control runoff of farm chemicals and fertilizers to prevent contamination of our lakes and streams. Positive agricultural and suburban collaboration is ongoing.

▼ Development Land

Activity levels have picked up in Northern Illinois (Chicago area) regarding storage facilities for rail shipping containers and mining silica sand used for fracking oil wells in North Dakota. Southern Illinois (St. Louis area) show signs of life in the residential housing market.

▼ Recreational Land

Both the Northern and Southern regions of the state saw increases in recreational land values. Central Illinois saw a steady to weaker recreational market in general.

▼ Wind Energy

The market for green energy is still uncertain causing many projects to be placed on hold. Various parts of Illinois have excellent wind speeds for electricity generation.

In summary - 2014 will be an exciting time to be involved in Illinois agriculture - - whether you are a landowner, farmer, or a new investor. As this super cycle slows down - - there will be an expanded demand for the services of our ISPFMRA members to manage farms, do appraisals, and acquire and sell farm real estate across Illinois. Yes - - you can turn to them - - they are the ultimate experts in our field! Good luck to all of us in our future agricultural endeavors.



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Friends of the Chapter

We're excited about a membership offering that might be right for you!

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

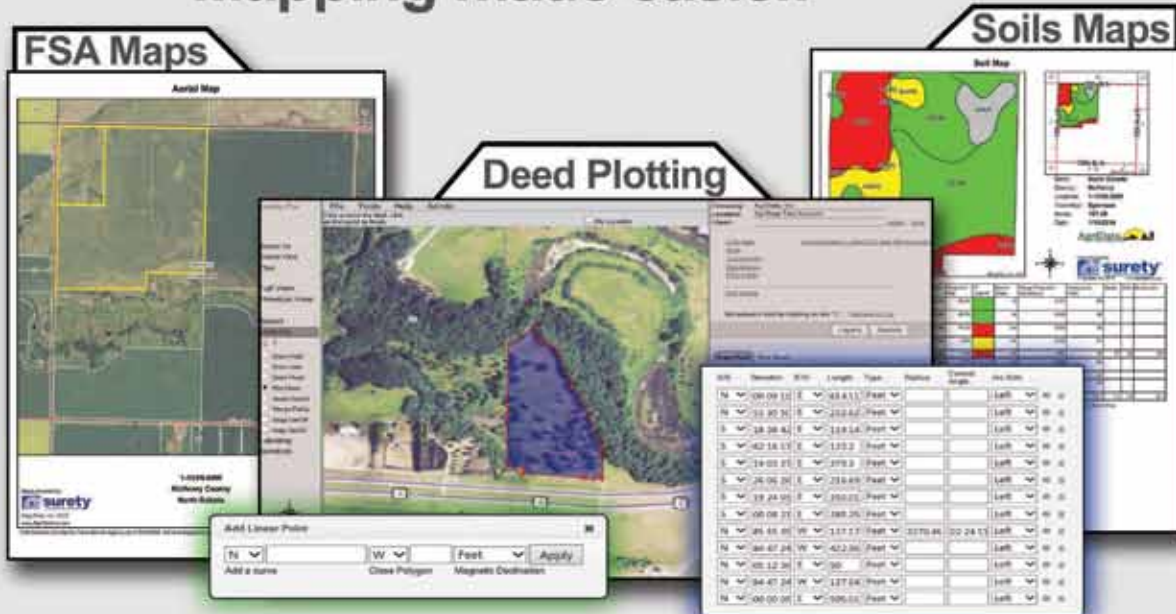
As a “*Friend of the Chapter*” you will enjoy all the benefits of the Illinois Chapter except voting rights. You will be listed as a *Friend of the Chapter* in our membership directory, and will receive the ISPFMRA Newsletter. You will qualify for discounted member rates on all Illinois Chapter-sponsored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

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

For further information visit www.ispfmra.org and click on the “*Friends of the Chapter*” link.



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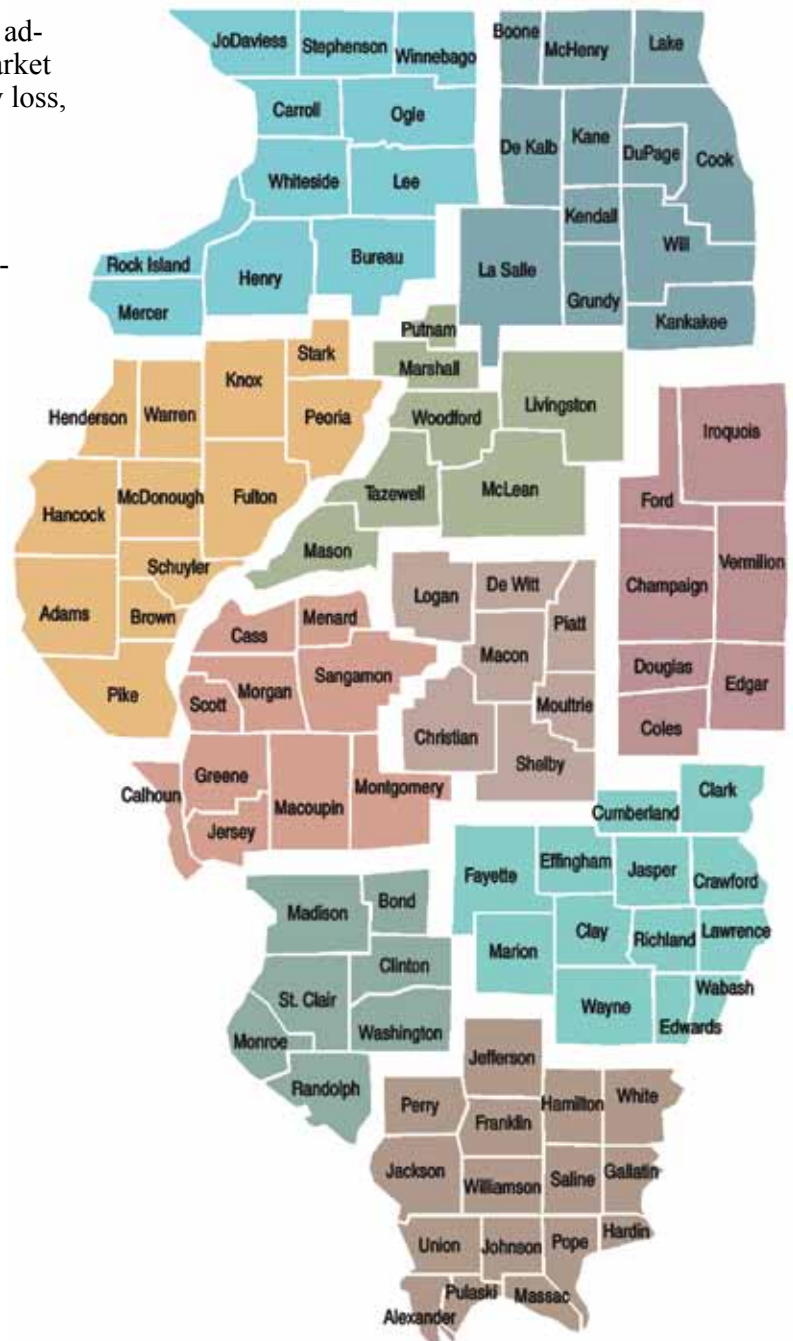
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Farm Property Classifications & Definitions

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

- **Excellent Productivity Tract** – productive durable soils with a significant amount of those soils with productivity indexes of 133 and above; well maintained; located in desirable community with excellent access to transportation and markets.
- **Good Productivity Tract** – productive soils with a significant amount of those soils holding productivity indexes of 117 to 132; located in desirable community with good transportation and market access.
- **Average Productivity Tract** – average-to-good soils with a significant amount of those soils with productivity indexes of 100 to 116; located in a community with adequate services available; fair transportation and market access; soils may show evidence of erosion, fertility loss, improper drainage or noxious weed infestations.
- **Fair Productivity Tract** – below average-to-fair soils with a significant amount of those soils with productivity indexes below 100; located in fair community with fair-to-poor transportation and market access; topography may be adverse with serious hazards (flooding, erosion, etc.).
- **Recreational Tracts** – tracts are normally high in non-tillable acres with soils that may be subject to erosion and/or flooding. Tracts are typically purchased by 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.



Productivity Indexes (P/I) Ranges

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

(See Page 95 for P/I map)

Region 1 - Northeast

Doug Deininger, ALC – Chair

Capital Agricultural Property Services, Inc., IL

Nicole Bromberek

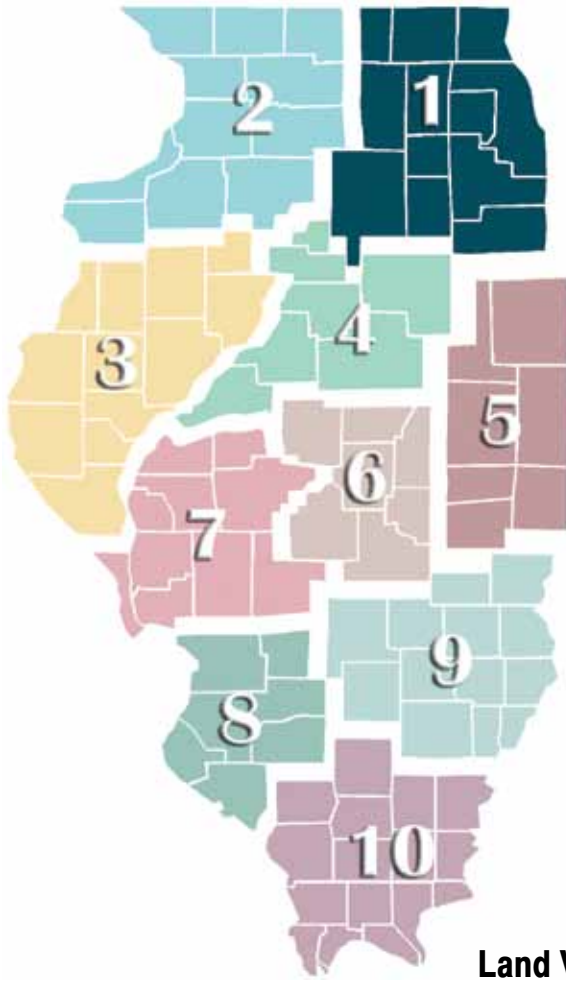
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Jeffrey Hacker, ARA

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Andy Weidner

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Land Value and Cash Rent Trends Overall Summary

| Farm Classification | Total Value Per Acre (Typical) | % Change in \$/Acre from prior year | Change in rate of land turnover | Ave. Cash Rent Per Acre typical in region | % Change from prior year | Ave. Cash Rent/Ac. on recently negotiated leases |
|----------------------------|---------------------------------------|--|--|--|---------------------------------|---|
| Excellent Productivity | \$12,700 | up 18 % | up 10 % | \$385 | up 10 % | \$385 |
| Good Productivity | \$9,000 | down 2 % | up 10 % | \$330 | up 10 % | \$330 |
| Average Productivity | \$7,600 | up 4 % | up 10 % | \$275 | up 10 % | \$275 |
| Recreational Land | \$5,500 | up 10 % | Steady | | | |
| Transitional Tracts | \$18,000 | up 20 % | Steady | | | |

Excellent productivity land saw a large jump in 2013 in the Northeast region. Values for top quality land had been lagging similar quality land in central Illinois for the last several years. That changed in 2013 as buyers, primarily local farmers, saw the value in top producing farms and took advantage of low interest rates to expand their operations. Cash rents followed land values as producers had an early opportunity to lock in profitable prices for corn and soybeans.

Land values for good/average productivity land did not follow excellent land prices. Poor yields from the 2012 drought flashing every few feet on combine yield monitors confirmed the soil productivity differences between the categories. Recreational lands seem to be stable but there are very few sales and in general seem more vulnerable to the sluggish general economy than pure agricultural land.

Development or transitional land saw increased volume and values however nothing close to levels prior to 2008. Land usage for residential subdivisions is non-existent. However, there has been increased land usage for storage facilities to handle the huge rail/truck volume of containers from around the world that are now unloaded at the Joliet intermodal facility in Will County. Land used for mining silica sand in LaSalle County saw big demand as that material is needed in the Dakotas as part of their oil and natural gas drilling

Excellent Tracts

Land values jumped the highest on excellent productivity tracts in DeKalb, LaSalle and Grundy counties in 2013. These counties were lagging behind levels seen the year previously in parts of central Illinois of similar productivity. Nearly every sale was to a nearby farmer. Attractive,

long term rates combined with strong spring commodity prices quickly pushed 2013 land values higher. Even with a big corn crop and declining commodity prices, by late Fall 2013 land sales of top quality land finished strong.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| DeKalb | Sep | 336.0 | 95.6 | 139.0 | 13,250 |
| DeKalb | Mar | 236.0 | 95.5 | 137.0 | 11,837 |
| Grundy | Feb | 100.0 | 97.9 | 140.0 | 12,575 |
| Grundy | Mar | 40.0 | 95.0 | 144.0 | 14,626 |
| LaSalle | Mar | 41.0 | 98.0 | 140.0 | 13,919 |
| LaSalle | Jun | 40.0 | 97.5 | 140.0 | 12,995 |
| Kankakee | Apr | 50.0 | 99.0 | 133.0 | 10,000 |

Good Productivity Tracts

Land values on good productivity tracts remained nearly the same during 2013. Farmers were again the primary buyers, but were just not as motivated to pay for good/average productivity soils. Crop input costs have increased dramatically the past several years, with seed corn costs as high as \$130 per acre, farmers were willing to pay a premium for better soils when compared to lesser quality farms that have basically the same per acre cost of production.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| DeKalb | Oct | 71.9 | 92.1 | 121.0 | 9,100 |
| DeKalb | Jun | 58.0 | 98.3 | 123.0 | 9,500 |
| Grundy | Feb | 69.0 | 93.5 | 128.0 | 9,250 |
| Grundy | Nov | 80.0 | 97.0 | 129.0 | 11,200 |
| LaSalle | Jan | 70.0 | 82.0 | 125.0 | 8,667 |
| LaSalle | Sep | 157.0 | 94.9 | 130.0 | 9,000 |
| Will | Aug | 40.0 | 98.0 | 125.0 | 8,500 |
| Will | Feb | 153.0 | 92.0 | 118.0 | 7,575 |
| Kankakee | Mar | 44.0 | 100.0 | 121.0 | 8674 |
| Kankakee | May | 142.0 | 97.0 | 132.0 | 10,077 |

Average Productivity Tracts

Average productivity land values were similar to good productivity tracts in that values remained nearly the same for 2013. The same thought regarding good tracts applies to fair productivity tracts in that farmers are the primary buyers and were willing to pay a premium for excellent productivity land. Average tracts were purchased by nearby farmers to add to existing tracts or expand their operations closer to home.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| DeKalb | Apr | 213.0 | 95.9 | 116.0 | 9,902 |
| LaSalle | Apr | 74.9 | 90.0 | 111.0 | 7,748 |
| DeKalb | Jan | 60.0 | 89.2 | 111.0 | 8,000 |
| Kankakee | Jul | 35.0 | 94.0 | 114.0 | 7,400 |
| Kankakee | Jun | 71.0 | 97.0 | 116.0 | 8,388 |

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Recreational Productivity Tracts

Recreational land sales in northeast Illinois were limited to just a handful of sales in 2013. Values seem to be higher since crashing in late 2008. There remains interest in hunting land, however declining deer herd numbers due to disease and drought and possibly over harvest has reduced interest. The county forest preserves that were once buying every wooded tract in the collar counties have run out of funds.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|---------|-----------|-------------|------------|----------------------|-------------------|
| LaSalle | Mar | 129.0 | 38.2 | 103.0 | 4,968 |
| Grundy | Aug | 80.0 | 40.6 | 112.0 | 7,105 |

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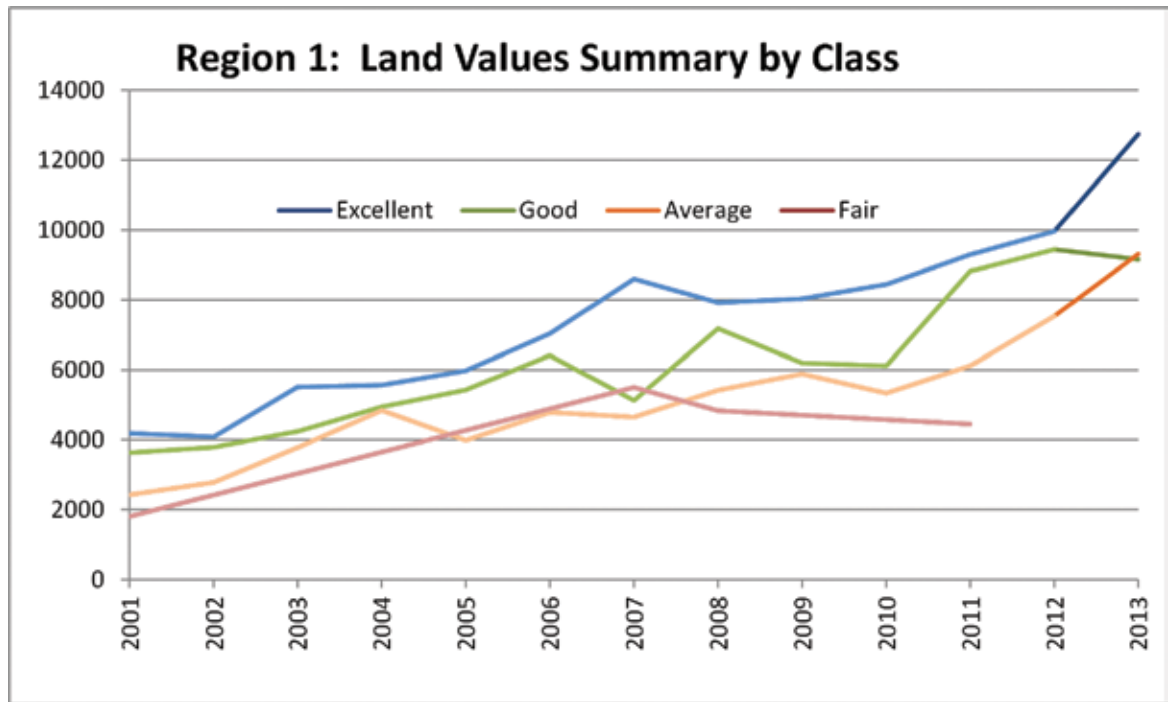
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Transitional Property

The land development market saw increased activity along with higher values in 2013. Land in Will County related to rail/truck transportation of cargo containers from overseas saw related land sales for large storage facilities. There were a number of sales in LaSalle County of farms used for mining silica sand to be shipped to the Dakotas for fracking. Subdivisions that have been growing to weeds since 2008 at least have new for sale signs likely constructed by the new owner that bought them at the foreclosure sale.



| County | Sale Date | Total Acres | \$ Total Price/Ac |
|--------|-----------|-------------|-------------------|
| Will | May | 282.0 | 38,094 |
| Will | Apr | 67.0 | 20,818 |
| Will | Feb | 121.0 | 16,999 |
| Will | Jan | 80.0 | 27,500 |
| Will | May | 80.0 | 23,850 |

Region 1: Average Sales Price of Completed Sales in Region by Year and Category*

| Year | --- Category --- | | | |
|------|------------------|-------|---------|--------------|
| | Excellent | Good | Average | Transitional |
| 2001 | 4,182 | 3,637 | 2,424 | 6,421 |
| 2002 | 4,078 | 3,788 | 2,780 | 24,434 |
| 2003 | 5,513 | 4,241 | 3,782 | 17,313 |
| 2004 | 5,564 | 4,944 | 4,843 | 26,975 |
| 2005 | 5,980 | 5,425 | 3,986 | 24,541 |
| 2006 | 7,033 | 6,407 | 4,791 | 40,769 |
| 2007 | 8,597 | 5,125 | 4,651 | 32,502 |
| 2008 | 7,923 | 7,175 | 5,419 | 30,988 |
| 2009 | 8,026 | 6,200 | 5,889 | 24,268 |
| 2010 | 8,446 | 6,114 | 5,333 | 13,054 |
| 2011 | 9,289 | 8,819 | 6,113 | 14,469 |
| 2012 | 9,963 | 9,440 | 7,532 | 13,467 |
| 2013 | 12,743 | 9,154 | 9,308 | 25,452 |

* (Note: Limited numbers of sales in some years and special features may affect values)



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Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|------------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Excellent Productivity | 300 | 385 | 400 | 1 year | 385 | 95 | 5 | | |
| Good Productivity | 225 | 330 | 350 | 1 year | 330 | 95 | 5 | | |
| Average Productivity | 200 | 275 | 300 | 1 year | 275 | 100 | | | |
| Recreational Land | 150 | 180 | 200 | 1 year | 200 | 100 | | | |



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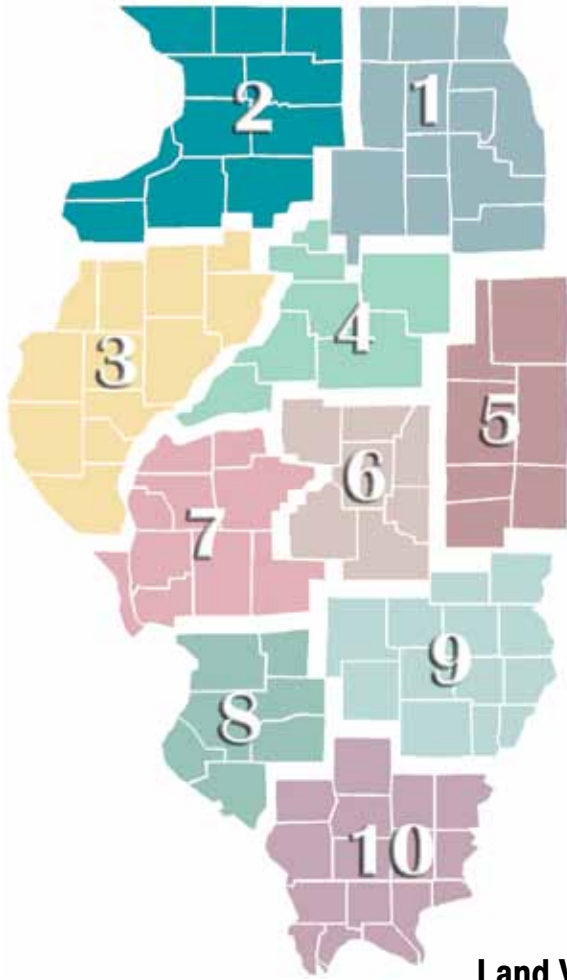
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Region 2 - Northwest

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1st Farm Credit Services, Ottawa, IL

Dan Legner, ARA
1st Farm Credit Services, Princeton IL

Steven Niemeier
1st Farm Credit Services, Rock Falls, IL

Land Value and Cash Rent Trends Overall Summary

| Farm Classification | Total Value Per Acre (Typical) | % Change in \$/Acre from prior year | Change in rate of land turnover | Ave. Cash Rent Per Acre typical in region | % Change from prior year | Ave. Cash Rent/Ac. on recently negotiated leases |
|------------------------|--------------------------------|-------------------------------------|---------------------------------|---|--------------------------|--|
| Excellent Productivity | \$12,000-\$14,500 | Up 15-20 % | Steady | \$375-\$450 | Up 10-15 % | \$375-\$450 |
| Good Productivity | \$9,500-\$12,500 | Up 5-10 % | Steady | \$300-\$375 | Up 10-20 % | \$300-\$375 |
| Average Productivity | \$6,500-\$9,500 | Up 0-5 % | Steady | \$250-\$300 | Up 5-10 % | \$250-\$300 |
| Fair Productivity | \$4,000-\$6,000 | Steady | Down | \$200-\$250 | Up 0-5 % | \$200-\$250 |
| Recreational Land | \$3,500-\$4,500 | Steady | Steady | | | |

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

As we reflect on the 2013 farmland market, we see that the market had peaked. It had been on a run that experienced double-digit percentage increases for the past three years. These increases were driven by higher commodity prices and lower interest rates, which generated strong earnings. These years of strong earnings helped to keep the market

somewhat stable over the second half of the year, because 2013 was the first time that corn has dropped into the \$4 range since October of 2010.

Spring land prices were very strong in most of the counties and some counties could be argued to have seen an increase in the first four months of the year. As summer rolled along and commodity prices continued to decline there was concern that the farmland market could do the same. In Region 2 excellent quality farmland saw the largest year-over-year increase with the fall market holding firm to spring prices. This was the first time in three years that good quality land did not experience double-digit increases and the first time in two years that average quality land did not have double-digit increases in percentage terms. Last fall saw a handle full of “no-sales” of good, average and fair quality land, and the tracts that did sell

were either steady or off slightly from the spring. It seems that with the potential for weaker earnings that there was a flight to excellent quality ground. The expectation of the excellent quality ground is better yield potentials to help offset the lower commodity prices. If commodity prices continue to decline, even the excellent quality farmland will struggle to hold at these price levels.

Region 2 has the highest concentration of dairy in the state, and also has a number of hog operations. Livestock and milk producers generally saw a slightly more favorable market for their commodities in 2012 with decreasing feed costs as the year progressed.

Excellent Productivity Tracts

Excellent farms are made up of deep prairie soils with a productivity index ranging from 133 to 147. These farms also have minimal waste acres and are easily farmed. We selected 39 sales in the excellent productivity category, representing typical transactions for farmland sales in the 11-county region. The sales price ranged from \$8,892 to \$15,200 with a median sale price of \$13,150. Based on the selected sales, the median sale price for 2013 compared to 2012 increased approximately 19.5 percent. A vast majority of the sales were purchased by local farmers who have greater purchase power due to the favorable returns from the past three years of strong commodity prices. The increase from 2012 to 2013 would suggest that the story

is the same as the past three years -- farmland market up, up, and away. However, if the numbers were to be split between the spring and fall of 2013, one would notice that the market has begun to stabilize. The shift from strength in the spring to stabilizing in the fall can be associated with significantly lower commodity prices and slightly higher interest rates. Excellent quality farmland will most likely be the last of the land class to see a pullback in values if commodity prices continue to decline or remain stable in the low \$4 range.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Ogle | Feb | 108.0 | 94.0 | 135.0 | 15,060 |
| Ogle | Feb | 154.0 | 92.2 | 138.0 | 14,440 |
| Ogle | Jun | 250.0 | 98.6 | 136.0 | 12,964 |
| Ogle | May | 70.0 | 91.0 | 137.0 | 14,000 |
| Ogle | Apr | 78.0 | 95.6 | 133.0 | 13,255 |
| Ogle | Aug | 117.0 | 86.6 | 137.0 | 11,994 |
| Ogle | Oct | 73.0 | 97.9 | 142.0 | 14,250 |
| Carroll | Mar | 67.0 | 88.5 | 139.0 | 13,500 |
| Stephenson | Jul | 164.0 | 95.7 | 135.0 | 13,150 |
| Stephenson | Aug | 217.0 | 92.9 | 134.0 | 12,790 |
| Bureau | Jan | 78.0 | 97.5 | 136.0 | 14,443 |
| Bureau | Jan | 80.0 | 99.0 | 141.0 | 15,200 |
| Bureau | Mar | 61.0 | 99.0 | 140.0 | 14,897 |
| Bureau | Apr | 100.0 | 99.1 | 142.0 | 14,300 |
| Bureau | Sep | 90.0 | 99.0 | 138.0 | 14,400 |
| Bureau | Dec | 90.0 | 97.6 | 133.0 | 10,605 |
| Bureau | Dec | 63.0 | 99.8 | 143.0 | 11,400 |
| Mercer | Nov | 37.0 | 98.9 | 142.0 | 13,200 |
| Mercer | Nov | 66.0 | 98.7 | 141.0 | 13,700 |
| Mercer | Oct | 76.0 | 97.9 | 135.0 | 12,100 |
| Henry | Nov | 77.0 | 97.2 | 134.0 | 13,000 |
| Henry | Nov | 157.0 | 95.4 | 139.0 | 14,000 |
| Henry | Nov | 163.0 | 95.4 | 135.0 | 13,100 |
| Henry | Sep | 80.0 | 96.6 | 143.0 | 12,100 |
| Henry | Mar | 125.0 | 95.2 | 135.0 | 12,000 |
| Henry | Jan | 74.0 | 99.1 | 143.0 | 12,700 |
| Lee | Jan | 77.0 | 94.0 | 135.0 | 11,000 |
| Whiteside | Jan | 75.0 | 96.0 | 133.0 | 9,000 |
| Lee | Feb | 110.0 | 96.0 | 135.0 | 11,458 |
| Whiteside | Feb | 64.0 | 97.0 | 141.0 | 15,000 |
| Lee | Mar | 42.0 | 98.0 | 142.0 | 14,000 |
| Lee | Mar | 80.0 | 96.0 | 142.0 | 13,500 |
| Lee | May | 78.0 | 92.0 | 139.0 | 14,900 |
| Lee | May | 280.0 | 96.0 | 135.0 | 10306 |
| Lee | Aug | 84.0 | 95.3 | 139.0 | 12,600 |
| Whiteside | Nov | 128.0 | 98.0 | 135.0 | 13,000 |
| Whiteside | Nov | 118.0 | 92.0 | 136.0 | 8,892 |
| Whiteside | Nov | 79.0 | 92.0 | 140.0 | 12,003 |
| Lee | Dec | 81.0 | 98.0 | 143.0 | 13,574 |

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Good Productivity Tracts

Good farms tend to have productive soils with slightly more undulating to rolling land with a productivity index ranging from 117 to 132. These farms can vary in the amount of waste acres, but typically still maintain a high percentage of tillable land. Good productivity farms make up a majority of the farmland in Region 2. We selected 41 sales, representing typical transactions for farmland

sales in our 11-county region. The sales price ranged from \$7,300 to \$13,514 with a median sale price of \$10,000, based on the sales selected. The median sale price for 2013 compared to 2012 higher by 7.5 percent. This will be the first time in three years that good quality land has not seen a double-digit increase. A vast majority of the sales were purchased by local farmers. Investors also seem to favor these good productivity tracts as they typically have strong rental potential. Good quality farm sales in this area indicated a median value of \$75.55 per productivity point.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-------------|-----------|-------------|------------|----------------------|-------------------|
| Ogle | Jan | 127.0 | 99.4 | 132.0 | 13,200 |
| Ogle | Apr | 139.0 | 79.7 | 118.0 | 8,651 |
| Ogle | Jun | 79.0 | 91.8 | 124.0 | 9,649 |
| Ogle | Jun | 40.0 | 92.0 | 125.0 | 9,681 |
| Ogle | Aug | 69.0 | 92.7 | 129.0 | 11,000 |
| Ogle | Sep | 80.0 | 96.6 | 122.0 | 10,750 |
| Carroll | Jan | 124.0 | 87.4 | 123.0 | 11,505 |
| Carroll | Sep | 40.0 | 85.9 | 131.0 | 12,500 |
| Carroll | Sep | 80.0 | 94.8 | 121.0 | 10,500 |
| Carroll | Sep | 120.0 | 89.5 | 117.0 | 8,200 |
| Stephenson | Mar | 117.0 | 84.3 | 132.0 | 10,636 |
| Stephenson | Feb | 76.0 | 89.2 | 125.0 | 10,800 |
| Stephenson | Feb | 55.0 | 88.9 | 117.0 | 7,350 |
| Stephenson | Jul | 60.0 | 96.2 | 120.0 | 10,000 |
| Stephenson | Sep | 65.0 | 99.7 | 117.0 | 10,000 |
| Stephenson | Sep | 236.0 | 86.7 | 119.0 | 9,257 |
| Winnebago | Jan | 97.0 | 83.7 | 130.0 | 7,550 |
| Winnebago | Feb | 40.0 | 89.3 | 120.0 | 8,625 |
| Winnebago | May | 123.0 | 95.0 | 121.0 | 8,513 |
| Winnebago | May | 106.0 | 91.2 | 124.0 | 8,513 |
| Winnebago | Dec | 110.0 | 87.3 | 123.0 | 7,962 |
| Bureau | Feb | 40.0 | 99.3 | 128.0 | 10,500 |
| Bureau | Feb | 35.1 | 99.3 | 123.0 | 13,000 |
| Bureau | Mar | 164.0 | 97.3 | 129.0 | 9,797 |
| Bureau | Jun | 93.6 | 98.5 | 122.0 | 9,406 |
| Bureau | Dec | 109.0 | 99.6 | 116.0 | 8,000 |
| Mercer | Dec | 71.0 | 87.9 | 124.0 | 7,600 |
| Mercer | Sep | 75.9 | 93.1 | 122.0 | 8,250 |
| Rock Island | Oct | 184.5 | 94.9 | 124.0 | 8,325 |
| Rock Island | Mar | 108.0 | 92.7 | 125.0 | 8,500 |
| Henry | Nov | 153.6 | 91.7 | 120.0 | 10,550 |
| Henry | Nov | 160.0 | 95.1 | 124.0 | 10,500 |
| Whiteside | Jan | 150.3 | 97.6 | 119.0 | 13,514 |
| Whiteside | Jan | 145.3 | 90.0 | 121.0 | 7,300 |
| Lee | Mar | 161.7 | 94.0 | 130.0 | 13,400 |
| Whiteside | Mar | 80.7 | 100.0 | 123.0 | 13,000 |
| Lee | Mar | 40.0 | 94.0 | 132.0 | 13,500 |
| Whiteside | Jun | 89.5 | 95.0 | 129.0 | 11,287 |
| Whiteside | Jun | 129.6 | 83.0 | 118.0 | 10,000 |
| Lee | Sep | 111.9 | 99.0 | 120.0 | 10,100 |
| Lee | Nov | 200.3 | 97.0 | 125.0 | 10,000 |

Average Productivity Tracts

Average farms tend to fall into two categories: rolling timber soils or sandier soils, all with a productivity index ranging from 100 to 116. These soils may show evidence of erosion, fertility loss, improper drainage or exces-

sive waste acres. In the northwest portion of Region 2 many of the average farms tend to also include pasture and wooded acres. Buyers in this market seem to heavily discount wooded and pasture ground. We selected 35 sales, representing typical transactions for farmland sales in our 11-county region. The sale prices ranged from \$4,000 to \$11,760 with a median sale price of \$7,000. The median sale price increased 4.3 percent over 2012 levels and a 22.3 percent increase over 2011 levels. The one-year increase on the average quality farms was not nearly as significant as it was for excellent tracts. The two-year change was also less than indicated by the better quality tracts. It seems that coming off of the past few years with very strong earnings, buyers' preference has shifted to excellent quality tracts. One factor that may help to explain the move to higher quality ground is that the dry conditions of the past two growing years have diminished yields on more marginal farms. The excellent and good tracts tend to hold yield potential longer through the dry periods. Average quality farm sales in this area indicated a median value of \$79.02 per productivity point.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Ogle | Feb | 49.0 | 58.3 | 101.0 | 6,163 |
| Ogle | Mar | 53.0 | 81.0 | 110.0 | 7,000 |
| Ogle | May | 80.0 | 61.5 | 101.0 | 7,000 |
| Carroll | Feb | 80.0 | 70.4 | 113.0 | 7,000 |
| Carroll | Sep | 91.0 | 80.3 | 116.0 | 8,000 |
| Stephenson | Jun | 71.0 | 60.3 | 101.0 | 5,956 |
| Stephenson | Nov | 80.0 | 89.0 | 115.0 | 9,375 |
| Stephenson | Sep | 51.0 | 94.2 | 100.0 | 8,500 |
| Stephenson | Sep | 45.0 | 71.9 | 116.0 | 6,700 |
| Stephenson | Sep | 53.0 | 96.4 | 100.0 | 9,324 |
| Winnebago | Apr | 52.0 | 89.6 | 111.0 | 6,482 |
| Winnebago | May | 74.0 | 91.2 | 114.0 | 7,513 |
| Jo Daviess | Jan | 40.0 | 81.5 | 107.0 | 5,313 |
| Jo Daviess | Mar | 185.0 | 88.4 | 109.0 | 7,368 |
| Jo Daviess | May | 196.0 | 60.6 | 110.0 | 4,484 |
| Jo Daviess | Jul | 138.0 | 82.7 | 107.0 | 5,625 |
| Bureau | Mar | 88.0 | 93.4 | 115.0 | 10,176 |
| Bureau | Feb | 79.0 | 90.9 | 112.0 | 6,500 |
| Bureau | Aug | 67.0 | 59.0 | 114.0 | 4,000 |
| Bureau | Oct | 100.0 | 96.9 | 116.0 | 7,373 |
| Bureau | Nov | 190.0 | 75.8 | 104.0 | 6,510 |
| Mercer | Nov | 148.0 | 69.2 | 107.0 | 4,800 |
| Mercer | Jul | 49.0 | 85.5 | 108.0 | 7,500 |

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|-------------|-----|-------|------|-------|--------|
| Rock Island | Mar | 37.0 | 86.1 | 111.0 | 8,254 |
| Rock Island | Mar | 185.0 | 73.4 | 114.0 | 6,700 |
| Henry | Mar | 71.0 | 67.9 | 112.0 | 6,300 |
| Whiteside | Jan | 58.0 | 90.0 | 104.0 | 5,848 |
| Whiteside | Jan | 150.6 | 95.0 | 110.0 | 8,296 |
| Whiteside | Apr | 80.0 | 88.0 | 115.0 | 6,250 |
| Lee | May | 80.0 | 97.0 | 111.0 | 9,200 |
| Whiteside | Jun | 139.0 | 63.0 | 103.0 | 7,014 |
| Whiteside | Sep | 60.6 | 99.0 | 108.0 | 11,760 |
| Lee | Oct | 121.9 | 86.0 | 114.0 | 7,400 |
| Whiteside | Oct | 122.1 | 64.0 | 114.0 | 6,100 |
| Lee | Nov | 43.5 | 99.0 | 109.0 | 8,500 |

Fair Productivity Tracts

Fair productivity tracts in this portion of the state tend to fall mostly on the western and northern sides of the region and are in two different categories. The northwest portion of the region tends to be rolling and sloping hills of predominately timber soils, which are subject to erosion. The southwest part tends to be a mixture of sandier soils, river bottoms and rolling hills. These soils tend to be below average-to-fair soils with productivity indexes below 100, rolling-to-sloping topography, large numbers of waste acres, and are located in areas with diminished access to grain markets and linkage routes. A minimal number of 2013 sales were available in Region 2 that would be classified as fair productivity tracts. Much of this type of land in the northwest portion had previously been purchased by buyers from the eastern portion of the state for recre-

ational uses and as building sites for weekend homes. This demand has subsided considerably and most fair tracts are now marketed with a focus on the agricultural buyer. Fair quality land has provided a means for smaller operators and beginning farmers to enter the market and/or expand their operation. The sales price indicated a range from \$4,500 to \$7,525 with a 2013 median sale price of \$5,750. Given the very few sales of fair quality land, changes in price points are harder to detect. Some farmers are buying these farms at prices they feel are very discounted and doing significant tree clearing and excavation to improve the ease of farming on some tracts. Fair quality farms in this area indicated a median value of \$96.54 per productivity point; however, this calculation is based on very few sales.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Stephenson | Dec | 53.0 | 63.7 | 89.0 | 5,750 |
| Stephenson | Oct | 40.0 | 81.5 | 96.0 | 7,525 |
| Jo Daviess | Jun | 46.0 | 68.6 | 99.0 | 4,500 |

Recreational Tracts

Recreational tracts in Region 2 have struggled since the economic downturn in 2008 and have been the hardest hit land segment, aside from transitional land. This market relies heavily upon buyers from the eastern portion of the state. The supply of recreational land still significantly exceeds market demand. The good news in this market



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is that there does seem to be an increase in the volume of sales and a slight increase in prices. Recreational values vary widely depending upon location and attributes. Sales in Region 2 indicate an average sale price of \$4,277.

The Northwestern portion of Jo Daviess County seems to have some of the higher selling sales, which is a reflection of the name recognition of Jo Daviess County by Chicago-land buyers, and its close proximity to the shopping and entertainment located in Galena and East Dubuque, Illinois and Dubuque, Iowa. Historically, a significant portion of the recreational market has been driven by buyers who plan to build a weekend house on the property along with the use of the land for recreational pursuits. Sales that were purchased at higher values were those tracts that were certified timber and under management programs or located in the northwest portion of Jo Daviess County. Recreational tracts seem to sell better via a broker and MLS system than in an auction format.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Jo Daviess | Oct | 44.1 | 14.0 | | 4,200 |
| Stephenson | Aug | 59.9 | 38.2 | | 4,504 |
| Jo Daviess | Aug | 72.8 | 27.1 | | 4,225 |
| Jo Daviess | May | 88.9 | 35.0 | | 4,755 |
| Ogle | May | 53.2 | 12.0 | | 4,414 |
| Jo Daviess | May | 42.6 | 48.6 | | 4,000 |
| Jo Daviess | May | 192.6 | 47.4 | | 3,900 |
| Ogle | Apr | 45.3 | 45.0 | | 4,100 |
| Stephenson | Apr | 40.0 | | | 5,188 |
| Carroll | Mar | 60.0 | | | 2,400 |
| Ogle | Feb | 56.5 | | | 4,425 |
| Jo Daviess | Feb | 39.6 | | | 4,039 |
| Ogle | Jan | 95.3 | | | 4,000 |
| Winnebago | Jan | 155.8 | | | 4,125 |
| Bureau | Feb | 28.5 | 16.8 | 112.0 | 4,569 |
| Bureau | May | 48.2 | n/a | n/a | 5,500 |
| Bureau | Sep | 128.1 | 14.2 | 115.0 | 3,514 |
| Bureau | Apr | 52.2 | 16.5 | 111.0 | 3,937 |
| Whiteside | Mar | 57.7 | | | 5,500 |
| Lee | Mar | 200.0 | 44.0 | 96.0 | 4,250 |

Transitional Tracts

Again this year, very few transitional properties sold to buyers with intentions of building. A few parcels were sold that were adjacent to or very near subdivisions. However, they tended to sell consistent with farmland values and showed no indication of a premium. It has been rumored that the sale in Rock Island County for \$32,000 per acre is potentially going to be a FedEx facility.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-------------|-----------|-------------|------------|----------------------|-------------------|
| Rock Island | Aug | 30.0 | 95.5 | 116.0 | 32,000 |
| Rock Island | Mar | 94.0 | 87.0 | 106.0 | 10,680 |
| Whiteside | Jun | 113.0 | 99.0 | 102.0 | 9,941 |

Other Tracts

The sale listed is a property located in the western portion of Stephenson County that was sold at auction. The property is an undulating-to-sloping tract that is good in productivity with 120.20 acres tillable. Some of the pasture land was considered as tillable as the buyers plan on tearing out most of the pasture area. The sale property includes two homes along with various older dairy outbuildings. The buyers are area dairy farmers and the auction was well attended by area farmers.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Stephenson | Aug | 133.0 | 90.2 | 124.0 | 13,081 |



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| Chenoa: | Roy Bracey, AFM | (815) 945-7722 |
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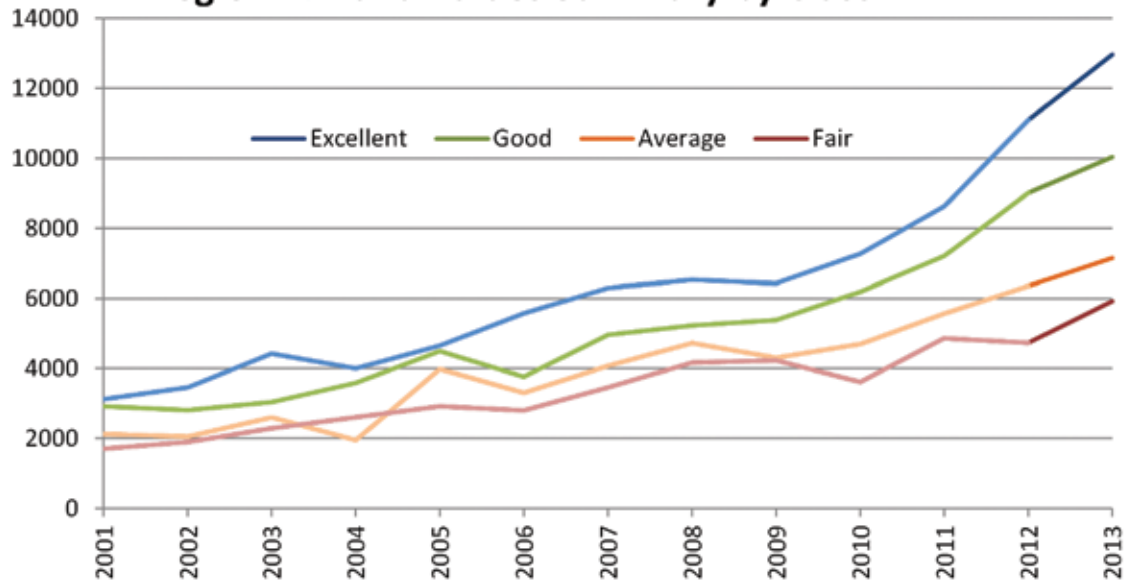
Special Interest

Adkins Energy LLC located in Lena, IL has been awarded a \$500,000 Rural Energy for America Program grant for construction of a \$4.5 million biodiesel plant. The project is expected to be completed in the spring of 2014 and have a 2 million gallon-a-year capacity.

Lease Trends

More landlords and tenants in Region 2 are going to variable cash rent. The variable cash rents will deal with how well the farm yields and markets level to determine how much the tenant pays. The northern portion of Region 2 has been slower to convert to variable leases; however their popularity has been increasing. As commodity prices have increased, both landlords and tenants have seen variable leases as a way to share in the profitability and to help shift some of the risk.

Region 2: Land Values Summary by Class



A vast majority of the rents in the northern portion of Region 2 are still typical cash rents with a length of term of one to three years. However, some cash rental tenants are opting to include bonus payments to landlords, such as a percentage of net or gross receipts, or as discretionary additional payments by the farmer for future renting privileges. Some of the variable rents observed are struc-

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tured with a base rent plus an additional percentage paid on net or gross income of the farm. One other variable rent observed in this area was structured with a base rent plus a percentage of gross income after the tenant realized a predetermined profit level. Although variable leases can provide the most amicable structure for farm leases, great care must be taken by both the landlord and tenant for detailed guidelines of record keeping, input purchases, and how and when commodity prices are set.



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| Region 2: Percentage Change | | | |
|-----------------------------|----------------|----------------|----------------|
| By Period | Excellent | Good | Average |
| 2001 - 2002 | 10.48 % | -3.85 % | -3.74 % |
| 2002 - 2003 | 24.47 % | 7.77 % | 23.88 % |
| 2003 - 2004 | -10.02 % | 16.65 % | -28.81 % |
| 2004 - 2005 | 15.11 % | 22.54 % | 71.40 % |
| 2005 - 2006 | 18.08 % | -17.66 % | -18.61 % |
| 2006 - 2007 | 12.23 % | 27.64 % | 20.85 % |
| 2007 - 2008 | 3.57 % | 5.23 % | 14.75 % |
| 2008 - 2009 | -1.57 % | 2.82 % | -9.33 % |
| 2009 - 2010 | 12.30 % | 14.00 % | 8.89 % |
| 2010 - 2011 | 17.11 % | 15.19 % | 16.98 % |
| 2011 - 2012 | 25.22 % | 22.32 % | 13.11 % |
| 2012 - 2013 | 15.60 % | 10.81 % | 11.89 % |
| 2001-2013 | 11.88 % | 10.29 % | 10.11 % |

*(Note: Limited numbers of sales by year may affect representativeness)

Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|------------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Excellent Productivity | 375 | 400 | 450 | 1-3 Years | 375-450 | 84 | 15 | 1 | 375 |
| Good Productivity | 300 | 350 | 375 | 1-3 Years | 300-375 | 84 | 15 | 1 | 300 |
| Average Productivity | 250 | 275 | 300 | 1-3 Years | 250-300 | 84 | 15 | 1 | 250 |
| Fair Productivity | 200 | 225 | 250 | 1-3 Years | 200-250 | 84 | 15 | 1 | 200 |
| Recreational Land | 25 | 40 | 60 | | | 99 | | | 25 |



Region 3 - Western

Herb Meyer, ARA – Chair
1st Farm Credit Services, Edwards, IL

Craig Leake, AFM
Ag Resource Management, Inc., Macomb, IL

Justin Levi Martin
1st Farm Credit Services, Monmouth, IL

Curtis Moffit, ARA
Farm Credit Illinois, Pittsville, IL

Jarad Royer
1st Farm Credit Services, Macomb, IL

Harold Vaughan, AFM
Farm Care, Elmwood, IL

Land Value and Cash Rent Trends Overall Summary

| <u>Farm Classification</u> | <u>Total Value Per Acre (Typical)</u> | <u>% Change in \$/Acre from prior year</u> | <u>Change in rate of land turnover</u> | <u>Ave. Cash Rent Per Acre typical in region</u> | <u>% Change from prior year</u> | <u>Ave. Cash Rent/Ac. on recently negotiated leases</u> |
|----------------------------|---------------------------------------|--|--|--|---------------------------------|---|
| Excellent Productivity | \$11,100-\$16,500 | +20-0 | Down 30 % | \$300-\$450 | +5--15 % | \$375 |
| Good Productivity | \$6,200-\$14,500 | +12-+20 | Down 30 % | \$275-\$400 | +5--10 % | \$350 |
| Average Productivity | \$5,250-\$9,250 | +20-+30 | Steady | \$150-\$200 | +5--20 % | \$200 |
| Recreational Land | \$2,450-\$5,000 | 0-+10 | Down 25 % | \$25-\$50 | 0 | \$50 |

The sale prices and volume numbers on this page MUST be viewed from January 2012 through December 2013. The low side adjustment is often based upon sales from early in 2012. The high side adjustment is comparing late 2012 with late 2013. This is because the market made a significant value move over the summer growing seasons of 2012 and 2013. The excellent segment of the land market experienced a faster increase in market prices than did the lower-rated farms during the rush to sell land in the fall of 2012. The rush to beat the tax changes in the fall of 2012 resulted in a shifted volume of sales into the late part of 2012 rather than having the normal volume of spring sales in 2013.

Farm managers who consider themselves aggressive on cash rental rates report that they have had to reduce some rates for 2014. The farm manager who considers himself

the most conservative reports raising some rental rates for 2014. There is a large volume of rentals that are well below what the extremely motivated potential tenants are willing to pay. Which rental rates are “MARKET”? Most landlords with a connection to the land are willing to accept lower rental rates when they believe their long-term tenant is “taking care of the land.” Pure investor landlords and some farm management companies ask for the maximum cash now and express less concern about the care of the farm for the future. All of the decline in the rental rates is in the very high rental rates based upon various land qualities.

Headlines Through Time:

(2014) *How far are land prices going to fall? OR ARE THEY going to decline?*

(2013) *Can the current land prices be sustained?*

(2012) And the rest of the story is.... *In the spring of 2012 the corn prices were headed below \$3:00. And interest rates were bound to start increasing.*

There were very few sales in spring of 2013 as most of the auctions got scheduled in fall of 2012 due to the federal government's tax deliberations. Late summer and fall sales of 2013 were strong for the most part. There are some exceptions as is typical of an imperfect market.

There has been a 30-plus-year trend of lower interest rates, higher yields and higher grain prices. How long can these three trends continue? The interest rate trend is about as low as it can go. 2013 saw some minor increases in the long term federal bond rates that finance some farm land.

The lack of reasonable interest rates on deposited money and continuing fear of the stock market contribute to a significant amount of local money chasing good farmland.

Corn prices based upon a normal yields and increased acres are the main reason given for expectations of a decline in the land values. There were increased numbers of acres of corn planted in 2012 and 2013 due to the drought-induced prices of corn. The first question to ask might be: "How many fewer acres of corn will be planted in 2014 and 2015 on a worldwide basis? How low does the price of corn have to fall in order to push a production shift back to cereal grains, peanuts, cotton, hay, pasture and soybeans?" Of course, an alternative question is "Which part of the world will have adverse growing conditions in 2014 or 2020?"

Cash rental rates were still catching up with the increased grain prices of recent years. Some farms, with long tenancies, are still rented at very low rates. There is, of course, the doomsday crowd that fear that some perceived risk of a reduced ethanol mandate or increased corn production in third world countries are going to push corn prices below \$2.75 before economics can cause a reduction in production.

The volume of average and fair quality land sales increased some in 2013. The reduced demand for recreational land has caused these farms to sell slower than prior to 2008. The farmer buyers indicate that they are bidding on these farms based upon dollars per tilled acre. Recreational land has to be marketed; not just sold. The sellers need to wait on the buyers. There are some new buyers and some owners buy back (decide to retain) their land each time low offers are presented to them.

Excellent Productivity Tracts

Excellent quality land sale prices have been showing strength in auction sales through the years since the 2008 financial crisis. Recall that the 2012 market increased from a range of \$8,500 to \$11,000 in 2011. The 2012 range was \$9,000 to \$17,000. The grid includes sales from \$11,100 to \$16,500 for 2013. The highest sale in the region for farm land was \$20,500. This sale was due to two bidders at a

high bidder's choice auction, each being determined to buy land that adjoined them, however each bidder wanted a different a tract of land.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Warren | Nov | 89.2 | 89.0 | 138.0 | 13,000 |
| Knox | Nov | 103.4 | 90.0 | 141.0 | 13,500 |
| McDonough | Nov | 78.8 | 91.0 | 139.0 | 11,100 |
| Fulton | Dec | 103.6 | 93.0 | 139.0 | 13,505 |
| Stark | Feb | 39.8 | 93.0 | 137.0 | 14,486 |
| McDonough | Dec | 78.8 | 95.0 | 141.0 | 11,900 |
| Knox | Nov | 66.6 | 95.0 | 140.0 | 13,100 |
| McDonough | Mar | 160.0 | 95.0 | 142.0 | 13,923 |
| Stark | Nov | 35.8 | 95.0 | 141.0 | 14,847 |
| McDonough | Mar | 58.5 | 96.0 | 138.0 | 11,100 |
| McDonough | Dec | 108.0 | 96.0 | 141.0 | 11,700 |
| Warren | Feb | 1252.0 | 96.0 | 140.0 | 12,646 |
| Peoria | Aug | 80.3 | 96.0 | 143.0 | 14,500 |
| Peoria | Nov | 146.1 | 96.0 | 140.0 | 14,600 |
| Peoria | Aug | 82.3 | 96.0 | 137.0 | 14,700 |
| Knox | Sep | 80.0 | 96.0 | 142.0 | 15,000 |
| Stark | Nov | 82.0 | 96.0 | 141.0 | 15,150 |
| Peoria | Nov | 77.2 | 96.0 | 137.0 | 16,000 |
| Peoria | Nov | 145.9 | 96.0 | 137.0 | 16,000 |
| McDonough | Dec | 105.0 | 97.0 | 141.0 | 11,450 |
| McDonough | Nov | 109.5 | 97.0 | 141.0 | 11,500 |
| Knox | Oct | 82.9 | 97.0 | 135.0 | 14,203 |
| Warren | Sep | 106.0 | 97.0 | 141.0 | 14,800 |
| Henderson | Mar | 41.4 | 97.0 | 144.0 | 15,000 |
| McDonough | May | 78.5 | 98.0 | 138.0 | 12,200 |
| Henderson | Sep | 83.3 | 98.0 | 143.0 | 13,500 |
| Warren | Nov | 113.8 | 98.0 | 144.0 | 15,000 |
| Hancock | Jul | 117.0 | 99.0 | 139.0 | 10,500 |
| McDonough | Dec | 92.9 | 99.0 | 135.0 | 12,000 |
| McDonough | Dec | 82.1 | 99.0 | 143.0 | 12,200 |
| McDonough | Dec | 82.0 | 99.0 | 143.0 | 12,200 |
| McDonough | Dec | 94.5 | 99.0 | 145.0 | 13,800 |
| Knox | Oct | 82.8 | 99.0 | 139.0 | 14,605 |
| Fulton | Dec | 108.4 | 99.0 | 141.0 | 15,600 |
| Fulton | Sep | 36.0 | 100.0 | 136.0 | 11,670 |
| Hancock | Nov | 80.0 | 100.0 | 137.0 | 13,200 |
| McDonough | Aug | 63.1 | 100.0 | 141.0 | 13,600 |
| McDonough | Mar | 79.7 | 100.0 | 139.0 | 13,900 |
| McDonough | Mar | 82.0 | 100.0 | 142.0 | 14,100 |
| Hancock | Aug | 49.0 | 100.0 | 143.0 | 14,500 |
| Peoria | Nov | 75.3 | 100.0 | 134.0 | 15,900 |
| Hancock | Aug | 30.0 | 100.0 | 145.0 | 16,100 |
| Hancock | Aug | 40.0 | 100.0 | 145.0 | 16,500 |

Good Productivity Tracts

People in the community typically only want to talk about the highest land prices. The distinction between Prime (A) and Good (B) classified land is significant. The land in this "Good" class tend to take a little more time per acre to farm than the prime land does. These farms have more irregularly shaped fields and more topography issues within the fields. Parts of these farms are "highly erodible." The range in prices shown in the grid is from \$6,200 to \$14,500. The price per productivity index rating on the higher priced sales in this category were as high as those

for prime land prices. The larger farmers tend to stay away from even productive farms with too many irregularly shaped fields.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Adams | Oct | 30.3 | 63.0 | 117.0 | 6,200 |
| Hancock | Nov | 80.0 | 65.0 | 126.0 | 6,850 |
| Knox | Nov | 90.2 | 70.0 | 124.0 | 6,700 |
| Warren | Nov | 60.0 | 70.0 | 129.0 | 8,200 |
| Hancock | Apr | 81.5 | 71.0 | 120.0 | 7,400 |
| Warren | Mar | 64.1 | 78.0 | 126.0 | 8,908 |
| McDonough | Nov | 40.8 | 83.0 | 118.0 | 7,800 |
| Warren | Nov | 84.8 | 84.0 | 118.0 | 7,050 |
| Knox | Oct | 205.0 | 84.0 | 121.0 | 7,922 |
| Fulton | May | 138.0 | 84.0 | 126.0 | 8,150 |
| Schuyler | Sep | 49.6 | 85.0 | 124.0 | 8,500 |
| Schuyler | Sep | 39.3 | 86.0 | 126.0 | 8,100 |
| Henderson | Apr | 73.3 | 86.0 | 123.0 | 8,500 |
| Hancock | Jan | 78.8 | 88.0 | 124.0 | 8,000 |
| Knox | May | 68.1 | 88.0 | 124.0 | 8,450 |
| Knox | Nov | 21.6 | 88.0 | 129.0 | 9,100 |
| Stark | Jan | 99.0 | 88.0 | 123.0 | 9,500 |
| Peoria | Nov | 77.5 | 88.0 | 132.0 | 14,500 |
| Pike | Mar | 74.2 | 89.0 | 120.0 | 12,700 |
| Adams | Jul | 120.0 | 89.0 | 124.0 | 12,900 |
| Fulton | Oct | 41.2 | 90.0 | 127.0 | 11,000 |
| Peoria | Nov | 104.9 | 90.0 | 126.0 | 12,450 |
| Stark | Sep | 454.3 | 91.0 | 118.0 | 9,157 |
| Peoria | Apr | 30.7 | 91.0 | 132.0 | 11,100 |
| Pike | Aug | 222.0 | 92.0 | 124.0 | 7,900 |
| Hancock | Aug | 70.0 | 93.0 | 120.0 | 8,800 |

| | | | | | |
|---------|-----|-------|------|-------|--------|
| Stark | Sep | 173.3 | 94.0 | 122.0 | 10,500 |
| Adams | Apr | 28.7 | 94.0 | 132.0 | 11,500 |
| Fulton | Apr | 60.0 | 95.0 | 126.0 | 9,500 |
| Hancock | Apr | 80.4 | 95.0 | 129.0 | 10,100 |
| Adams | Aug | 80.0 | 96.0 | 126.0 | 13,000 |
| Hancock | Oct | 39.3 | 97.0 | 122.0 | 10,250 |
| Hancock | Aug | 92.2 | 97.0 | 118.0 | 10,300 |
| Peoria | Nov | 42.4 | 97.0 | 121.0 | 11,575 |
| Fulton | Jul | 80.0 | 98.0 | 127.0 | 9,675 |

Average Productivity Tracts

These average quality land sales were increasing in 2013 with a wide range in the market. The range within the grid indicates prices from \$5,200 to \$9,270. That range overlaps the Average Quality classification. However, the sale prices are weighted toward the lower side of the ranges for “per acre” sale price and “per Dollar per Productivity Index Rating”.

These sales tend to include a significant percentage of wooded land and mostly light colored, tilled soils. The lack of increases in the recreational market makes for a partial reason for this land to be behind the market for better land. There is a high volume of recreational land that is available in the market. Therefore, the crossover of demand from the recreational land market into this class of land is not as strong as prior to 2008. The farmer buyers in this market frequently refer to the “Dollars per tilled acre” indicating that they are minimizing the value they contribute to the wooded parts of the properties. There is a higher risk of low production on these farms compared to the better land. This class of land can be better recreational land than the all wooded land and can collect reasonable rent.

There were no recorded sales of Fair Productivity Tracts in 2013 in this region.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Pike | Jun | 146.8 | 55.0 | 115.0 | 6,200 |
| Henderson | Aug | 77.9 | 60.0 | 114.0 | 6,100 |
| Hancock | Aug | 135.0 | 66.0 | 102.0 | 5,300 |
| Hancock | Nov | 43.8 | 66.0 | 112.0 | 5,250 |
| Warren | Aug | 74.0 | 70.0 | 104.0 | 6,622 |
| Adams | Jan | 132.0 | 70.0 | 111.0 | 6,200 |
| Fulton | Oct | 147.2 | 70.0 | 113.0 | 5,200 |
| Knox | Nov | 116.0 | 76.0 | 104.0 | 6,600 |
| Adams | Aug | 123.6 | 77.0 | 108.0 | 8,100 |
| Adams | Jan | 80.0 | 79.0 | 109.0 | 8,300 |
| Warren | Feb | 36.3 | 80.0 | 105.0 | 6,150 |
| Adams | Nov | 122.0 | 86.0 | 109.0 | 6,900 |
| Peoria | Jun | 45.4 | 87.0 | 110.0 | 6,447 |
| Brown | Jun | 40.0 | 88.0 | 109.0 | 5,300 |
| Adams | Oct | 91.2 | 88.0 | 111.0 | 6,200 |
| Pike | Mar | 56.9 | 88.0 | 116.0 | 7,600 |
| Hancock | Aug | 60.0 | 88.0 | 101.0 | 7,600 |
| Fulton | Mar | 130.0 | 89.0 | 116.0 | 9,270 |
| Adams | Feb | 60.4 | 89.0 | 111.0 | 9,000 |
| Pike | Apr | 82.4 | 91.0 | 108.0 | 7,900 |
| Hancock | Aug | 69.2 | 91.0 | 112.0 | 7,350 |
| Pike | Apr | 144.0 | 96.0 | 114.0 | 8,500 |
| Hancock | Mar | 51.0 | 96.0 | 113.0 | 6,500 |
| Peoria | Nov | 70.0 | 97.0 | 108.0 | 7,300 |

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Recreational Tracts

The prices for Recreational Land in this grid range from \$2,450 to \$4,990. These sales are all less than 50 percent tillable land and have a non-farm motivation for the buyers. Income is not a primary reason for buying this land. Recreation sales have a range of prices with the broker-assisted land sales showing the higher prices. The auction sales tend to demonstrate weakness in this part of the Region 3 land market. The difference in quality of properties is often commented about when speaking to market participants. Seclusion along with access, old growth timber, open or tillable areas for food plots and strip mine lakes that are big enough to try to ski, each contribute to the differentiation of these tracts. The Conservation Stewardship Plan Rules are providing a second means to avoid the vacant land re-assessments on these tracts of land.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Warren | Jul | 24.0 | 0.0 | 0.0 | 2,600 |
| Adams | Nov | 35.1 | 0.0 | 0.0 | 3,100 |
| Henderson | Apr | 26.4 | 0.0 | 0.0 | 3,218 |
| Adams | Apr | 46.4 | 0.0 | 0.0 | 3,300 |
| Fulton | Apr | 79.3 | 8.0 | 103.0 | 3,005 |
| Fulton | Jun | 158.0 | 8.0 | 0.0 | 2,532 |
| Hancock | Jan | 46.0 | 11.0 | 94.0 | 2,900 |
| Fulton | Jan | 79.0 | 11.0 | 117.0 | 3,481 |
| Brown | Apr | 70.0 | 19.0 | 117.0 | 3,242 |
| Knox | Jan | 40.0 | 23.0 | 103.0 | 4,300 |

| | | | | | |
|-----------|-----|-------|------|-------|-------|
| Schuyler | Nov | 46.3 | 24.0 | 119.0 | 3,300 |
| Fulton | May | 80.0 | 25.0 | 117.0 | 3,500 |
| McDonough | Apr | 94.2 | 25.0 | 113.0 | 4,788 |
| Adams | Aug | 117.0 | 30.0 | 125.0 | 2,450 |
| Brown | Mar | 78.2 | 32.0 | 104.0 | 3,072 |
| Pike | May | 286.3 | 36.0 | 114.0 | 3,405 |
| Warren | Nov | 33.2 | 42.0 | 108.0 | 3,350 |
| Knox | Nov | 158.3 | 44.0 | 116.0 | 4,990 |
| Fulton | Mar | 36.0 | 50.0 | 0.0 | 4,167 |

Transitional Tracts

Region 3 has a very small amount of transitional activity near Peoria. The first two tracts of land that are in or on the City Limits and had not previously been developed have sold in 2013, following the 2008 financial difficulties. A good percentage of developing subdivisions in and around Peoria have filled many lots with houses. There are new streets being built in subdivisions that were platted prior to 2008.

In December, Peoria and a development group announced plans to build a sports dome and 10 baseball fields on the northwest side of the city. There appears to be real money behind the project and the Louisville Slugger Baseball Bat Company has announced that they are placing their company brand name on the project. This project should spur some more significant development in the area.

The town of Washington is on the west edge of Region 4. The November tornado has left many home and businesses damaged or destroyed. Reconstruction will take a lot of labor and money that will ultimately benefit many people, not necessarily only those who were damaged.

Special Interest

Is 1,433 acres too much land to be placed on the market at one time? In December 2013 there were 1,433 acres in 17 tracts placed up for auction in northern McDonough County and southern Warren County. The market showed that it can swallow this much land, but is very cautious on this type of sale. The auction started off slow as all 1,433 acres were being sold based on a bidders choice with the ability to take one or more tracts. The first high bid topped out at \$13,800 per acre on what would be considered a prime farm, with many people involved in the market expecting the best tracts to bring over \$15,000 per acre based on other sales in the area.

The bidding at first was slow, with many market participants seeming to be confused on which tract they would be bidding on. The first 6 tracts were sold with the highest being \$13,800 per acre and then values on the rest of the tracts dropping below \$13,000 per acre, even though the top bid did not take what was the best overall tract. Bids dropped to \$11,000 per acre, but there was not a big difference in quality or location for \$11,000 per acre.



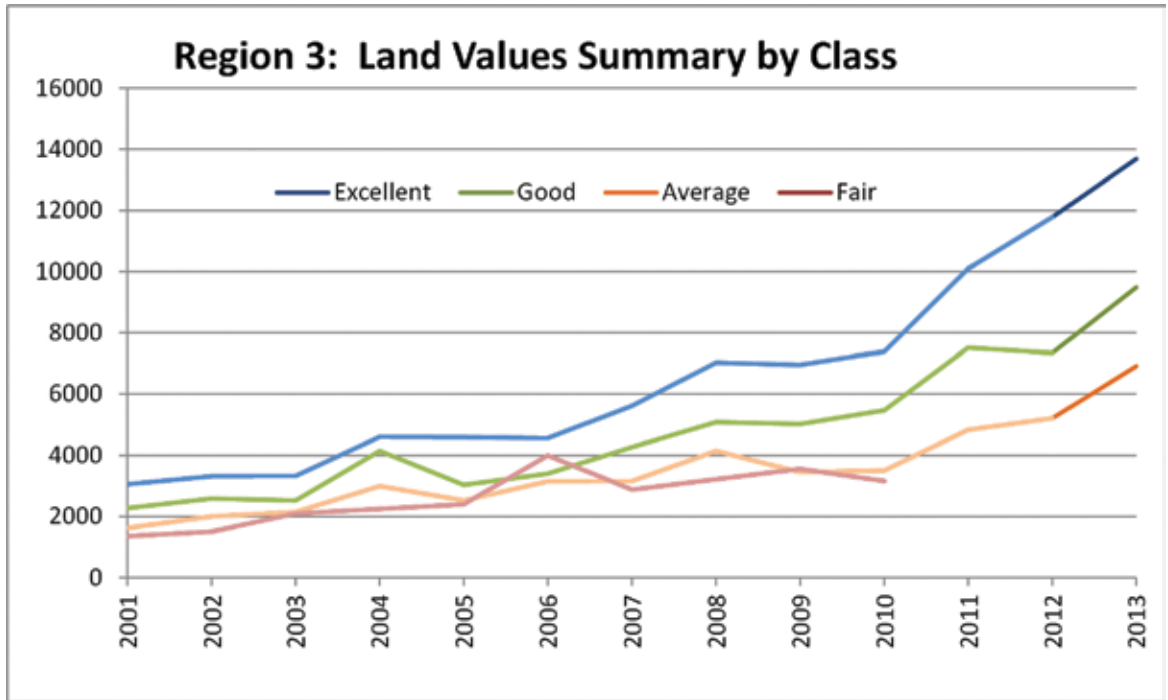
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This trend continued for the first 6 tracks and then the auction began to take off. It seemed as though buyers became comfortable with the sale method and began to participate in the auction, with the next nine tracts being good farms, but not necessary prime as they had defects like waterways or areas of lower producing soils. These tracts ranged mostly from \$11,000 per acre up to \$12,000 per acre, which is right where they should have been based on recent sales in the area. Even the low quality tracts sold well bringing over \$9,500 per acre.



Overall the 1,433 acres averaged just over \$11,700 per acre, which is where it should have been based on other sales in the area, largely due to the strong demand for the slightly lower quality farms.

Region 3. Average Sales Price of Completed Sales in Region by Year and Category*

| Year | --- Category --- | | | | |
|------|------------------|-------|---------|-------|--------------|
| | Excellent | Good | Average | Fair | Recreational |
| 2001 | 3,051 | 2,269 | 1,624 | 1,357 | 1,534 |
| 2002 | 3,315 | 2,587 | 1,991 | 1,500 | 1,509 |
| 2003 | 3,325 | 2,521 | 2,139 | 2,091 | 1,553 |
| 2004 | 4,600 | 4,147 | 2,991 | | 2,148 |
| 2005 | 4,597 | 3,035 | 2,517 | 2,392 | 2,840 |
| 2006 | 4,556 | 3,400 | 3,152 | 4,000 | 2,534 |
| 2007 | 5,621 | 4,269 | 3,154 | 2,873 | |
| 2008 | 7,034 | 5,087 | 4,145 | | 3,619 |
| 2009 | 6,959 | 5,019 | 3,454 | 3,552 | 3,085 |
| 2010 | 7,388 | 5,469 | 3,506 | 3,157 | 2,487 |
| 2011 | 10,101 | 7,509 | 4,833 | | 2,813 |
| 2012 | 11,780 | 7,340 | 5,209 | | 3,241 |
| 2013 | 13,693 | 9,492 | 6,912 | | 3,405 |

* (Note: Limited numbers of sales in some years and special features may affect values)



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Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|------------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Excellent Productivity | 275-325 | 325-375 | 350-450 | 1 | 375 | 30 | 35 | 35 | 0 |
| Good Productivity | 225-275 | 250-325 | 300-400 | 1 | 325 | 40 | 25 | 35 | 0 |
| Average Productivity | 175-225 | 200-275 | 250-325 | 1 | 250 | 50 | 0 | 50 | 0 |
| Fair Productivity | | | | | | 25 | 0 | 75 | 0 |

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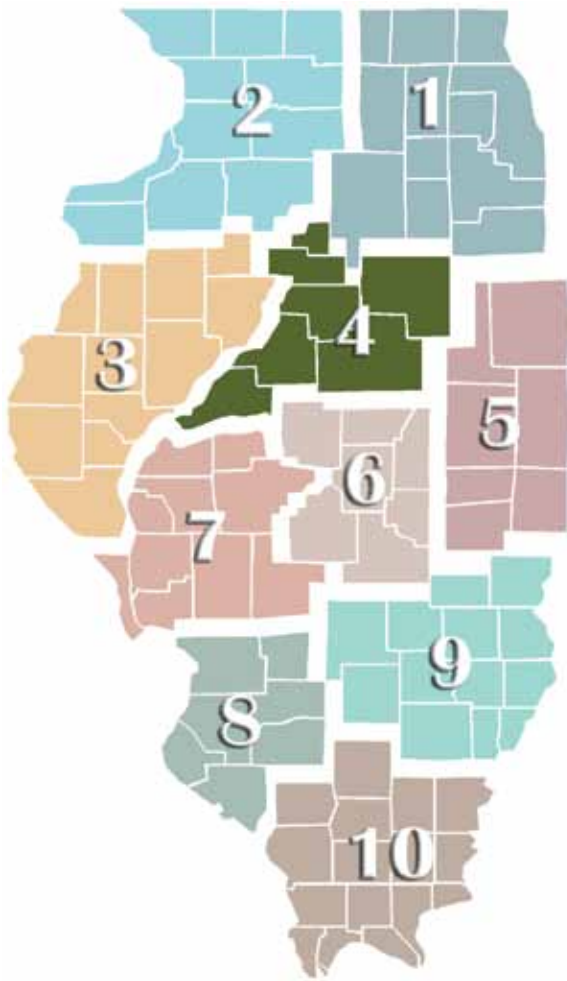
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Land Value and Cash Rent Trends Overall Summary

| Farm Classification | Total Value Per Acre (Typical) | % Change in \$/Acre from prior year | Change in rate of land turnover | Ave. Cash Rent Per Acre typical in region | % Change from prior year | Ave. Cash Rent/Ac. on recently negotiated leases |
|------------------------|--------------------------------|-------------------------------------|---|---|--------------------------|--|
| Excellent Productivity | \$11,000-\$14,000 | No Change | Down 25 % | \$325-\$400 | Stable | \$300-\$400 |
| Good Productivity | \$8,000-11,500 | No Change | Down 25 % | \$230-\$350 | Stable | \$200-\$350 |
| Average Productivity | \$6,000-9,000 | No Change | Down 20 % | Variable based on presence of irrigation | | Variable based on presence of irrigation |
| Fair Productivity | Insufficient Data | | Steady | | | |
| Recreational Land | \$2,200-4,400 | Down 5 % | Steady | | | |
| Transitional Tracts | Insufficient Data | | Lower | | | |
| Other Sales (describe) | Insufficient Data | | Down-only one farm with a wind turbine sold in 2013 | | | |

Region Four holds a variety of soils, crops and location influences, which can lead to great ranges in value from one end of the region to the other. The northern portion of Marshall, Putnam and Livingston Counties have been heavily influenced in the past by the 1031 tax-deferred exchange buyers coming from the collar counties of Region 1. While fewer 1031 tax-deferred exchanges are impacting purchases, the revenue stream from those investments are resulting in “reinvestment dollars” being poured into additional farmland purchases in the region. In some cases, the parcels of land purchased by 1031 exchange dollars in the mid 2000’s are providing liquidity to the area’s farmland supply, as certain farmer

landowners look to “roll back north” and purchase undeveloped farmland again in the Region 1 counties at discounted prices, while selling downstate farmland at near record prices. The center of the region has some impact from the larger communities of Bloomington, Morton and Pekin. The southwestern portion of the region tends to be most influenced by the general agricultural economy and has continued to be very tightly held. This positively impacts farmland values in that area of the region. Opportunities for farmer/buyers to expand seed corn production acres under irrigation led to some very high land sales in areas of McLean and Tazewell County this year. The entire area benefits from excellent grain market outlets as the Illinois

River and rail terminals influence the northern and western portions of the area while ethanol and soy processing plants are located throughout the region. End-users like ADM, Cargill, Solae and Aventine all exist in Region 4. This area also contains abundant wind energy opportunities as some of the “best wind” at 50-80 meters high exists in this region of the state. The end of federal funding and the changes in the Illinois Commerce Commission rules on green energy sources for the state of Illinois caused many proposed projects to be scaled back or shelved completely.

High grain prices in the first half of 2013, combined with ample crop insurance proceeds, gave current farm owners money to reinvest in a generally tight market during the first half of 2013. Delayed planting kept prices stable until it was apparent crops did get planted in June and crop values peaked shortly thereafter despite generally dry conditions in June, July and August. As harvest began, it was apparent that Region 4, as well as the remainder of the Eastern Corn Belt, was going to have an above-average crop. Supplies of farmland started to increase at auction in November leading to the occasional disappointment of some sellers in the values they were able to achieve by this sale method. Still, historically low interest rates, a low dollar value, continued worldwide demand for commodities, and a generally adequate level of farmer cash flow in this area of Illinois, led to stable prices, and in some cases, privately negotiated sales at attractive values. While inflation is not a part of the near time horizon, many long-term investors continue to believe farmland’s historical posi-

tion in a well balanced portfolio is good asset management as the future needs of an earth with over 9 billion people moves forward.

Activity varied by county in Region 4. Marshall, Tazewell and Mason Counties all saw steady-to-slightly lower levels of auctions and land offered for sale during 2013, while Putnam, Livingston, McLean and Woodford counties all had fewer transactions than 2012.

Most of the farmland transactions occurred in the final quarter of the calendar year. Some owners who had delayed selling, looked at dropping grain prices as a signal for their time to “get out”. There continued to be a very wide range of prices, as there was in 2012, than in previous years, especially in the “good productivity” soils, and the variances closely followed the percentage of tillable acres and localized areas within the region. 80-160 acre tracts of land almost seemed to sell at a premium, as the optimal size for most buyers. The aesthetics of a farm also seemed to be contributing larger premiums or bigger discounts to land, especially if sold at auction. Rectangular fields with no waterways or cut-outs and good or excellent soil productivity saw premium prices as compared to fields containing characteristics that would slow down today’s large equipment. The areas having transitional land, and the values associated that reflect any change, have shrunk back to land adjacent to existing development. Only one sale in the region resulted in a transitional value being added to agricultural values and it was developed immedi-



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ately upon closing. The first farmland sale at \$16,000 per acre in Region 4 was made in November in northwestern McLean County at a private auction of 80 acres where only neighbors were allowed to attend, It was conducted by the seller's attorney. High cash rents established for the 2013 crop were a means of landowner participation in the profitable income stream generated by the conditions of 2012 and the opportunity presented in 2013. Landowners searched for ways to lock in a portion of the profits being generated by farmers. Farmers were less eager to sign new leases for 2014 at the same rates, but in general stayed near those levels going into the upcoming year. To date, it has been difficult to measure the effects of lower grain prices at the end of 2013 as compared to the beginning of the year on both rents and land values.

Excellent Productivity Tracts

Excellent productivity farmland continued to lead the way to more record highs throughout the year in Region 4. Tazewell and McLean Counties both set new records for bare farmland. All new highs were set at auctions, with a majority of the largest values being set in the first half of the year. One private auction among neighbors only escalated to \$16,000 per acre northwest of Bloomington in November. In general, however, the range of high quality farmland values remained stable throughout 2013, and very similar to levels seen at the beginning of the year. The highest quality land with good drainage and a high

percentage tillable, consistently brought the highest prices. Farms with waterways, open ditches, house site cut-outs or odd field shapes all began to experience discounts. The inventory of this level of quality of soils was similar-to-lower in 2013 as compared to 2012. The majority of excellent quality farms in this region were selling for \$88-100 per P/I point per tillable acre in 2013. The majority of farm transactions were between 40 and 160 acres in this region. This size range is also where the higher prices were being paid for high quality farmland, leading to very well-attended auctions by both farmers and investors, with both being very competitive throughout the region.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Livingston | Feb | 40.0 | 98.8 | 137.0 | 12,750 |
| Livingston | Feb | 79.5 | 96.8 | 138.0 | 12,750 |
| Livingston | Feb | 78.3 | 97.7 | 139.0 | 13,286 |
| Marshall | Mar | 118.2 | 97.5 | 145.5 | 14,100 |
| McLean | Mar | 62.7 | 97.5 | 141.1 | 14,200 |
| McLean | Mar | 76.6 | 99.9 | 139.0 | 11,550 |
| McLean | Mar | 60.0 | 98.8 | 135.7 | 13,500 |
| McLean | Mar | 50.0 | 94.0 | 135.0 | 9,600 |
| McLean | Mar | 160.0 | 89.4 | 134.7 | 11,500 |
| McLean | Apr | 40.0 | 95.4 | 132.2 | 12,500 |
| Tazewell | May | 231.6 | 93.1 | 135.8 | 11,500 |
| McLean | Jun | 164.3 | 99.2 | 133.5 | 11,711 |
| McLean | Jul | 95.1 | 97.0 | 139.9 | 12,793 |
| Woodford | Jul | 73.5 | 98.7 | 135.4 | 11,200 |
| McLean | Sep | 77.5 | 96.4 | 137.7 | 13,400 |
| Woodford | Oct | 156.5 | 98.9 | 141.0 | 12,250 |
| Tazewell | Nov | 160.0 | 96.0 | 142.0 | 13,100 |
| McLean | Nov | 158.2 | 99.4 | 133.1 | 10,200 |
| McLean | Nov | 80.3 | 98.8 | 139.0 | 16,000 |
| Woodford | Nov | 79.1 | 100.0 | 135.4 | 11,500 |
| McLean | Dec | 81.1 | 99.0 | 133.3 | 10,000 |



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Good Productivity Tracts

A large percentage of the soils throughout Region 4 fall into this land class. While this land will typically respond well to high management, these properties often have some less attractive features such as a lower percentage of tillable acres, more slope, or slightly tighter subsoils than the excellent soil quality farms. As a result of these characteristics, this land class can see a wider range of values across

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Region 4. We found this land class had a particularly lower supply in 2013, and it was met with adequate demand, through most of the year. The typical price paid per soil P/I per tillable acre stayed in the same range as was seen at the end of 2012, in the mid \$70's to low \$90's. The highest prices paid for this land class in 2013 occurred at auctions, but surprises sometimes came in this land class as well. This was particularly noticed 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 the "top end prices" being paid for these soils will continue in 2014 will depend heavily on grain prices, potential crop use, interest rates and the supply of farmland available in the overall marketplace.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| McLean | Jan | 86.7 | 96.2 | 122.4 | 9,300 |
| Livingston | Jan | 148.8 | 95.3 | 125.0 | 10,138 |
| McLean | Feb | 69.5 | 100.0 | 121.8 | 9,725 |
| Livingston | Feb | 40.0 | 96.3 | 130.0 | 11,300 |
| Livingston | Mar | 118.0 | 98.0 | 131.7 | 13,000 |
| Livingston | Mar | 160.0 | 96.1 | 128.5 | 11,000 |
| Livingston | Mar | 60.0 | 97.3 | 125.0 | 12,300 |
| Livingston | Apr | 360.5 | 90.0 | 125.0 | 9,361 |
| Livingston | Mar | 40.0 | 97.50 | 127.0 | 8,000 |
| Livingston | June | 317.5 | 96.9 | 127.0 | 10,450 |
| Mason | Jun | 80.0 | 97.9 | 125.2 | 7,300 |
| Tazewell | Jun | 80.3 | 97.9 | 117.9 | 8,000 |

| | | | | | |
|------------|-----|-------|-------|-------|--------|
| Tazewell | Jun | 69.0 | 100.0 | 117.1 | 8,000 |
| Livingston | Aug | 80.0 | 97.9 | 127.9 | 11,750 |
| Marshall | Aug | 24.9 | 67.4 | 128.7 | 7,700 |
| McLean | Sep | 67.4 | 83.0 | 130.5 | 10,000 |
| McLean | Sep | 160.0 | 97.5 | 123.4 | 10,700 |
| McLean | Sep | 49.8 | 100.0 | 128.2 | 10,696 |
| Marshall | Nov | 72.2 | 100.0 | 131.7 | 9,050 |
| Marshall | Nov | 81.6 | 90.9 | 131.0 | 10,000 |
| Mason | Nov | 82.0 | 97.7 | 121.3 | 7,550 |
| Mason | Nov | 54.0 | 102.4 | 121.2 | 7,550 |
| Mason | Nov | 75.7 | 100.0 | 118.8 | 9,100 |
| Mason | Nov | 36.9 | 98.3 | 122.6 | 9,100 |
| McLean | Nov | 80.0 | 100.0 | 126.5 | 11,800 |
| McLean | Nov | 40.0 | 96.6 | 124.9 | 11,200 |
| Tazewell | Dec | 80.0 | 90.2 | 119.5 | 6,150 |
| Tazewell | Dec | 72.8 | 85.2 | 128.1 | 7,850 |
| Tazewell | Dec | 169.1 | 82.0 | 123.2 | 6,800 |
| McLean | Dec | 40.0 | 100.0 | 131.5 | 11,400 |

Average Productivity Tracts

Very few acres of Region 4 are in this land class. Most of these soils are found along the Illinois River area in Putnam, Woodford, Tazewell and Mason County or north of Pontiac in Livingston County. This land class can be subdivided into irrigated, and non-irrigated sub classes. Most "dry land" sales occurred in the \$5,500-\$8,200 per acre range. Higher priced sales in this land class typically included some center pivot irrigation of the sandier soils south of Pekin in Tazewell and Mason Counties.

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Land sales of \$10,800 to \$14,500 per acre were observed, at auction, where irrigation was available. While the soil is of lower quality, the irrigated acres can be very profitable for growing seed corn, or other specialty crops, making the land twice as valuable. The majority of land sales in this class sold in the \$60-lower \$80 per P/I point range during 2013. When irrigation was present the price per P/I point ranged from the low \$100s up to the mid \$130s. There was limited supply, and while farmers would make land in this class of soils bring respectable prices, there certainly was a preference by buyers for higher quality land, or at least under irrigation. There were some auctions in this land class (and the lower end of “good” soils) that did not sell in 2013 as buyers did not want to pay premium prices for lower quality land and sellers were unwilling to accept prices bid on auction day.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------------------|-----------|-------------|------------|----------------------|-------------------|
| Irrigated | | | | | |
| Mason | Feb | 159.7 | 100.0 | 108.7 | 11,300 |
| Mason | Feb | 120.2 | 98.8 | 100.7 | 10,800 |
| Tazewell | Jun | 163.0 | 99.0 | 111.3 | 14,500 |
| Tazewell | Jun | 150.1 | 99.3 | 107.8 | 14,500 |
| Tazewell | Jun | 163.8 | 98.7 | 106.7 | 14,500 |
| Non-irrigated | | | | | |
| McLean | Apr | 80.1 | 98.2 | 108.6 | 7,107 |
| Livingston | May | 324.8 | 66.2 | 106.0 | 5,542 |
| Tazewell | Jun | 147.6 | 98.2 | 106.2 | 8,000 |
| Tazewell | Jul | 410.0 | 81.7 | 116.7 | 7,950 |
| McLean | Sep | 72.5 | 81.8 | 111.0 | 8,200 |
| Woodford | Nov | 30.0 | 95.4 | 115.0 | 9,000 |

Fair Productivity Tracts

There were insufficient data in this land class to draw any firm conclusions about market conditions in 2013. Both tracts that were sold had the opportunity to be irrigated, with one having older equipment. Both sales were at auction.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------------|-----------|-------------|------------|----------------------|-------------------|
| Irrigated | | | | | |
| Mason | Feb | 79.2 | 94.7 | 89.1 | 9,500 |
| Tazewell | Jun | 160.8 | 91.8 | 97.1 | 8,000 |

Recreational Tracts

There were a similar number of recreational tracts sold during 2013 as compared to 2012. This supply was met with steady demand as recreational land continues to be seen as a somewhat “soft market” outside of a 15-20 mile radius of geographical population centers. Some strength exists where the relative proximity to Bloomington, Morton or Peoria is just a short drive away. Tract size is important in this category as larger tracts require more funds than many recreational buyers can afford. Highest prices were paid in the 10-63-acre range and within 10 miles of Bloomington/Normal. In addition, enhancing the potential use to becoming a residential site affects the values paid for this land class



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| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| McLean | Jul | 62.8 | 0.0 | Planted trees | 7,000 |
| McLean | July | 20.9 | 0.0 | Planted trees | 5,000 |
| McLean | Sep | 9.5 | 0.0 | 131.5 | 6,000 |
| Woodford | Oct | 39.0 | 0.0 | Timber | 2,385 |
| Woodford | Oct | 40.0 | 0.0 | Timber | 2,000 |
| Woodford | Oct | 42.5 | 0.0 | Timber | 2,118 |
| Woodford | Oct | 47.5 | 0.0 | Timber | 2,358 |
| McLean | Oct | 28.6 | 0.0 | All pasture 136 | 6,316 |
| Marshall | Aug | 24.9 | 67.0 | 128.7 | 7,700 |
| Marshall | Aug | 40.0 | 12.5 | 86.2 | 3,900 |
| Marshall | Nov | 89.6 | 50.5 | 118.8 | 5,100 |

Transitional Tracts

We recorded only one true transitional tract sale in 2013. A second farmstead and pasture was sold to a fertilizer retailer who cleared off the buildings and is building a fertilizer retail center at the location.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|--------|-----------|-------------|------------|----------------------|-------------------|
| McLean | Sep | 31.1 | 0.0 | 136.9 | 28,976 |
| McLean | May | 8.3 | | Pasture & farmstead | 21,084 |

Other Tracts – Wind Turbine

There was only one transaction with wind turbines on it in 2013. This was an auction on March 7 at Arrowsmith. One contiguous farm was offered in two adjoining tracts by the choice-and-privilege method. The successful bidder was a local farm family that took both tracts in their entirety. The farm was a highly desirable farm for the area and the wind turbine lanes were not a nuisance as they ran the same direction as the farm is planted (north--south).

| County | Sale Date | Total Acres | % Tillable | P/I on Tillable acres | \$/Acre | Total # of Turbines |
|--------|-----------|-------------|------------|-----------------------|---------|---------------------|
| McLean | Mar | 76.0 | 98.7 | 135.0 | 14,000 | 1 |
| McLean | Mar | 96.8 | 98.0 | 132.0 | 14,000 | 2 |


Lease Trends

Straight cash rent leases dominate Region 4. Base-plus-bonus leases exist where a percentage of the crop's gross proceeds are used to calculate the amount of rent paid. This is the most common form of variable cash rent lease in Region 4. Intricacies such as crop insurance and farm program payment proceeds were important in 2013. Some leases included this component and some did not.

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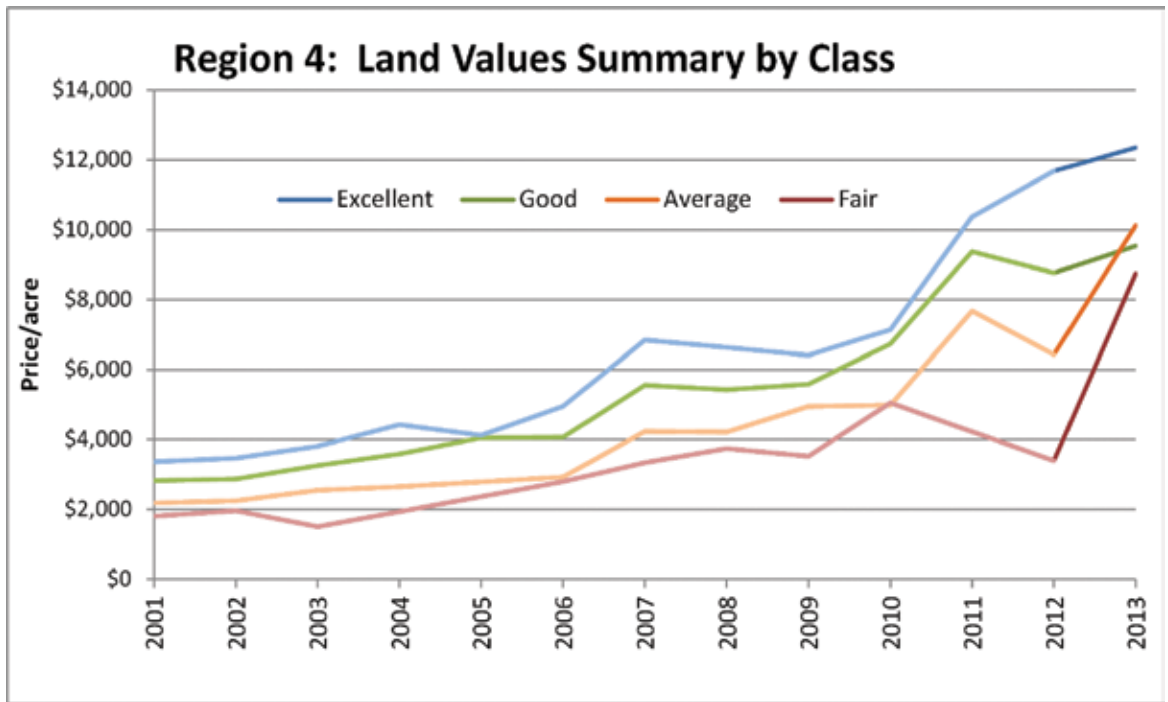
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Other variable leases also exist that have a starting rent based upon the federal crop insurance guarantee for a farm and then flex upward. These are somewhat more complicated than many landowner-tenant relationships can comprehend, but are a very effective way to accurately distribute actual returns between landowner and farm tenant. 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 where seed corn production or specialty crops are raised is operator-owned or crop-share leased. As a result, these leases can skew this productivity class because the soils in this class, without irrigation, would not be able to consistently generate the production revenue to sustain this rental rate. With the irrigation, however, higher rental rates are able to be paid and are substantially higher, comparable to the excellent productivity soils levels.



(Note: The data reflect dramatically different composition of irrigated vs. non irrigated sales through time. The averages are of parcels in completed sales and are not intended to proxy for all land in that class without controlling for other features including irrigation and other property specific features. There were several additional sales of irrigated land in the "Average" and "Fair" categories in 2013, partly due to use in seed corn production that affected the averages for parcels transferred in those categories.)

| Region 4: Percentage Change | | |
|-----------------------------|---------------|---------------|
| By Period | Excellent | Good |
| 2001 - 2002 | 2.92% | 1.49% |
| 2002 - 2003 | 9.31% | 12.78% |
| 2003 - 2004 | 14.93% | 9.50% |
| 2004 - 2005 | -7.11% | 12.18% |
| 2005 - 2006 | 18.33% | 0.40% |
| 2006 - 2007 | 32.34% | 31.19% |
| 2007 - 2008 | -3.05% | -2.29% |
| 2008 - 2009 | -3.36% | 2.84% |
| 2009 - 2010 | 10.63% | 18.70% |
| 2010 - 2011 | 37.40% | 33.08% |
| 2011 - 2012 | 11.87% | -6.67% |
| 2012 - 2013 | 5.59% | 8.47% |
| 2001-2013 | 10.82% | 10.14% |

* (Note: Limited numbers of sales by year may affect representativeness)

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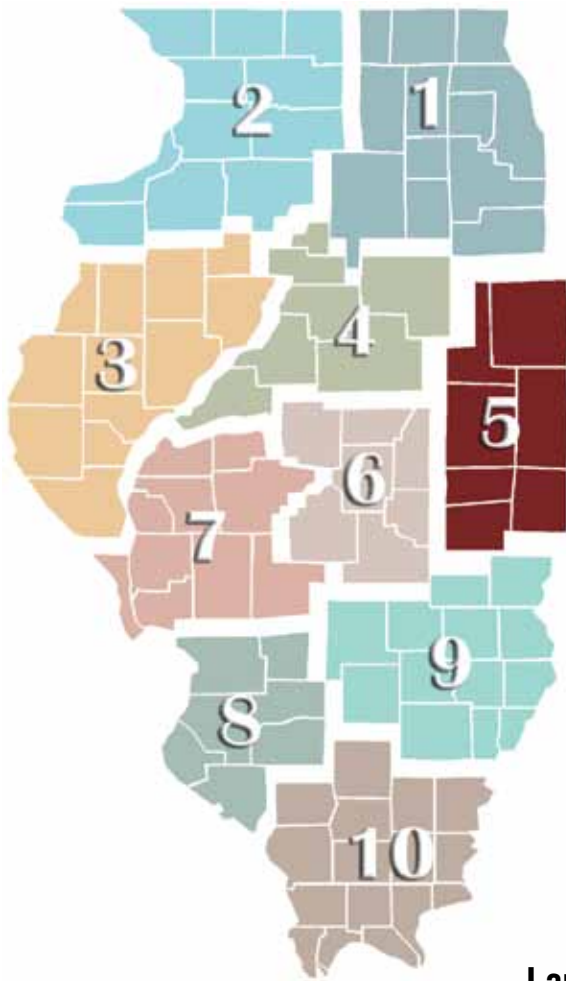
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REGION 4

Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|------------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Excellent Productivity | 200 | 300 | 400 | 1 | 400 | 50 | 30 | 10 | 10 |
| Good Productivity | 175 | 250 | 320 | 1 | 330 | 70 | 20 | 5 | 5 |
| Average Productivity | 125 | 150 | 200* | 1 | | | | | |
| Recreational Land | | 5 | | 1 | | | | | |



Region 5 - Eastern

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Farmers National Co., Arcola, IL

Laura Enger
Farm Credit Illinois, Mahomet, IL

Cory Kauffman
First Mid-Illinois Bank & Trust, Mattoon, IL

Brian Neville, AFM
Farmers National Co., Danville, IL

Winnie Stortzum, ARA, ALC
Farmers National Co., Arcola, IL

Brian Waibel, AFM
Waibel Farmland Services, Mahomet, IL

Land Value and Cash Rent Trends Overall Summary

| <u>Farm Classification</u> | <u>Total Value Per Acre (Typical)</u> | <u>% Change in \$/Acre from prior year</u> | <u>Change in rate of land turnover</u> | <u>Ave. Cash Rent Per Acre typical in region</u> | <u>% Change from prior year</u> | <u>Ave. Cash Rent/Ac. on recently negotiated leases</u> |
|----------------------------|---------------------------------------|--|--|--|---------------------------------|---|
| Excellent Productivity | \$10,400-\$13,400 | Up 0 %-5 % | Down 25 % | \$350-\$425 | Down 20 % | \$375 |
| Good Productivity | \$8,500-\$11,000 | Up 0 %-5 % | Down 60 % | \$300-\$375 | Down 10 % | \$350 |
| Average Productivity | \$6,500-\$8,500 | Up 0 %-5 % | Down 50 % | \$225-\$325 | Down 10 % | \$300 |
| Fair Productivity | Not enough data | Not enough data | No data | Not enough data | | |
| Recreational Land | Not enough data | Not enough data | No data | No data | | |
| Transitional Tracts | Not enough data | Not enough data | No data | No data | | |

In Region 5, 2013 marked a variable set of market activities and changes as we moved through the year. Land sales started out strong, like the previous three of four years, with numerous properties coming on the market and selling for strong, and often, record-high prices. Selling prices went up strong and continued to rise by 10 percent to 15 percent in the first quarter of the year. At that point, the market looked strong, but the outlook started to deteriorate for the balance of the year. Factors such as the stronger-than-expected yields for the 2013 crop, and the large supply of beans, corn, and wheat being documented, began to cause projections of declining commodity prices. Potential buyers watched the slowly-eroding commodity prices and their potential effects on projected farm income. By mid-year, farm sales prices leveled off or

moved lower from where they had been earlier in the year. However, there were still individual properties that sold for very strong prices during this period. Projections for total crop usage, with the ethanol program being evaluated in Washington D.C., made buyers more concerned about where they would set the ethanol mandates, and how the final decision on these mandates would affect corn usage and crop prices. Lower commodity price expectations and uncertainty of exports and large crop carryover concerned potential buyers. Cash rents had already been upgraded to higher levels in the fall of 2012. Farmers and land buyers were forming opinions that all of these factors would reduce their farm income prospects in 2013-2014. Buyers began to worry about what this would do to land prices and became more conservative in buying land in the last

quarter of 2013. It was more apparent in the average-to-good land, than in the excellent class of land. Many of the excellent farms were still bringing strong prices at the end of the year.

In the balance of the year we had a fluctuating land market, with the better farms still selling for very good-to-record prices. Sales in the Class B and C markets were still selling well, but perhaps not as well as they had earlier in the year. Sales prices were still strong but the land market leveled off from where it had been earlier in the year. As had been experienced over the last several years, public auctions tended to bring the highest sales prices.

Cash rents in the Eastern Region were also stronger in fall of 2012, as landowners, farm managers, and farm tenants negotiated new leases for the 2013 crop year. Cash rent values have been increasing substantially over the past three or four years. Because of strong commodity prices and improved profitability of the past few years, farmers tended to be very aggressive in 2012 to lease additional land to farm. As farm managers, landowners, and exchange buyers received more information about cash rents being paid in Region 5, there has been a tendency for them to competitively move towards higher cash rent values. In some cases, these cash rent leases were substantially higher for the very biggest and best farms. Differences in individual farm cost structures and financial status in their own farming operations were the deciding factors in the level of cash rent a farmer was willing to pay in this environment to keep control of his rental properties. However, by fall of 2013, farmers were anticipating a tougher financial situation and they negotiated for lower cash rent values for 2014. Because of those negotiations, our data show cash rents appear to be down by 10 to 20 percent or more for the end of 2013, towards the 2014 crop year. This holds for many farms in the excellent category, but may be down slightly less than that in the good and average classification.

Excellent Productivity Tracts

Sales prices for these types of properties were generally in the \$10,400 to \$13,400 per acre price range, although there were some scattered sales above and below that range. These price ranges set all-time highs once again for farm



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properties in Region 5. However, these gains weren't as large of increases as they had been in the past few years. Sales prices varied in all counties based on the quality of the farm and location. There were less class A farm properties available for purchase in our region throughout the year. However, they sold at stronger prices, especially in the first quarter of 2013. Our sales data showed increasing land prices in the first quarter, but prices appeared to move sideways or slightly below those early increases for the last three quarters of the year. Competitive bidding for the farms that did sell took farm sales prices to new levels throughout the year. It was still an aggressive market. Some farms with similar soils and locations in a given community sold at very different prices, depending on the method of selling and what kind of buyers were in the market at that time. Many of these farms, mostly sold at auctions, once again set record price levels throughout the 2013 marketing year. At the end of 2013, the prices appeared to be only slightly above the values estimated at the end of 2012. Estates and multi-owner properties still made up a large supply of farms on the market. However, land owners who were still tracking the increases in the sales prices were still a factor and took advantage of the high land sales prices on occasion. They were thinking that land prices might drop in 2014, because of declining farm incomes. Farmers generally were not sellers in the market this year. They were active buyers in the land market in as commodity prices did hold up fairly well and kept farm incomes at strong levels to support those land purchases.



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| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Champaign | Jan | 160.0 | 98.0 | 142.9 | 12,000 |
| Champaign | Feb | 120.0 | 98.0 | 141.0 | 10,000 |
| Champaign | Feb | 352.0 | 97.0 | 140.5 | 9,375 |
| Champaign | Mar | 51.8 | 94.0 | 143.8 | 11,097 |
| Champaign | Mar | 90.0 | 97.0 | 140.0 | 15,376 |
| Champaign | Mar | 40.0 | 97.0 | 143.7 | 10,000 |
| Champaign | Mar | 80.0 | 98.0 | 142.5 | 14,000 |
| Champaign | Mar | 30.5 | 100.0 | 140.4 | 8,115 |
| Champaign | Mar | 40.0 | 98.0 | 143.7 | 10,000 |
| Champaign | Mar | 80.0 | 99.0 | 135.7 | 12,000 |
| Champaign | Apr | 30.0 | 98.0 | 138.4 | 13,000 |
| Champaign | Apr | 79.0 | 95.0 | 143.6 | 11,500 |
| Champaign | May | 41.5 | 98.0 | 139.8 | 12,048 |
| Champaign | May | 141.7 | 98.0 | 141.4 | 12,600 |
| Champaign | May | 23.0 | 98.0 | 142.5 | 13,272 |
| Champaign | May | 120.0 | 99.0 | 142.5 | 12,708 |
| Champaign | May | 136.1 | 99.0 | 135.0 | 8,210 |
| Champaign | May | 40.0 | 94.0 | 137.6 | 13,800 |
| Champaign | Aug | 181.3 | 97.0 | 133.9 | 10,675 |
| Champaign | Sep | 156.7 | 99.0 | 144.0 | 13,000 |
| Champaign | Sep | 50.0 | 93.0 | 140.0 | 11,600 |
| Champaign | Sep | 40.0 | 99.0 | 144.0 | 13,000 |
| Champaign | Oct | 100.4 | 98.0 | 133.6 | 13,853 |
| Champaign | Oct | 70.5 | 99.0 | 141.0 | 12,000 |
| Champaign | Nov | 102.0 | 99.0 | 140.0 | 11,500 |
| Champaign | Nov | 36.3 | 100.0 | 144.0 | 12,000 |
| Champaign | Nov | 110.0 | 98.0 | 137.0 | 11,066 |
| Champaign | Nov | 83.2 | 92.0 | 143.0 | 13,200 |
| Champaign | Nov | 32.3 | 99.0 | 140.0 | 13,000 |
| Champaign | Nov | 40.0 | 95.0 | 139.0 | 11,066 |
| Champaign | Dec | 74.0 | 99.0 | 137.0 | 11,700 |
| Coles | Feb | 20.8 | 92.0 | 139.9 | 12,220 |
| Coles | Feb | 20.8 | 92.0 | 139.9 | 12,220 |
| Coles | Apr | 120.0 | 100.0 | 141.3 | 12,040 |
| Coles | May | 157.8 | 97.0 | 140.0 | 11,000 |
| Coles | Sep | 40.0 | 98.0 | 143.7 | 12,250 |
| Coles | Sep | 121.0 | 99.0 | 138.4 | 12,250 |
| Coles | Sep | 87.9 | 100.0 | 144.0 | 9,200 |
| Coles | Sep | 45.2 | 89.0 | 136.7 | 10,600 |
| Coles | Sep | 45.2 | 97.0 | 133.6 | 10,600 |
| Coles | Nov | 143.2 | 94.0 | 136.8 | 14,100 |
| Coles | Nov | 178.0 | 99.0 | 136.6 | 12,400 |
| Douglas | Jan | 40.0 | 96.0 | 133.0 | 10,437 |
| Douglas | Jan | 43.2 | 97.0 | 136.4 | 8,000 |
| Douglas | Apr | 32.3 | 97.0 | 133.0 | 10,437 |
| Douglas | Apr | 40.0 | 96.0 | 142.2 | 8,750 |
| Douglas | May | 80.0 | 97.0 | 141.3 | 12,500 |
| Douglas | Jul | 120.0 | 100.0 | 140.0 | 13,365 |
| Douglas | Jul | 97.5 | 99.0 | 140.7 | 12,500 |
| Douglas | Aug | 80.0 | 100.0 | 139.5 | 11,000 |
| Douglas | Aug | 203.2 | 97.0 | 137.7 | 9,921 |
| Douglas | Sep | 198.4 | 98.0 | 138.0 | 11,760 |
| Douglas | Dec | 20.0 | 100.0 | 141.1 | 12,400 |
| Edgar | Jan | 29.0 | 100.0 | 134.3 | 9,200 |
| Edgar | Jan | 250.0 | 100.0 | 140.3 | 11,200 |
| Edgar | May | 50.0 | 97.0 | 135.1 | 10,000 |
| Edgar | Aug | 20.0 | 100.0 | 138.7 | 11,500 |
| Edgar | Aug | 40.0 | 93.0 | 143.4 | 10,475 |
| Edgar | Sep | 240.7 | 98.0 | 143.6 | 12,018 |
| Ford | Feb | 81.3 | 98.0 | 135.9 | 11,700 |
| Ford | Feb | 60.0 | 99.0 | 142.8 | 10,940 |
| Ford | Mar | 53.3 | 98.0 | 136.0 | 13,000 |
| Ford | May | 215.0 | 96.0 | 134.5 | 12,250 |
| Ford | Oct | 108.2 | 100.0 | 133.2 | 10,418 |

| | | | | | |
|-----------|-----|-------|-------|-------|--------|
| Ford | Nov | 150.0 | 99.0 | 134.6 | 11,000 |
| Ford | Dec | 80.0 | 95.0 | 141.8 | 10,688 |
| Ford | Dec | 103.0 | 99.0 | 141.5 | 12,282 |
| Ford | Dec | 117.8 | 98.0 | 142.3 | 12,600 |
| Iroquois | Apr | 40.4 | 96.0 | 134.0 | 12,120 |
| Iroquois | Jun | 65.0 | 97.0 | 138.0 | 10,103 |
| Iroquois | Oct | 108.2 | 100.0 | 133.2 | 10,418 |
| Vermilion | Nov | 150.0 | 99.0 | 134.6 | 11,000 |
| Vermilion | Dec | 80.0 | 95.0 | 141.8 | 10,688 |
| Vermilion | Dec | 117.8 | 98.0 | 142.3 | 12,600 |
| Vermilion | Dec | 103.0 | 99.0 | 142.0 | 12,282 |

Good Productivity Tracts

Properties rated with a good category of productivity generally sold in the \$8,500 to \$11,000 per acre price range in 2013. Investors find these types of properties attractive for various reasons. First, there is the anticipation for higher cash returns for their investment dollars. In addition, a larger number of acres can be acquired in their purchase than can generally be acquired with excellent category properties. Many investors and farmers, and a few 1031 exchangers, sought this productivity level because of the limited supply of excellent category farms available this year. Farmers appeared to be the more aggressive buyers for farms in the good category. However, absentee investors and retired farmers were also attracted to the good quality farms that were sold. In many of these sales, these buyers appeared to be more reluctant to pay the premiums that were obtained in sales prices being paid for excellent category land. There was a fairly wide variation in sales prices being reported in the seven various counties of this region. This is because of the differences in the counties and the general makeup of soils within each county in the region.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Champaign | Mar | 77.7 | 88.0 | 121.0 | 8,000 |
| Champaign | Mar | 25.9 | 97.0 | 130.5 | 10,500 |
| Coles | Apr | 40.0 | 100.0 | 130.7 | 9,353 |
| Coles | Nov | 20.0 | 97.0 | 126.8 | 10,100 |
| Coles | Nov | 27.0 | 93.0 | 128.6 | 8,000 |
| Douglas | Jan | 76.2 | 98.0 | 129.0 | 10,501 |
| Douglas | Feb | 78.7 | 99.0 | 129.6 | 11,600 |
| Douglas | Sep | 78.3 | 100.0 | 130.1 | 7,307 |
| Edgar | Sep | 25.0 | 100.0 | 119.5 | 6,200 |
| Edgar | Nov | 38.0 | 43.0 | 117.5 | 5,447 |
| Ford | Feb | 208.5 | 100.0 | 123.0 | 9,300 |
| Ford | Mar | 205.3 | 94.0 | 120.5 | 10,616 |
| Ford | Apr | 80.7 | 97.0 | 124.5 | 8,209 |
| Ford | Apr | 40.0 | 99.0 | 123.6 | 7,500 |
| Ford | Jul | 153.2 | 96.0 | 126.0 | 9,968 |
| Ford | Sep | 80.0 | 97.0 | 128.4 | 10,125 |
| Ford | Sep | 80.0 | 98.0 | 124.0 | 7,800 |
| Iroquois | Jan | 79.8 | 100.0 | 123.3 | 8,226 |
| Iroquois | Jan | 80.4 | 98.0 | 123.0 | 8,158 |
| Iroquois | Jan | 161.4 | 86.0 | 124.0 | 8,302 |
| Iroquois | Jan | 40.0 | 98.0 | 125.0 | 9,500 |
| Iroquois | Jan | 40.0 | 99.0 | 128.0 | 9,000 |
| Iroquois | Feb | 80.7 | 97.0 | 132.5 | 12,250 |
| Iroquois | Feb | 80.0 | 97.0 | 120.6 | 8,000 |
| Iroquois | Feb | 155.5 | 100.0 | 129.5 | 9,419 |

| | | | | | |
|-----------|-----|-------|-------|-------|--------|
| Iroquois | Mar | 59.7 | 96.0 | 119.7 | 9,200 |
| Iroquois | Mar | 53.6 | 95.0 | 123.7 | 10,267 |
| Iroquois | Mar | 40.0 | 97.0 | 125.7 | 7,181 |
| Iroquois | Mar | 27.4 | 97.0 | 128.0 | 11,000 |
| Iroquois | Apr | 80.0 | 96.0 | 121.7 | 6,685 |
| Iroquois | Apr | 100.8 | 91.0 | 126.0 | 8,019 |
| Iroquois | Apr | 77.7 | 99.0 | 123.5 | 9,910 |
| Iroquois | Apr | 78.7 | 99.0 | 132.7 | 10,500 |
| Iroquois | Apr | 40.0 | 97.0 | 119.0 | 8,450 |
| Iroquois | May | 80.0 | 97.0 | 131.7 | 8,500 |
| Iroquois | May | 80.0 | 100.0 | 126.0 | 8,450 |
| Iroquois | May | 255.3 | 92.0 | 128.0 | 10,599 |
| Iroquois | Sep | 36.7 | 100.0 | 124.9 | 6,001 |
| Iroquois | Oct | 157.6 | 99.0 | 123.8 | 8,499 |
| Iroquois | Oct | 100.0 | 99.0 | 126.5 | 9,500 |
| Iroquois | Oct | 162.0 | 96.0 | 131.8 | 11,574 |
| Iroquois | Nov | 83.4 | 99.0 | 131.0 | 11,900 |
| Iroquois | Dec | 80.0 | 98.0 | 125.0 | 8,775 |
| Iroquois | Dec | 60.0 | 99.0 | 127.0 | 8,250 |
| Iroquois | Dec | 40.5 | 99.0 | 125.0 | 8,500 |
| Vermilion | Feb | 80.0 | 88.0 | 124.0 | 8,500 |
| Vermilion | Mar | 37.0 | 100.0 | 129.2 | 13,100 |
| Vermilion | Jul | 80.0 | 99.0 | 125.0 | 11,100 |
| Vermilion | Jul | 80.0 | 99.0 | 130.3 | 10,800 |
| Vermilion | Nov | 40.0 | 98.0 | 125.0 | 7,200 |
| Vermilion | Dec | 40.0 | 100.0 | 128.7 | 11,200 |
| Vermilion | Dec | 213.3 | 98.0 | 124.3 | 9,072 |

Average Productivity Tracts

Sales prices of farms rated as average quality productivity generally ranged from \$6,000 to \$8,500 per acre. Most of these sales occurred in the outlying areas of the region.



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Buyers for these properties were more likely to be neighboring farmers and retired farmers. However, because of the limited availability of the top-quality farms and the price ranges paid in the higher quality land categories, investors and buyers were active in this category as well in 2012. As the availability of top-quality properties decreases, the activity in all of the other categories increases. There was a strong supply of these average quality category properties sold in 2012. The prices paid in this sales category showed a higher percentage increase than the increases reported in either of the excellent or good quality categories of sales prices.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Champaign | Jan | 80.0 | 97.0 | 118.0 | 9,007 |
| Champaign | Feb | 80.0 | 99.0 | 112.7 | 9,217 |
| Champaign | Mar | 37.5 | 98.0 | 114.0 | 6,533 |
| Champaign | Mar | 137.1 | 96.0 | 117.4 | 6,300 |
| Champaign | Mar | 120.0 | 97.0 | 117.6 | 7,200 |
| Champaign | May | 120.0 | 78.0 | 117.5 | 8,062 |
| Coles | May | 160.0 | 91.0 | 117.6 | 5,313 |
| Coles | Sep | 33.8 | 94.0 | 115.3 | 7,500 |
| Douglas | Sep | 20.0 | 97.0 | 114.1 | 4,491 |
| Edgar | Nov | 37.0 | 59.0 | 113.2 | 5,776 |
| Ford | Apr | 140.0 | 97.0 | 113.8 | 6,000 |
| Ford | Dec | 158.9 | 95.0 | 116.0 | 7,356 |
| Iroquois | Jan | 80.0 | 88.0 | 106.4 | 6,500 |
| Iroquois | Feb | 160.0 | 92.0 | 103.0 | 6,094 |
| Iroquois | Mar | 80.4 | 97.0 | 102.6 | 7,750 |
| Iroquois | Mar | 158.0 | 98.0 | 112.8 | 6,329 |
| Iroquois | Mar | 73.9 | 97.0 | 116.0 | 7,900 |
| Iroquois | Mar | 79.7 | 90.0 | 101.9 | 8,102 |
| Iroquois | Mar | 239.9 | 97.0 | 106.6 | 7,106 |
| Iroquois | Mar | 160.0 | 90.0 | 110.8 | 6,825 |
| Iroquois | May | 150.0 | 51.0 | 112.2 | 6,483 |
| Iroquois | Aug | 184.9 | 97.0 | 110.4 | 8,020 |
| Iroquois | Aug | 96.2 | 97.0 | 109.4 | 6,250 |
| Vermilion | Sep | 37.0 | 90.0 | 111.2 | 8,350 |

Sales prices of farms rated as average quality productivity generally ranged from \$6,500 to \$8,500 per acre. Most of these sales occurred in the outlying areas of the region. Buyers for these properties were more likely to be neighboring farmers and retired farmers. However, because of the limited availability of the top-quality farms, and the price ranges paid in the higher quality land categories, investors and buyers were active in this category as well



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in 2013. As the availability of top-quality properties decreases, the activity in all of the other categories increases. There was a shorter supply of these average quality category properties sold in 2013. This is because there are fewer average quality properties in this region, in comparison to the much greater quantities of good to excellent quality land. The prices paid in this sales category showed a lower percentage increase than the increases reported in either of the excellent or good quality categories of sales prices.

Fair Productivity Tracts

There is very little land of this quality in the region. With only one sale reported, it is impossible to analyze data for fair rated farms in all of region 5.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|--------|-----------|-------------|------------|----------------------|-------------------|
| Coles | Mar | 65.2 | 44.0 | 119.2 | 4,446 |

Recreational Tracts

Demand for recreational properties (woodland, ponds, creeks/streams, rolling topography, etc.) continues to be slow in 2013 because of the poor economy and the lack of discretionary income. When funds are tighter, people don't have the funds available for these types of purchases.

There were only a few recreational properties sales in Region 5 in 2013. The general supply of this type of

property is low in this region because most of the acreage is in production land. These tracts are found in the more remote areas of Region 5, so it makes it difficult to analyze the market for them. Prices can vary greatly depending on the motivations and knowledge of buyers and sellers. Emotional reasons, rather than strictly earnings or production reasons, coupled with a buyer's financial position and motivation, create the varied prices paid in the marketplace.

The overall economy was still the major factor in reducing the demand for these kinds of properties. There is still cash in our economy, but buyers of recreational land make purchases for these types of properties with excess funds. Buyers were just not as aggressive seeking vacation properties and hunting properties because of economic uncertain-

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ties in our national economy and the economic factors those buyers are facing. While the desire to purchase recreational land is still there, economic factors have generally taken many of these buyers out of the market. Prices for sales in these categories have remained steady in 2013 in the \$2,700 to \$3,700 per acre price range. However, prices do still vary dramatically in these sales for such factors as location, scenic features, access, and the potential buyer's discretionary funds available to make this kind of purchase.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|--------|-----------|-------------|------------|----------------------|-------------------|
| Coles | Apr | 53.3 | 0.0 | N/A | 3,096 |
| Coles | May | 29.6 | 0.0 | N/A | 3,750 |
| Coles | May | 45.2 | 0.0 | N/A | 3,117 |
| Edgar | Jan | 29.2 | 0.0 | N/A | 3,082 |
| Edgar | May | 40.0 | 0.0 | N/A | 2,875 |
| Edgar | Jul | 31.2 | 54.0 | 113.9 | 2,774 |
| Edgar | Sep | 60.0 | 23.0 | 113.2 | 3,200 |

Transitional Tracts

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|---------|-----------|-------------|------------|----------------------|-------------------|
| Douglas | Jul | 44.0 | 34.0 | 119.0 | 7,500 |

The overall demand for transitional land was not strong in 2013. The term "transitional land" is used to describe land that is located in an area that could have development potential in the next 5 to 15 years. Most of this land is in

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the outlying areas of Champaign-Urbana and Danville, or in a smaller radius around some of the smaller cities in the region. This type of land will sell for a premium over the general farmland market. However, there was only one transitional land sales tract reported by this group in 2013. There wasn't much activity in general for transitional properties during this time period because of the economy and the poor business climate.

This one sale of a wooded/pasture/river bottom farm with some hay ground sold in July in Douglas County. The buyer intends to build a home at some time in the future. This tract has good road frontage and is located in the area of small "farmettes".

Special Interest

Douglas County had 960 acres of Class A land that sold at public auction in November. This was a pattern-tiled Class A farm with two machine sheds and grain storage of 65,000 bushels. It has a P/I of 136.6 and it was 97.3 percent tillable. The farm, one mile north of Newman, was located in the Drummer-Flanagan and Milford- Drummer-Flanagan Soils Associations. It sold for \$14 million, which is a \$14,583/acre sales price. This property is one of the largest all-contiguous farms to have ever sold in Douglas County and certainly at the highest price ever obtained for a Douglas County agricultural property with no transitional value. The buyer was a farm investor and the farm will be leased to a tenant farmer in the area.

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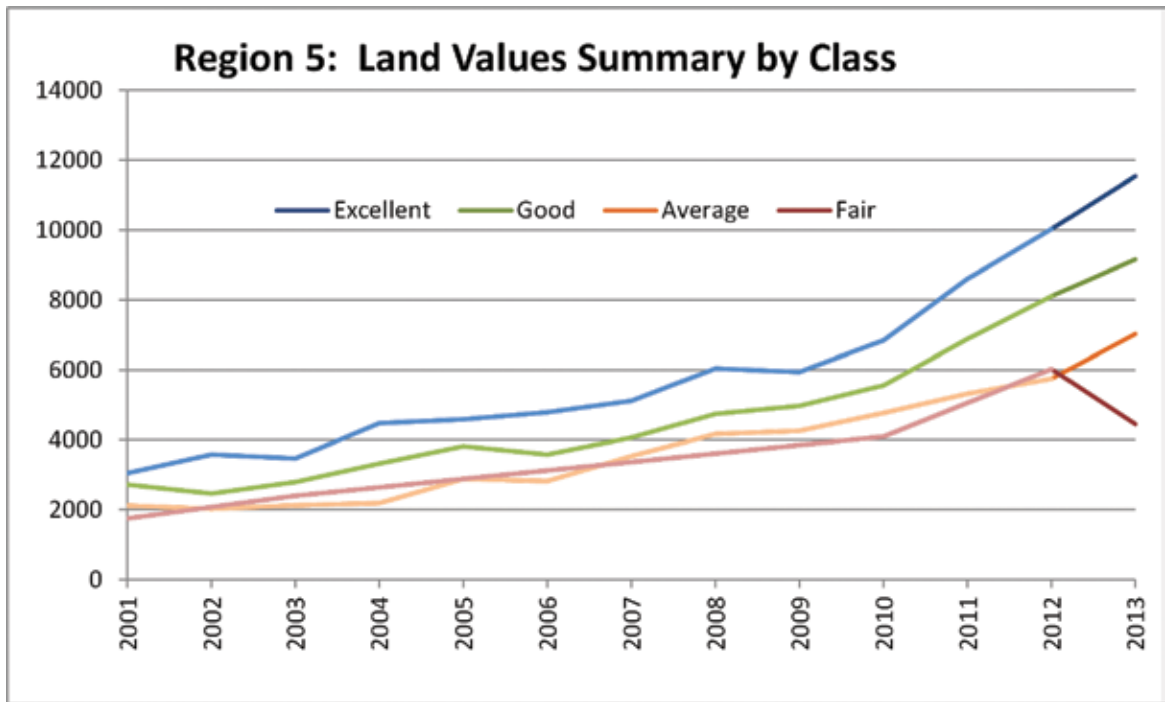
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Region 5: Percentage Change

| By Period | Excellent | Good | Average |
|--------------------|---------------|---------------|---------------|
| 2001 - 2002 | 16.05% | -9.83% | -4.49% |
| 2002 - 2003 | -3.02% | 12.25% | 5.08% |
| 2003 - 2004 | 25.34% | 17.46% | 3.10% |
| 2004 - 2005 | 2.53% | 13.95% | 27.52% |
| 2005 - 2006 | 4.18% | -6.30% | -2.20% |
| 2006 - 2007 | 6.72% | 12.66% | 22.64% |
| 2007 - 2008 | 16.67% | 15.29% | 16.31% |
| 2008 - 2009 | -1.75% | 4.77% | 2.25% |
| 2009 - 2010 | 14.12% | 11.13% | 11.28% |
| 2010 - 2011 | 22.91% | 21.38% | 10.91% |
| 2011 - 2012 | 15.29% | 16.43% | 7.78% |
| 2012 - 2013 | 14.06% | 12.18% | 20.01% |
| 2001 - 2013 | 11.09% | 10.11% | 10.02% |

* (Note: Limited numbers of sales by year may affect representativeness)

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Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|------------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Excellent Productivity | \$350 | \$375 | \$425 | 1 year | \$375-\$400 | 30 | 30 | 40 | 0 |
| Good Productivity | \$300 | \$350 | \$375 | 1 year | \$350-\$375 | 30 | 30 | 40 | 0 |
| Average Productivity | \$225 | \$275 | \$325 | 1 year | \$275-\$300 | | | | |



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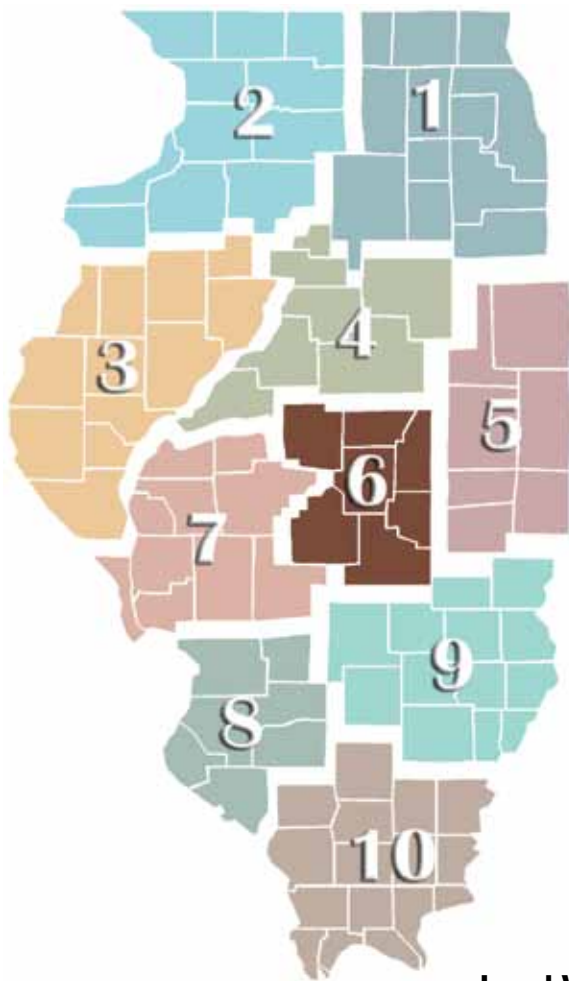
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Land Value and Cash Rent Trends Overall Summary

| Farm Classification | Total Value Per Acre (Typical) | % Change in \$/Acre from prior year | Change in rate of land turnover | Ave. Cash Rent Per Acre typical in region | % Change from prior year | Ave. Cash Rent/Ac. on recently negotiated leases |
|------------------------|--------------------------------|-------------------------------------|---------------------------------|---|--------------------------|--|
| Excellent Productivity | \$9,000-\$15,000 | (2.5 %-7.5 %) | Steady | \$300-\$450 | (0 %-5 %) | \$325-\$400 |
| Good Productivity | \$7,000-\$10,000 | (2.5 %-7.5 %) | Steady | \$250-\$400 | (0 %-5 %) | \$275-\$350 |
| Average Productivity | \$5,500-\$8,000 | (5 %-10 %) | Steady | \$200-\$325 | (0 %-5 %) | \$200-\$300 |
| Fair Productivity | \$4,000-\$7,000 | (10 %-15 %) | Steady | | | |
| Recreational Land | \$2,000-\$5,000 | (10 %-15 %) | Steady | | | |
| Transitional Tracts | \$9,000-\$20,000 | (0 %-10 %) | Steady | | | |

Value for “Excellent” quality farmland was down approximately 5 percent since the end of 2012. An average tract of land in the excellent category would have likely sold for approximately \$12,000 at the end of 2013.

As is generally the case, the values for “Average” and “Fair” farmland decreased at a higher rate.

Location is, again, playing a strong part in the market, as there are pockets of strength. Prime tracts of land in strongly held communities will still bring a premium price.

Local farm families and local buyers made up the majority of purchasers this past year, and roughly 75 percent. They

are using the profits from 2012 grain sales and associated insurance proceeds.

There have been fewer buyers in attendance at auction sales. This has, at times, led to somewhat softer land values.

Just as there are pockets of strength in the market, there are also pockets of weakness. There may be areas where there have been poor yield results, weaker soil types, or imperfect land conditions.

In our opinion, the amount of land being offered on the market is steady. At the end of last year, there was, however, a huge surge in the number of sales.

The net incomes, or return to the investment on farmland, are now down significantly from a normal 4 percent return.

Some alternative investments have shown strength in 2013. The stock market went up as much as 29 percent. As an alternative investment, this is very strong competition for Illinois farmland.

There would seem to be a regular mix of individuals selling farmland, but approximately half of the land on the market is from estates.

Indications from projected budgets would suggest that net farm income will be down significantly in 2013. If the corn price drops below \$4 per bushel and beans below \$13, the down trend could escalate.

Excellent Productivity Tracts

Our committee selected 62 sales in the excellent category. The sales ranged from \$10,600 per acre to \$16,900 per acre. The average price received was \$12,664 per acre. The average size of the tracts selected was 123.28 acres and they were an average of 98.33 percent tillable. The average rated productivity index for the tillable acres was 140.3. This would convert to an average of \$90.27 per productivity unit.

Land values were strong at the end of 2012 and were trending upward. This carried into the first quarter of 2013.



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Values were, however, relatively stable for the second and third quarters. They were beginning to show some weakness at the end of the third quarter and continued the downward trend through the end of the year.

The average price indicated from the sales listed for the first six months was \$13,091, while the average value for the last half of the year was \$12,380, a decrease of 5.43 percent.

A comparison of the December 2012 sales given in last year's report to the December 2013 sales listed would indicate a decrease in value of approximately 5.0 percent.

Our committee noted that a tract selling for \$10,500 per acre at the end of 2011 would have increased in value to approximately \$12,750 per acre at the end of 2012. It is our opinion that the value of that same tract decreased approximately 5 to 6 percent in 2013, and would now have a value of approximately \$12,000 per acre.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Piatt | Jan | 77.0 | 97.8 | 136.4 | 13,000 |
| Logan | Jan | 80.0 | 100.0 | 140.8 | 12,500 |
| Piatt | Jan | 37.0 | 99.7 | 141.3 | 13,513 |
| Piatt | Jan | 65.0 | 98.0 | 138.0 | 12,000 |
| Macon | Jan | 123.6 | 97.5 | 138.4 | 11,600 |
| Christian | Feb | 113.9 | 97.9 | 142.7 | 15,800 |
| Piatt | Feb | 70.2 | 100.0 | 142.5 | 13,500 |
| Shelby | Mar | 238.8 | 99.6 | 144.0 | 14,500 |
| DeWitt | Mar | 157.7 | 98.4 | 138.8 | 12,400 |
| DeWitt | Apr | 152.7 | 99.1 | 138.6 | 14,903 |
| DeWitt | Apr | 66.6 | 99.5 | 132.9 | 13,600 |
| DeWitt | Apr | 119.7 | 98.3 | 141.0 | 10,800 |
| DeWitt | Apr | 82.4 | 95.4 | 136.5 | 12,500 |
| Piatt | Apr | 184.4 | 99.4 | 140.4 | 11,404 |
| Piatt | Apr | 99.3 | 95.9 | 143.2 | 12,492 |
| Macon | Apr | 177.1 | 97.5 | 139.8 | 12,135 |
| Macon | Apr | 80.0 | 96.1 | 134.4 | 13,000 |
| Shelby | May | 134.0 | 96.5 | 142.5 | 13,150 |
| Piatt | May | 218.9 | 99.3 | 140.9 | 14,255 |
| Piatt | May | 156.3 | 100.0 | 139.9 | 14,860 |
| Christian | Jun | 120.0 | 100.0 | 138.1 | 15,300 |
| Moultrie | Jun | 160.4 | 99.7 | 136.3 | 12,473 |
| Piatt | Jun | 197.9 | 96.0 | 138.5 | 12,000 |
| Piatt | Jun | 78.0 | 96.3 | 140.0 | 12,500 |
| Piatt | Jul | 80.0 | 100.0 | 142.9 | 12,031 |
| Piatt | Jul | 281.0 | 99.3 | 138.8 | 13,066 |
| Piatt | Aug | 90.0 | 98.0 | 142.3 | 12,650 |
| Christian | Aug | 120.0 | 99.6 | 141.5 | 15,000 |
| Christian | Aug | 60.0 | 100.0 | 142.4 | 16,900 |
| Macon | Aug | 160.2 | 99.9 | 141.6 | 13,000 |
| Macon | Aug | 238.8 | 100.0 | 138.1 | 13,247 |
| DeWitt | Aug | 600.2 | 98.3 | 140.0 | 13,022 |
| Piatt | Sep | 40.0 | 99.5 | 143.4 | 12,250 |
| Logan | Oct | 78.9 | 100.0 | 142.4 | 12,000 |
| Piatt | Oct | 42.0 | 100.0 | 144.0 | 13,700 |
| Shelby | Oct | 400.0 | 97.9 | 143.6 | 13,200 |
| Shelby | Oct | 80.0 | 98.5 | 141.7 | 12,750 |
| Moultrie | Oct | 134.7 | 98.6 | 140.8 | 13,000 |
| Piatt | Oct | 56.7 | 87.1 | 140.9 | 10,617 |
| Piatt | Oct | 90.0 | 98.0 | 142.3 | 12,650 |
| Logan | Nov | 80.0 | 99.4 | 135.7 | 12,200 |
| Logan | Nov | 160.0 | 98.3 | 141.4 | 11,800 |
| Macon | Nov | 98.6 | 99.1 | 144.0 | 11,600 |
| Macon | Nov | 120.0 | 100.0 | 139.4 | 11,500 |

| | | | | | |
|----------------|----------------|--------------|-------------|--------------|---------------|
| Shelby | Nov | 80.0 | 96.5 | 144.0 | 11,500 |
| Shelby | Nov | 72.0 | 103.0 | 140.9 | 11,400 |
| Macon | Nov | 80.0 | 101.0 | 138.0 | 11,300 |
| Macon | Nov | 22.5 | 94.4 | 140.1 | 11,500 |
| Christian | Nov | 120.0 | 98.0 | 142.6 | 12,600 |
| Piatt | Nov | 81.3 | 98.1 | 138.3 | 12,250 |
| Shelby | Nov | 40.3 | 98.2 | 133.2 | 11,200 |
| Logan | Nov | 78.2 | 92.1 | 139.4 | 10,350 |
| Moultrie | Nov | 40.0 | 98.7 | 135.0 | 13,100 |
| Piatt | Dec | 40.0 | 100.0 | 143.7 | 13,700 |
| Christian | Dec | 120.0 | 98.0 | 142.6 | 12,600 |
| Piatt | Dec | 115.1 | 99.9 | 142.0 | 11,700 |
| Piatt | Dec | 80.0 | 99.6 | 142.6 | 12,600 |
| Piatt | Dec | 111.4 | 97.9 | 139.8 | 12,100 |
| DeWitt | Dec | 254.2 | 99.2 | 140.0 | 10,600 |
| Macon | Dec | 60.7 | 95.6 | 142.7 | 11,000 |
| DeWitt | Dec | 78.4 | 98.7 | 139.9 | 12,050 |
| Macon | Dec | 80.0 | 94.8 | 141.8 | 12,334 |
| Average | Jan-Jun | 124.6 | 98.2 | 139.4 | 13,091 |
| Average | Jul-Dec | 122.4 | 98.4 | 140.9 | 12,380 |
| Average | All | 123.3 | 98.3 | 140.3 | 12,664 |

Good Productivity Tracts

Our committee selected 16 sales in the good productivity classification. The sales ranged in price from \$7,146 per acre to \$12,000 per acre. The tracts average 116.2 acres with an average of 91.7 percent tillable. The average weighted productivity index for those sales selected was 127.36, and the indicated value per productivity unit was \$77.06. The average price per acre for this category was \$10,113 in 2012. That would indicate a decrease of 2.95



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percent in value during the past year. Based on these sales and other sales familiar to the committee, it is our opinion that values in the good productivity category also dropped by 5 percent.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------------|----------------|--------------|-------------|----------------------|-------------------|
| Piatt | Jan | 28.4 | 98.3 | 127.0 | 10,215 |
| Shelby | Jan | 120.0 | 100.0 | 129.2 | 12,000 |
| Shelby | Mar | 83.5 | 96.7 | 117.0 | 10,400 |
| DeWitt | Apr | 175.4 | 77.7 | 123.6 | 7,146 |
| Logan | May | 42.5 | 85.2 | 120.6 | 8,300 |
| Moultrie | May | 40.0 | 98.5 | 127.6 | 11,000 |
| Shelby | Jun | 110.0 | 94.9 | 123.6 | 11,500 |
| Macon | Jul | 110.4 | 94.8 | 132.2 | 10,700 |
| Piatt | Jul | 165.9 | 70.1 | 128.4 | 5,418 |
| Logan | Aug | 245.6 | 93.2 | 129.3 | 9,365 |
| Piatt | Aug | 232.8 | 95.1 | 131.7 | 9,473 |
| Christian | Sep | 88.5 | 99.0 | 130.4 | 10,500 |
| Christian | Sep | 120.0 | 100.0 | 130.8 | 11,100 |
| DeWitt | Nov | 40.0 | 74.6 | 128.2 | 8,500 |
| Christian | Dec | 140.0 | 97.2 | 130.8 | 11,600 |
| Shelby | Dec | 120.0 | 95.5 | 125.9 | 11,000 |
| Average | Jan-Jun | 85.7 | 93.0 | 124.1 | 10,080 |
| Average | Jul-Dec | 142.9 | 90.5 | 130.2 | 9,582 |
| Average | All | 116.2 | 91.7 | 127.4 | 9,814 |

Average Productivity

The committee also selected five sales for the average productivity category. These sales range from \$5,500 to \$9,347



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per acre. The average productivity rating was 110.86. The sales averaged 82.57 acres each, and were an average of 94.0 percent tillable. The average sale price for the tracts noted was \$8,089.40 per acre, or \$72.97 per productivity unit. The average price indicated in this category during 2012 was \$8,936 per acre. The indicated decrease is 9.47 percent. It is our committee's opinion that the values for average productivity tracts decreased between 5 and 10 percent in 2013.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------------|-----------|-------------|-------------|----------------------|-------------------|
| Christian | Feb | 40.0 | 99.3 | 111.9 | 8,500 |
| DeWitt | May | 86.0 | 91.0 | 119.5 | 9,000 |
| Shelby | Sep | 45.0 | 100.0 | 104.0 | 5,500 |
| Christian | Sep | 123.6 | 99.7 | 109.5 | 9,347 |
| Logan | Sep | 118.3 | 79.8 | 109.4 | 8,100 |
| Average | | 82.6 | 94.0 | 110.9 | 8,089 |

Fair Productivity

The committee cites two sales for the fair category. Each of the sales were 80 acres, and they were an average of 99.3 percent tillable, with an average productivity index of 96.2. The indicated value per productivity unit was 74.58. The overall price average price per acre was \$7,175. Although the average price indicated is 4.4 percent above the 2012 value, it is our opinion that this may not give a good indication of the change in values

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for this category, as there were only two sales cited. It is our opinion that land values decreased between 10 and 15 percent in this category.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------------|-----------|-------------|-------------|----------------------|-------------------|
| Shelby | Oct | 80.0 | 98.7 | 98.5 | 9,350 |
| Shelby | Oct | 80.0 | 99.9 | 93.9 | 5,000 |
| Average | | 80.0 | 99.3 | 96.2 | 7,175 |

Recreational Tracts

Our committee lists five sales from the “Recreational” category. They were an average of 43.7 acres. The prices range from \$2,120 to \$3,300 per acre, and averaged \$2,889. The sales in this category averaged \$3,567 per acre for 2012. The indicated decrease is 19.01 percent. The committee feels that the actual decrease in this category is between 10 to 15 percent.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------------|-----------|-------------|------------|----------------------|-------------------|
| Macon | Jan | 24.0 | 0.0 | 0.0 | 2,900 |
| Christian | Feb | 56.7 | 0.0 | 0.0 | 3,000 |
| Logan | Apr | 50.0 | 0.0 | 0.0 | 2,120 |
| Logan | Apr | 40.0 | 0.0 | 0.0 | 3,125 |
| Macon | Jul | 47.9 | 0.0 | 0.0 | 3,300 |
| Average | | 43.7 | | | 2,889 |

Transitional Category

Our committee reports no sales in this category for 2013.

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**Region 6. Average Sales Price of Completed Sales in Region
by Year and Category***

--- Category ---

| Year | Excellent | Good | Average | Fair | Recreational | Transitional |
|------|-----------|-------|---------|-------|--------------|--------------|
| 2001 | 2,887 | 2,245 | | | | |
| 2002 | 3,207 | 2,381 | 1,925 | | 967 | 11,275 |
| 2003 | 3,411 | 2,269 | 1,845 | 2,670 | 2,060 | 8,352 |
| 2004 | 4,007 | 3,046 | 2,325 | | 1,528 | 8,910 |
| 2005 | 4,622 | 3,688 | 1,431 | | | 14,500 |
| 2006 | 4,785 | 3,633 | | | 2,817 | 9,416 |
| 2007 | 5,591 | 4,214 | 2,857 | | 3,633 | 10,000 |
| 2008 | 6,840 | 5,052 | 4,321 | 3,081 | 4,593 | 8,566 |
| 2009 | 6,959 | 5,412 | | 3,661 | 3,326 | 12,896 |
| 2010 | 7,574 | 5,949 | 4,425 | 3,066 | 3,574 | 10,365 |
| 2011 | 10,031 | 7,381 | 5,751 | 4,207 | 3,401 | 10,000 |
| 2012 | 11,530 | 9,699 | 8,707 | 6,707 | 3,567 | 12,929 |
| 2013 | 12,649 | 9,889 | 8,089 | 7,175 | | |

* (Note: Limited numbers of sales in some years and special features may affect values)

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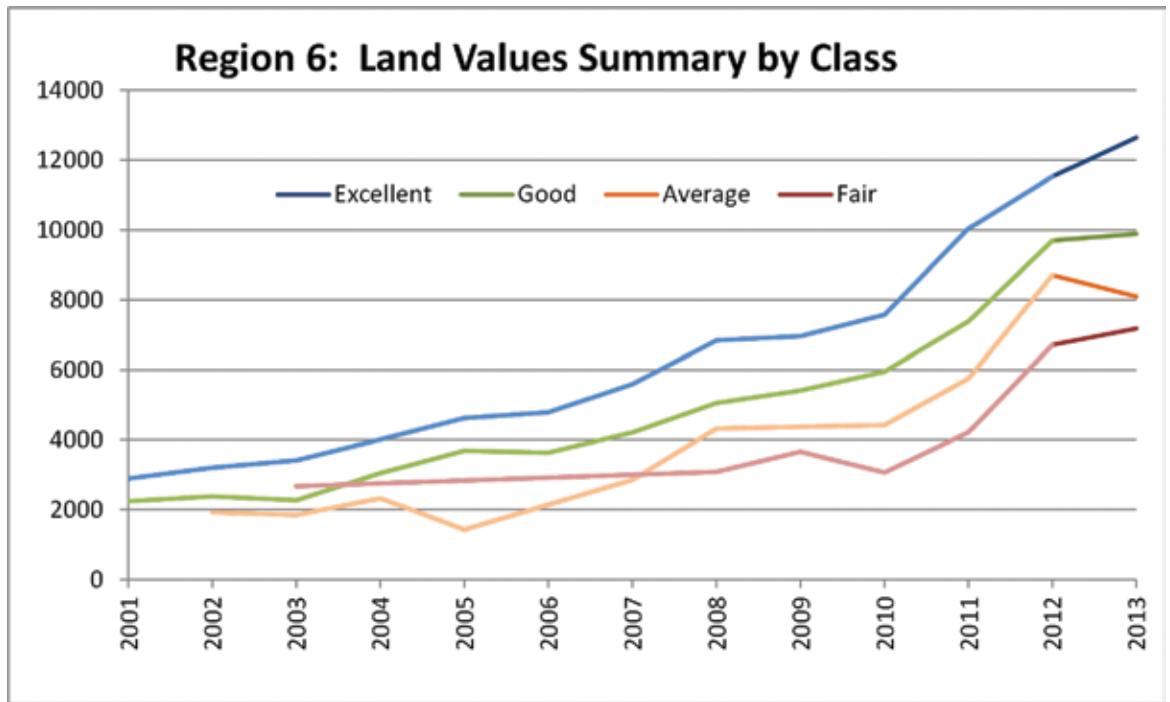
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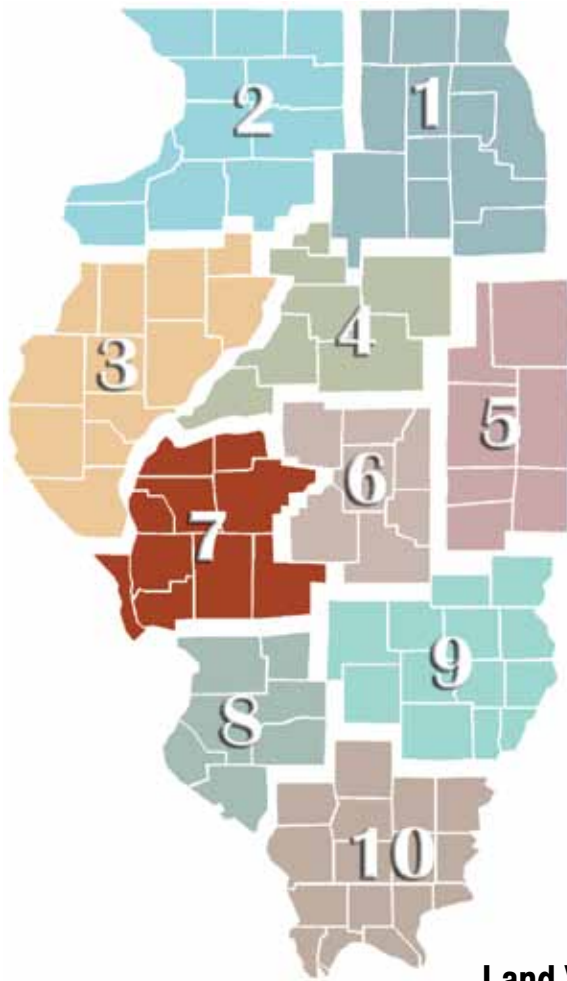
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Land Value and Cash Rent Trends Overall Summary

| Farm Classification | Total Value Per Acre (Typical) | % Change in \$/Acre from prior year | Change in rate of land turnover | Ave. Cash Rent Per Acre typical in region | % Change from prior year | Ave. Cash Rent/Ac. on recently negotiated leases |
|----------------------------|---------------------------------------|--|--|--|---------------------------------|---|
| Excellent Productivity | \$10,000-\$12,000 | Steady | Steady | \$350-\$450 | Steady/Down 5 % | |
| Good Productivity | \$7,000-\$8,000 | Steady | Steady | \$200-\$300 | Steady | |
| Average Productivity | \$3,500-\$6,000 | Steady | Steady | \$100-\$200 | Steady | |
| Fair Productivity | \$2,800-\$4,000 | Steady | Steady | \$75-\$100 | Steady | |
| Recreational Land | \$2,200-\$3,200 | Steady | Steady | | | |
| Transitional Tracts | \$9,000-\$11,000 | Steady | Steady | | | |

Due to the diversity in soil productivity, agricultural land sale prices vary widely in the West Central Area, designated Region 7. Here there are significant changes in soils from north to south by virtue of ancient glacier movements and from east to west due, in large part, to the influences of the Illinois, Mississippi and Sangamon Rivers. The broad, mostly level prairies are mostly Tama, Ipava and Sables soils north of the Moraine line and Virden, Herrick and Harrison soils south of the line. The rolling areas formed under upland 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 lies farthest southwest of the Region 7 counties, and is bordered by the Illinois River on the east side and the Mississippi River on the west. These rivers influence weather pattern sufficiently to allow successful peach and plum orchards production.

In response to record grain prices, the land market surged at the tail end of 2012 and continued the trend into 2013. By the end of 2013, land sales values were flattening, if not heading down. As the cushion of grain supplies comes and goes, wide grain price fluctuations can be expected. The rents and the land market (although shaken) are holding on for more proof that the “party is over” before throwing in the towel. There were huge regrets for selling too much \$5.00 per bushel 2012 corn. Now, there are huge regrets

for not selling enough \$5.00 per bushel 2013 corn! As demand and production capacity expanded, and continues to expand, there have been, and probably will continue to be, more frequent wide swings in grain prices. Not long ago, \$3.00 per bushel of corn was the price we hoped to get. In 2013, the corn price *varied* by \$3.00 per bushel! The land market is proceeding with caution. The “party” may be at a lull right now, but not many are leaving.

We have identified a “resale” of land in our area in 2013. This 80 acres of excellent land was purchased in October of 2011 for \$11,500 per acre, and sold again in the Spring of 2013 for \$15,000. This sale and resale directly confirms what the land market had done in that time period.

The grain handling infrastructure in Region 7 continues to improve. In July of 2013 Bartlett Grain Company opened a 2 million-bushel-capacity storage facility combined with a 100-car train loading facility. The facility is capable of loading 100 cars in less than 10 hours and is located near Jacksonville in Morgan County. The grain can be railed all the way to Mexico. Just a few years ago, about 20 miles southeast of Jacksonville, two similar facilities were constructed in Southwestern Sangamon County. The current operators of those two facilities are Scoular Grain and CHS. The addition of these competitive companies has dramatically improved the cash grain prices locally and supports the land values and rents in the area.

A few years ago, farm operators in cooperation with the City of Springfield’s “City Water, Light and Power Company” (CWLP) collaborated in a successful effort to reduce the atrazine runoff potential into Lake Springfield. The effort required a fairly minor adjustment to herbicides usage and timing of application. The effort was all voluntary and worked with minimal increase in input costs. Now, an effort to collaborate to reduce the potential for nitrogen runoff into the lake is being developed. Farm operators will be asked to consider changing application rates and timing to help improve water quality. The collaboration involves the Sangamon County Soil and Water Conservation District, The Illinois Council on Best Management Practices, Lincoln Land Community College, CWLP, and ag retailers. As in the past, the key to the success of this effort will be the farm operators and land owners making some adjustments to practices. This represents a perfect opportunity for agriculture to show good stewardship and cast a positive image of our industry. For more information, visit the website of The Illinois Council on Best Management Practices -illinoiscbmp.org.

Excellent Productivity Tracts

This land, generally described as flat, black and square, continues to be in great demand in our region. The principle buyers have been operating farmers and investors with close ties to aggressive operating farmers. Similar to other areas in the state, Region 7 has locations with particularly



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strong land markets, and other areas where land sales values tend to be lower. We have observed this pattern many times over the years as the land market continued upward. In 2013, it appears the more conservative areas in the region may have weakened relative to the stronger land market areas, especially as the year ended.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| Sangamon | Jan | 76.6 | 95.5 | 139.7 | 13,000 |
| Jersey | Jan | 146.7 | 97.0 | 142.8 | 14,399 |
| Menard | Feb | 40.0 | 99.0 | 141.7 | 13,250 |
| Morgan | Mar | 96.1 | 99.0 | 142.3 | 16,000 |
| Menard | Mar | 106.1 | 98.0 | 140.4 | 11,900 |
| Greene | Apr | 80.0 | 93.9 | 138.8 | 14,200 |
| Cass | Aug | 58.2 | 99.0 | 134.8 | 11,856 |
| Menard | Oct | 153.3 | 86.0 | 136.4 | 10,500 |
| Morgan | Nov | 160.0 | 96.4 | 138.3 | 13,900 |
| Menard | Nov | 78.5 | 96.0 | 140.4 | 8,800 |
| Sangamon | Nov | 77.2 | 94.3 | 140.9 | 14,200 |

Good Productivity Tracts

Last year, we commented that properties in this category had gained some strength relative to the excellent quality land. It appears that this land class held its value at year end in the stronger land market areas better than in the more conservative areas. In the southern counties of region seven, this category of land is the “best land” available, and in those areas values appeared to have held up best toward year end. As the land productivity approaches the

lower end of this land class, values fall off rapidly. This class usually has one or more hazards including: lessor productive soils, unusual shape, varying topography, lack of road frontage, ditches or ponds, cut by roads or railroads or other public utilities. If potential flooding is an element of hazard, the discount is higher.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Montgomery | Jan | 40.0 | 95.0 | 131.1 | 13,390 |
| Sangamon | Jan | 160.1 | 90.5 | 128.0 | 8,509 |
| Jersey | Feb | 232.8 | 98.0 | 132.4 | 11,500 |
| Cass | Mar | 99.7 | 95.0 | 125.6 | 11,100 |
| Cass | Apr | 39.7 | 90.0 | 119.0 | 7,500 |
| Morgan | Apr | 95.8 | 94.7 | 121.5 | 9,280 |
| Macoupin | May | 70.0 | 94.4 | 128.5 | 11,000 |
| Sangamon | Jun | 43.9 | 96.5 | 121.7 | 9,900 |
| Menard | Aug | 69.7 | 95.8 | 132.0 | 9,970 |
| Montgomery | Aug | 70.4 | 100.0 | 125.7 | 8,600 |
| Scott | Sep | 200.0 | 95.0 | 129.9 | 8,850 |
| Macoupin | Oct | 80.0 | 94.0 | 123.8 | 8,125 |
| Montgomery | Nov | 38.8 | 96.5 | 123.9 | 11,487 |
| Macoupin | Nov | 131.0 | 96.0 | 128.9 | 11,874 |
| Morgan | Nov | 80.0 | 90.1 | 126.6 | 14,300 |
| Morgan | Nov | 180.0 | 79.9 | 128.9 | 7,667 |
| Greene | Nov | 92.3 | 85.5 | 117.3 | 7,200 |

Average Productivity Tracts

This classification of farmland includes significant variation of farms across the region. Sales of average productivity track varied in sale prices from a low of about \$3,000

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REGION 7

per acre to as much as \$8,000 per acre. The variation is a function of the percentage tillable and production hazards. Suitability for pasture or recreational use of the non-tillable acres also contributes to the price of a property. Higher prices generally are nearer to metropolitan centers. It also appears as the productivity rating approaches the low end of the average category, agricultural use prices are extremely discounted. In 2013, in our area, it appears this land maintained its value relatively well toward year end.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Montgomery | Jan | 33.0 | 89.7 | 105.5 | 6,415 |
| Jersey | Jan | 52.0 | 90.4 | 113.6 | 5,000 |
| Macoupin | Jan | 161.0 | 61.6 | 106.5 | 4,752 |
| Montgomery | Feb | 34.3 | 96.8 | 102.1 | 6,200 |
| Montgomery | Mar | 62.0 | 98.9 | 113.4 | 8,101 |
| Macoupin | Mar | 20.0 | 98.5 | 104.6 | 5,750 |
| Jersey | Apr | 30.7 | 56.0 | 111.7 | 6,347 |
| Greene | May | 80.0 | 82.4 | 114.8 | 6,000 |
| Scott | May | 154.3 | 78.0 | 112.4 | 7,259 |
| Morgan | Jun | 21.0 | 79.5 | 114.9 | 7,800 |
| Jersey | Jul | 106.9 | 92.3 | 114.8 | 8,376 |
| Macoupin | Sep | 40.0 | 97.4 | 111.8 | 6,500 |
| Montgomery | Sep | 111.0 | 90.0 | 114.0 | 8,412 |
| Montgomery | Oct | 160.0 | 95.6 | 111.1 | 6,500 |
| Montgomery | Nov | 160.0 | 85.3 | 109.1 | 8,800 |
| Macoupin | Nov | 80.0 | 89.4 | 106.9 | 6,550 |
| Menard | Nov | 18.5 | 86.0 | 114.8 | 6,200 |



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Fair Productivity Tracts

No sales of the Fair Productivity tracts occurred in our region this year. Given the high input costs for seed and fertilizer, and the risk of production, income expectations are very tempered on this quality of land. Depending on the topography and location, recreational use may help support the value of this type of land more than farming

Recreational Tracts

Sales of average-to-air land, with a low percentage of which is tillable may be supported by recreational use. We noted many sales of low percentage tillable land showing a premium clearly above the tillable portion. This premium may be for pasture land, timber, or recreational uses. We believe that sales values of this type of land have at least held steady and show some recovery from the woes of the Great Recession.

Hunting leases are common in Region 7. These leases are common on both upland and bottom land tracts. Many un-levied or otherwise frequently flooded bottom-land farms adjacent to rivers or streams in our area are enrolled in the government long term set aside (CREP) program. These tracts are attractive for hunting depending on the amount of wooded area that compliments the set-aside. Typically we don't see much premium added to the value of this type of land due to the government program. Land is a long term investment, it is not



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known if the CREP program is going to be available in the long run.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|----------------|
| Calhoun | Jan | 102.8 | 0.0 | N/A | 2,707 |
| Calhoun | Mar | 75.0 | 0.0 | N/A | 3,300 |
| Cass | May | 94.3 | 0.0 | N/A | 3,499 |
| Macoupin | Jun | 40.0 | 0.0 | N/A | 3,350 |
| Montgomery | Jun | 49.8 | 0.0 | N/A | 4,039 |
| Greene | Oct | 40.0 | 0.0 | N/A | 3,500 |
| Greene | Oct | 80.0 | 11.0 | 115.0 | 3,100 |

Transitional Tracts

Perhaps we are on the threshold of a comeback for “transitional” type land. This type of land is agricultural land on the edge of urban areas in line for transition to other uses. We only show one sale above that occurred late in the year on the south side of Springfield. The price is clearly beyond current agricultural values! The last few years we noted that agricultural land prices on excellent soils equaled transitional land prices. This convergence was due to the uptrend in agricultural prices concurrently with the plummeting of interest in development.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| Sangamon | Dec | 75.5 | 48.0 | 130.3 | 37,540 |



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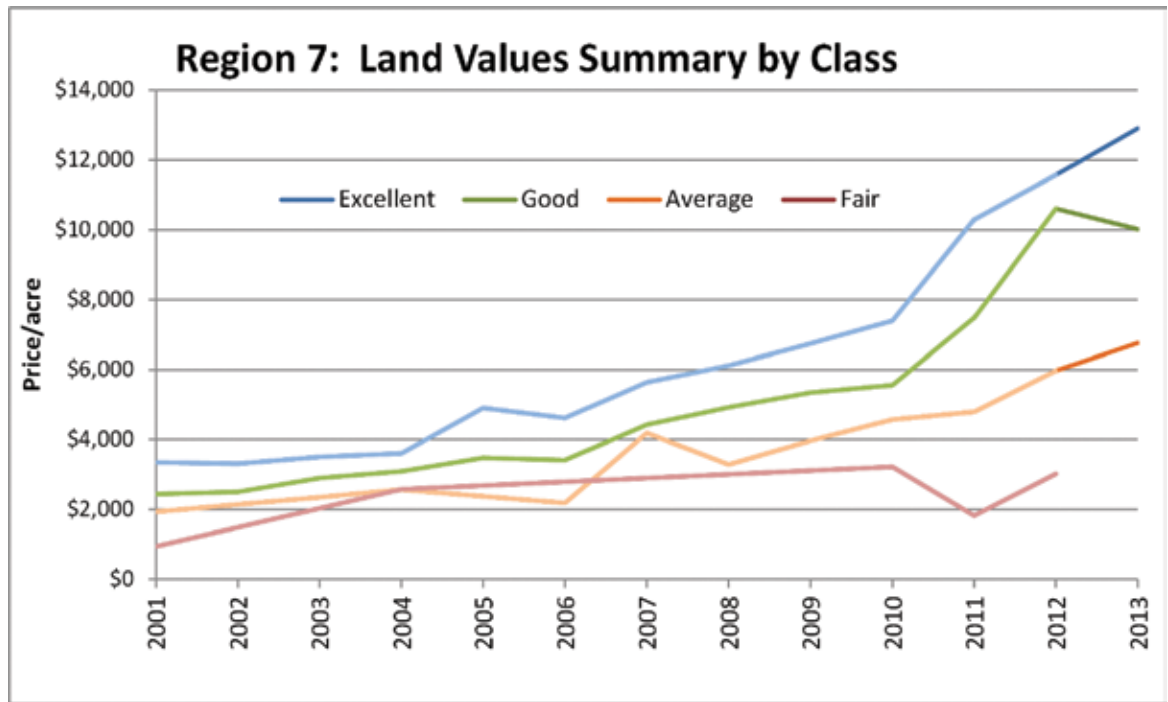
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Other Tracts

ADM purchased 4.07 million bushel storage and handling facility north of Carlinville as the result of an asset foreclosure by a local bank. ADM, in turn, sold all assets purchased from the foreclosure, retaining the grain facility. M&M Service Company (Local FS for Macoupin and Montgomery counties) has procured a seven year lease on the grain storage facility and is operating it as M & M Service "Carlinville North."



| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| Macoupin | Nov | 80.0 | 76.6 | N/A | 113,750 |

This sale included a farmstead headquarters with 4 million bushels of grain storage.

Region 7. Average Sales Price of Completed Sales in Region by Year and Category*

| Year | --- Category --- | | |
|------|------------------|--------|---------|
| | Excellent | Good | Average |
| 2001 | 3,354 | 2,442 | 1,929 |
| 2002 | 3,309 | 2,500 | |
| 2003 | 3,509 | 2,897 | 2,350 |
| 2004 | 3,610 | 3,091 | 2,570 |
| 2005 | 4,906 | 3,477 | |
| 2006 | 4,621 | 3,416 | 2,178 |
| 2007 | 5,641 | 4,429 | 4,191 |
| 2008 | 6,123 | 4,924 | 3,285 |
| 2009 | 6,739 | 5,344 | 3,969 |
| 2010 | 7,397 | 5,558 | 4,569 |
| 2011 | 10,291 | 7,483 | 4,793 |
| 2012 | 11,576 | 10,606 | 5,967 |
| 2013 | 12,910 | 10,015 | 6,762 |

* (Note: Limited numbers of sales in some years and special features may affect values)

Lease Trends

Flexible cash rents in our area typically use the farm's actual production crop yields and a series of actual local prices through the crop year to determine revenue. A percentage of revenue is used as the determinant of the final cash rent per acre. A minimum rent, typically somewhat under the high-end market rate, is guaranteed to the landlord. Additional rent depends on the outcome of the revenue described above. The rents from flexible cash leases preformed generally very well in our area in 2013 because yields were generally very good and the average prices were favorable. In 2013, rents achieved under flexible cash rent leases competed well with fixed rents.

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Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|------------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Excellent Productivity | 200 | 300 | 400 | one year | 400 | 50 | 40 | | 10 |
| Good Productivity | 150 | 200 | 300 | one year | 300 | 40 | 50 | 10 | |
| Average Productivity | 100 | 125 | 200 | one year | 200 | 30 | 50 | 20 | |
| Fair Productivity | 50 | 75 | 100 | one year | 100 | 30 | 50 | 10 | |

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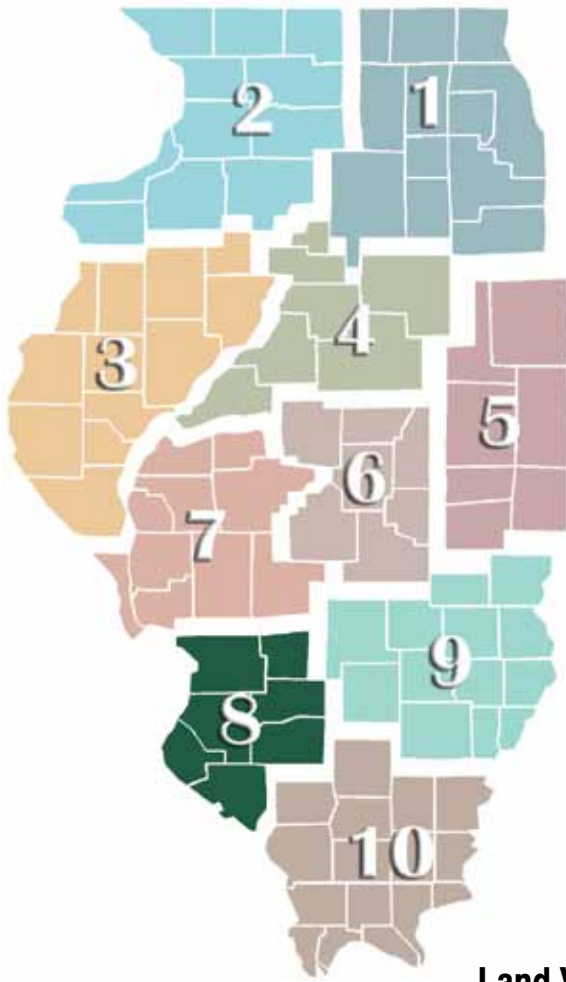


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Region 8 - Southwest

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Land Value and Cash Rent Trends Overall Summary

| <u>Farm Classification</u> | <u>Total Value Per Acre (Typical)</u> | <u>% Change in \$/Acre from prior year</u> | <u>Change in rate of land turnover</u> | <u>Ave. Cash Rent Per Acre typical in region</u> | <u>% Change from prior year</u> | <u>Ave. Cash Rent/Ac. on recently negotiated leases</u> |
|----------------------------|---------------------------------------|--|--|--|---------------------------------|---|
| Excellent Productivity | \$12,700 | Steady to 10 % higher | Steady | \$285 | Steady | |
| Good Productivity | \$8,750-\$13,500 | 10 % to 35 % higher | Steady | \$240 | 5 % higher | |
| Average Productivity | \$7,500-\$11,500 | 5 % to 25 % higher | Up 20 % | \$200 | 8 % higher | |
| Fair Productivity | \$5,500-\$9,500 | 5 % to 20 % lower | Up 20 % | \$170 | 13 % higher | |
| Recreational Land | \$2,500-\$4,700 | Steady to 15 % higher | Steady to down 10 % | \$20 | Steady | |
| Transitional Tracts | \$8,400-\$12,850 | Steady to 15 % higher | Steady | | | |

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.

The staggering pace of new residential development that existed in 2008 continues to recover since the onset of the recession. Nevertheless, the population in the St. Louis metropolitan area still provides a strong economic engine

for the economy of the region and has a positive influence on land values depending on location. With a large population base within easy driving distance, recreational land has traditionally been in high demand in Region 8. It too continues to recover from the recession.

Agricultural land in Region 8 is mostly of average productivity and is mostly used for raising corn, soybeans, and wheat. The eastern side of Region 8 has some scattered small beef operations, but there are many dairies and some large hog operations. The large dairies and hog operations have competed vigorously with large corn and soybean operations, and land prices reflect that locally. In addition, slowly expanding communities continue to add to upward pressure on land prices. Farmers are more confident that they can raise higher yields on lower quality farms by us-

ing newer technologies and genetics. There has also been a surge in tile installation on the better soils in Region 8. Like many other parts of the state, the region experienced a very wet spring that delayed planting about a month. Conditions turned near-perfect in the late spring/early summer. As July progressed, temperatures were normal, but rainfall slowed dramatically. That trend continued into August, and prospects of record yields diminished. Because of the late planting, harvest was late as well. Corn and beans made the most of the minimal rainfall and produced above-average yields. The yields helped make up for the drop in prices, and this gave land buyers more reason to keep bidding.

Good Productivity Tracts

Region 8 has very few areas with soils at 133 and above. Two sales in the excellent category were noted in 2013, but they are included in the Transitional Tracts section. Unfortunately, the majority of the excellent soils in Region 8 are located in development areas around Scott Air Force Base, Belleville, and Mascoutah.

There are spotted areas of good productivity soil types intermingled among average productivity soil types in the northern and eastern portion of Madison County, the eastern portion of St. Clair County, river bottom soils, and the western parts of Clinton, Bond, and Washington Counties in Region 8. Sale prices in 2013 for the good productivity tracts in Region 8 generally ranged from \$8,750/acre to \$13,586/acre. This range is 10 to 13 percent higher than 2012, with the top sale being 35 percent higher than 2012's top sale.



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| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Monroe | Jul | 40.0 | 98.0 | 117.0 | \$8,750 |
| Madison | Nov | 96.4 | 93.0 | 123.0 | \$9,112 |
| Madison | Oct | 68.0 | 100.0 | 125.0 | \$10,000 |
| St. Clair | Nov | 76.6 | 96.0 | 119.0 | \$10,180 |
| Madison | Jun | 120.0 | 100.0 | 123.0 | \$13,586 |

Average Productivity Tracts

Most of Region 8 is made up of average productivity soil types. These soil types tend to be generally level to undulating with mostly rectangular shaped fields, but may also have some crossable waterways or ditches associated with them. We placed the representative sales in sales price order to show how wide that sales price range is, even though the quality of farms (percent tillable and PI) is not very diverse. One trend that can be seen is that prices generally rose later in the year.

Values jumped again in 2013 and ranged primarily from \$7,500 to \$11,500/acre. This is an increase of 3 percent compared to the low end of 2012's range; and 16 percent on the high end. When looking at individual sales, sales on the lower end of the price range increased around 5 percent over 2012. The sales on the top end increased from 10 to 25 percent above 2012's top end sales. Randolph had very few sales of nice farms in 2013, and it shows in the sales prices – they were 20 to 40 percent higher in 2013.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Clinton |
|------------|-----------|-------------|------------|----------------------|------------------------|
| Clinton | Jan | 80.7 | 91.0 | 105.0 | \$6,509 |
| Bond | Mar | 120.0 | 94.0 | 108.0 | \$7,080 |
| Randolph | Mar | 40.0 | 72.0 | 106.0 | \$7,500 |
| St. Clair | Mar | 59.8 | 89.0 | 106.0 | \$7,692 |
| Clinton | Feb | 35.1 | 100.0 | 106.0 | \$7,771 |
| Washington | May | 80.0 | 100.0 | 100.0 | \$8,000 |
| Madison | Mar | 80.1 | 93.0 | 113.0 | \$8,117 |
| Bond | Aug | 41.0 | 97.0 | 110.0 | \$8,415 |
| Washington | May | 38.0 | 100.0 | 108.0 | \$8,501 |
| Madison | Jun | 72.0 | 100.0 | 110.0 | \$8,520 |
| Bond | Nov | 98.2 | 96.0 | 104.0 | \$8,836 |
| Randolph | Nov | 92.0 | 99.0 | 107.0 | \$8,860 |
| Bond | Dec | 79.0 | 94.0 | 107.0 | \$9,150 |
| Clinton | Feb | 39.9 | 98.0 | 113.0 | \$9,167 |
| Madison | Dec | 33.4 | 97.0 | 103.0 | \$9,302 |
| Washington | Dec | 112.6 | 91.0 | 102.0 | \$9,850 |
| St. Clair | Jul | 72.1 | 100.0 | 102.0 | \$10,055 |
| Bond | Aug | 40.0 | 95.0 | 102.0 | \$10,650 |
| Washington | Aug | 57.0 | 99.0 | 113.0 | \$11,100 |
| Clinton | Dec | 38.0 | 99.0 | 106.0 | \$11,200 |
| Washington | Apr | 120.5 | 89.0 | 111.0 | \$11,365 |
| Washington | Aug | 56.0 | 99.0 | 110.0 | \$11,600 |
| Clinton | Oct | 20.0 | 95.0 | 105.0 | \$12,000 |

Fair Productivity Tract

Fair Productivity Tracts tend to be located in the more rolling areas of Region 8 and are usually rolling or sloping timber soils with erosion control challenges. Fields are often irregularly shaped with a certain amount of non-tillable woods or waste. There may be some creek bottom

REGION 8

soils associated with these farms at the base of the rolling hills or steep slopes. These types of farms generally require additional inputs of time, labor, and management, and can be more inefficient to farm with large modern machinery.

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.

The 2013 sales were in a generally narrower range compared to 2012 (\$5,510 - \$12,728 vs \$5,803 - \$17,341). The lower end of the price range is down around 5 percent compared to 2012. The top end is down around 20 percent. The first two sales illustrate discounts due to a lower percent tillable and lower P/I. Once again, the sales are in order of price to show the lack of any consistency relating to percent tillable or P/I or size. The last sale at \$12,728 (86 percent tillable, 97 PI) was sold at the same auction as the Transitional tract that sold for \$8,829 (94 percent tillable, 109 PI).

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Madison | Aug | 30.1 | 75.0 | 91.0 | \$4,288 |
| Washington | Sep | 80.0 | 95.0 | 84.0 | \$4,817 |
| Washington | Nov | 78.5 | 89.0 | 97.0 | \$5,510 |
| Washington | Sep | 60.0 | 85.0 | 99.0 | \$6,650 |
| Madison | Aug | 88.3 | 97.0 | 93.0 | \$6,700 |
| Washington | Apr | 30.0 | 100.0 | 98.0 | \$7,067 |
| St. Clair | Nov | 82.0 | 81.0 | 94.0 | \$7,561 |
| Monroe | Nov | 120.0 | 71.0 | 99.0 | \$7,700 |
| St. Clair | Mar | 34.8 | 100.0 | 97.0 | \$8,908 |

| | | | | | |
|------------|-----|-------|------|------|----------|
| St. Clair | Mar | 114.8 | 96.0 | 96.0 | \$9,057 |
| Washington | Dec | 50.0 | 94.0 | 99.0 | \$9,500 |
| Clinton | Nov | 29.1 | 86.0 | 97.0 | \$12,728 |

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. The buyers of these recreational properties are usually non-farmers and hunters looking for the recreational opportunities, rather than agricultural production of the tract.

There is 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. 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 the region. The Kaskaskia River flows through the eastern and southern portions of Region 8 and much of the wooded area in the Region follows the Kaskaskia and its tributaries. Demand for recreational tracts in Region 8 fell significantly when the economic recession began.



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The year 2013 saw continued recovery with base values increasing around 9 percent on the low end and 16 percent on the higher sales, when compared to 2012. The low sale illustrates a parcel with access problems. The Monroe County sale shows a little added value for some tillable ground. The high sale is a parcel that adjoins Carlyle Lake.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Clinton | May | 20.0 | 0 | | \$1,750 |
| Washington | Nov | 20.0 | 0 | | \$2,500 |
| Clinton | July | 24.0 | 0 | | \$2,550 |
| St. Clair | Apr | 36.0 | 0 | | \$3,238 |
| Bond | Apr | 28.0 | 0 | | \$4,464 |
| Bond | Apr | 52.0 | 0 | | \$4,482 |
| Monroe | Nov | 87.5 | 24.0 | 100.0 | \$4,688 |
| Clinton | May | 55.1 | 10.0 | | \$7,477 |



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Transitional Tracts

All sales listed either adjoin towns or are within the city limits. In spite of their locations, these sales are listed to show that their values do not reflect much, if any, added value due to their location. In fact, many of these sales are lower than similar tracts that are listed in their respective Excellent, Good, Average, and Fair categories. Prior to 2008, farms adjoining large cities (O'Fallon, Belleville, Edwardsville) were selling for \$25,000-\$40,000/acre. And farms adjoining the smaller collar towns were around \$15,000/acre.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Monroe | Feb | 102.1 | 94.0 | 100.0 | \$8,376 |
| Clinton | Nov | 74.2 | 94.0 | 109.0 | \$8,829 |
| Monroe | May | 32.4 | 98.0 | 105.0 | \$9,166 |
| Madison | July | 75.7 | 73.0 | 100.0 | \$9,511 |
| Monroe | Aug | 80.2 | 53.0 | 112.0 | \$9,668 |
| St. Clair | Jun | 45.8 | 100.0 | 141.0 | \$12,505 |
| St. Clair | May | 95.6 | 96.0 | 140.0 | \$12,850 |

Other Tracts

The \$4,000 sale was for a tract primarily used for pasture. The \$5,525 sale was the best deal in 2013 in the Average Productivity category, but there was a bit of a location discount. It sits on Kaskaskia Island, which has a limited number of local landowners and operators.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| Madison | Aug | 32.6 | 0.0 | | \$4,000 |
| Randolph | Apr | 80.0 | 100.0 | 115.0 | \$5,525 |

Special Interest

"Coast to Coast" sold 376.41 acres, an improved reclaimed mine site near Freeburg, to "Field of Dreams" in November of 2013 for \$1,000,000 (\$2,656/acre). The property was the site of the "tipple". This is the structure usually at the mouth of an underground mine where the coal is brought to the surface and processed to be shipped. It also handled the coal from the strip mine operation on the south side of Jack's Run Road. The coal mine was closed and Peabody completed the reclamation work required by the Illinois Department of Natural Resources in order the release it from its bonds so that the property could be sold without restrictions. The rails have all been removed from the rail line used for shipping the coal.

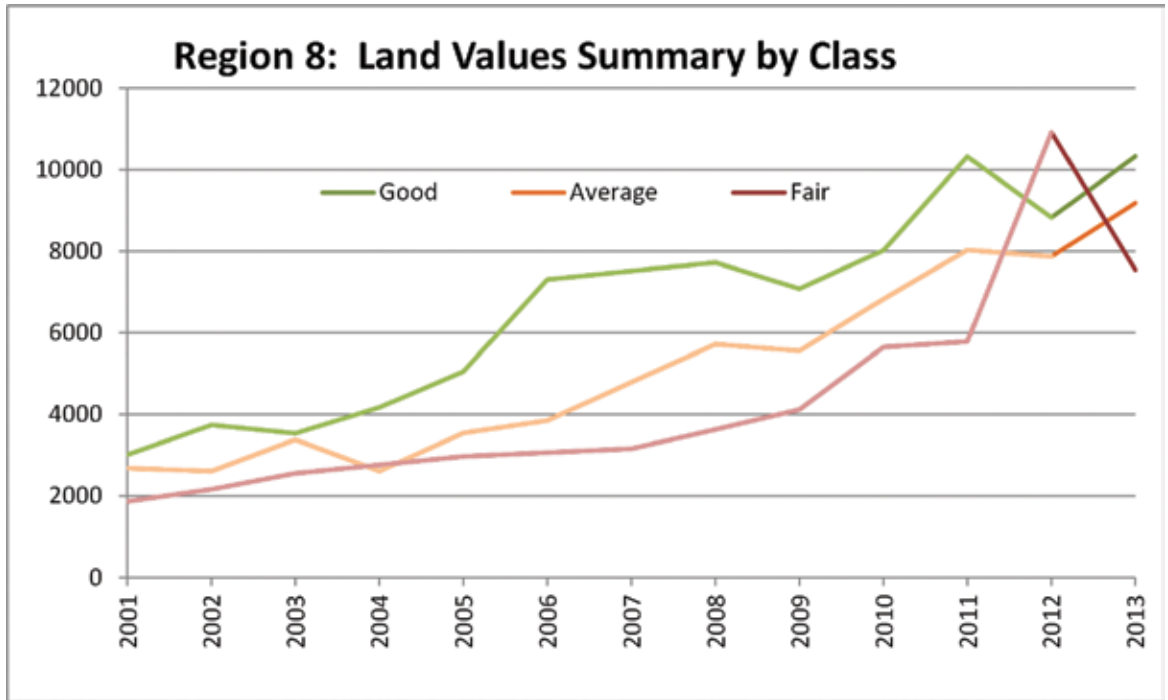
The only structure that remains on the subject property is the original shop building. This is an "L" shaped structure built in approximately 1965 to 1970. The north wall is 200 feet long and the west wall is 58 feet long. There is a 100-foot x 66-foot extension on the east end that contains a shop area with 16-foot eave heights. The shop area was designed to handle heavy mining equipment. The floors are typically 24 inch thick concrete. The structure is steel frame with masonry walls with the exterior covered by stainless steel siding. It has a flat roof that will likely need some major repair or replacement within the next ten

years. This has somewhat of a negative impact on its overall contributory value. A construction site office trailer is located south of the building.

The land has a straight boundary along the north side of Jack's Run Road. The east boundary is also straight as it lies along the west side of Funk School Road. Most of this area has been used for stockpiling glob coming from the mining operation. The glob pile has been covered with a soil cap. There were some other mine buildings located to the west; that parcel was sold off in earlier years.

The elevation on the subject property is varied. Based on measurements taken from Google Maps, the surface of the lake is at 463 feet elevation. The hill (recovered glob pile) has an elevation of 522 feet. The building site elevation is 490 feet. The southeast corner at the intersection of Jack's Run and Funk's School Roads is 450 feet.

Most of the land lying to the east of the subject property was used in the reclamation of the glob pile. Soil maps indicate that it has been moved for mining purposes. It would not be suitable for crop production. However, it would be suitable for wildlife use or pasture. A tenant who plans to rent approximately 300 acres of the contiguous open portions of the property for cattle pasture. The building on the subject property would be considered to be super adequate for cattle shelter for the 100 head of cattle expected to be run on the pasture. It could provide future use for storage of large equipment.

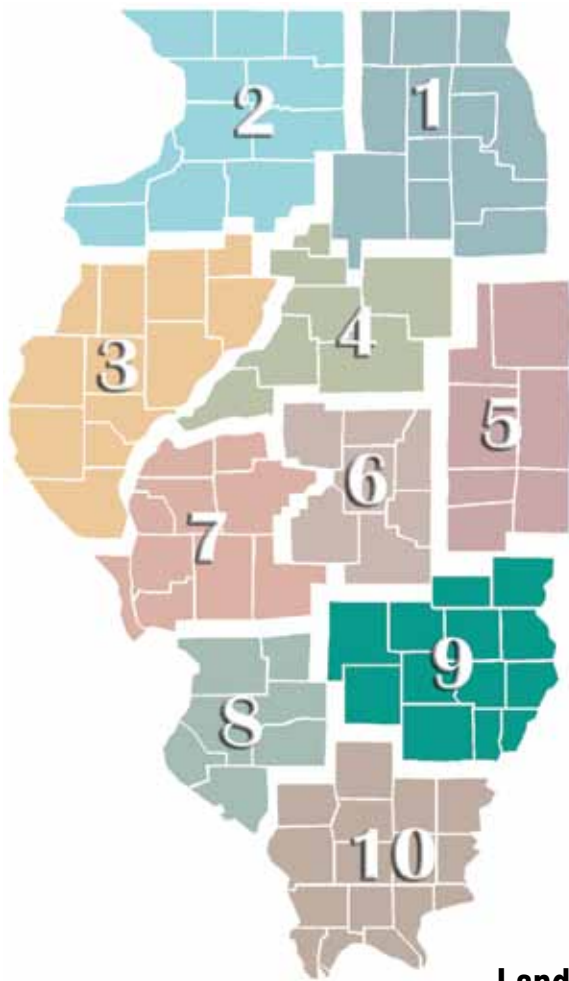


Lease Trends

Base cash rents, and some of the 'flexible cash rent' terms, were established when grain prices were still high. This, along with above average yields, resulted in higher cash rents in 2013. Bonuses ranged from \$25/acre to \$125/acre, with most in the \$75-\$100/acre range. Crop share leases remain popular in southern Illinois. But as the summer of 2013 became drier, memories of 2012 quickly came back. The results were fewer grain contracts at the higher grain prices, and therefore lower incomes on crop share farms.

Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|------------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Excellent Productivity | 270 | 285 | 325 | 1 year | 300 | 5 | 85 | 10 | |
| Good Productivity | 225 | 240 | 325 | 1 year | 250 | 5 | 85 | 10 | |
| Average Productivity | 175 | 200 | 275 | 1 year | 215 | 5 | 85 | 10 | |
| Fair Productivity | 150 | 70 | 250 | 1 year | 180 | 5 | 85 | 10 | |
| Recreational Land | 15 | \$20 | 25 | 1 year | 20 | 100 | | | |



Region 9 - Southeast

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Land Value and Cash Rent Trends Overall Summary

| <u>Farm Classification</u> | <u>Total Value Per Acre (Typical)</u> | <u>% Change in \$/Acre from prior year</u> | <u>Change in rate of land turnover</u> | <u>Ave. Cash Rent Per Acre typical in region</u> | <u>% Change from prior year</u> | <u>Ave. Cash Rent/Ac. on recently negotiated leases</u> |
|----------------------------|---------------------------------------|--|--|--|---------------------------------|---|
| Excellent Productivity | NONE | | | | | |
| Good Productivity | \$9,500 | Steady | Steady | \$300 | No change | \$300 |
| Average Productivity | \$7,500 | Steady | Steady | \$250 | No change | \$250 |
| Fair Productivity | \$5,850 | 10 % | Steady | \$200 | No change | \$200 |
| Recreational Land | \$3,150 | Steady to up slightly | Steady | | | |
| Transitional Tracts | \$12,000 | Steady to up slightly | Steady | | | |
| Other Sales (describe) | \$5,800 | 10 % | Steady | | | |

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

This year experienced little increase from the 2012 levels. The average sales price for good and average productiv-

ity soils remained near last year’s levels. Fair productivity farms and recreational land experienced slightly higher average sales prices. Often these properties vary in tillable percentage, making a year-to-year comparison more difficult.

Good Productivity Tracts

Most soils in this region have a productivity level below 115, so we have few sales of good productivity soils.

A sampling of representation sales from 2013 is provided in the table above, but the limited number makes comparisons to previous period’s sales difficult.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Lawrence | Jan | 57.5 | 100.0 | 123.2 | 8,438 |
| Cumberland | Feb | 197.8 | 97.6 | 119.0 | 11,874 |
| Wabash | Mar | 16.8 | 97.3 | 120.9 | 12,600 |
| Crawford | Jul | 30.0 | 99.5 | 122.8 | 8,000 |
| Lawrence | Oct | 80.0 | 93.9 | 118.8 | 6,095 |

Average Productivity Tracts


Average Productivity soils make up the majority of the cropland in our region. Most of the soils are developed from prairie and timber vegetation. Prices for this land class vary widely throughout our region although all counties have seen increasing sales prices in the spring. The year-end average seemed to indicate steady pricing for average quality land in the 2013 year. In 2013, sale prices ranged from around \$36.53 per P/I point to \$119.06. The average for all sales reviewed in Region 9 was \$68.27 per P/I point; up 7.4 percent from the 2012 year.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Wabash | Feb | 11.8 | 100.0 | 103.2 | 7,024 |
| Edwards | Apr | 95.8 | 96.0 | 109.8 | 9,081 |
| Clark | Apr | 60.0 | 98.3 | 109.8 | 6,700 |
| Cumberland | Apr | 200.0 | 97.0 | 108.0 | 11,440 |
| Clay | Jun | 160.0 | 99.7 | 107.3 | 7,900 |
| Richland | Jun | 40.0 | 100.0 | 103.6 | 6,500 |
| Edwards | Jun | 117.0 | 87.3 | 103.7 | 7,450 |
| Cumberland | Jul | 58.0 | 95.8 | 100.0 | 8,116 |
| Lawrence | Aug | 40.0 | 100.0 | 105.3 | 8,480 |
| Marion | Sep | 55.0 | 94.5 | 100.0 | 6,500 |
| Fayette | Oct | 225.0 | 100.0 | 105.8 | 7,249 |
| Jasper | Nov | 223.1 | 99.0 | 104.6 | 7,497 |
| Effingham | Dec | 40.0 | 98.9 | 114.1 | 8,250 |

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. Demand for additional cropland has led to an increase in prices for this land category. In 2013, price of fair cropland ranged from \$42.64 to \$134.17 per P/I Point; and averaged \$70.97, up 9.7 percent from the 2012-year.

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| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|------------|-----------|-------------|------------|----------------------|-------------------|
| Edwards | Jan | 78.6 | 86.0 | 92.0 | 5,434 |
| Marion | Jan | 38.5 | 93.0 | 98.8 | 5,750 |
| Richland | Mar | 26.4 | 100.0 | 96.1 | 5,720 |
| Marion | Mar | 99.7 | 97.0 | 99.6 | 5,702 |
| Jasper | May | 10.0 | 91.0 | 94.9 | 5,500 |
| Effingham | May | 46.5 | 66.5 | 95.9 | 5,161 |
| Lawrence | Jul | 30.0 | 98.3 | 87.7 | 7,500 |
| Edwards | Jul | 80.0 | 95.1 | 94.0 | 7,500 |
| Cumberland | Sep | 30.0 | 83.3 | 97.2 | 5,423 |
| Wayne | Sep | 50.0 | 93.8 | 99.9 | 5,000 |
| Clay | Sep | 30.0 | 95.2 | 98.1 | 6,500 |
| Fayette | Nov | 60.0 | 97.2 | 97.9 | 5,550 |

Recreational Tracts

Recreational land prices appear to have increased slightly in 2013. Many of these tracts include some tillable acres in smaller, irregularly shaped fields. Some partially tillable tracts are being purchased for cropland use, but most tracts have a non-agricultural highest-and-best use. The presence of cropland, percentage tillable and productivity levels seem to have little effect on the overall value per acre. Region 9 sales ranged for \$1,424 to \$7,500 per acre in 2013.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|----------|-----------|-------------|------------|----------------------|-------------------|
| Edwards | Jan | 60.0 | 47.7 | 94.1 | 2,933 |
| Clay | Jan | 41.4 | 0.0 | | 3,241 |
| Marion | Feb | 10.0 | 0.0 | | 3,500 |
| Wayne | Apr | 40.0 | 0.0 | | 2,850 |
| Clark | May | 47.5 | 0.0 | | 3,200 |
| Lawrence | Jun | 20.0 | 42.3 | 75.6 | 2,505 |
| Clay | Aug | 40.0 | 12.5 | 90.0 | 2,588 |
| Marion | Oct | 25.0 | 42.0 | 100.3 | 3,000 |
| Wayne | Nov | 19.0 | 0.0 | | 2,895 |

Transitional Tracts

There was little activity in transitional land for 2013, and very little land developed. The January sale has highway frontage and is well-suited for a commercial or industrial use. The April sale is currently being farmed and located in an area where rural residential subdivisions are common. There is no known development plans for this property in



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the near future. The sales price is similar to another 40-acre tract purchased for development approximately two years earlier, indicating a stable market in this area.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Effingham | Jan | 20.0 | 99.5 | 108.8 | 32,000 |
| Marion | Jul | 60.0 | 99.0 | 101.9 | 18,333 |
| Marion | May | 71.3 | 100.0 | 103.7 | 14,284 |
| Marion | Mar | 40.0 | 59.0 | 98.4 | 8,000 |
| Effingham | Apr | 62.7 | 97.1 | 97.8 | 9,000 |

Other Tracts – Bottomland

Most of the bottomland cropland in Region 9 is Class B or C soils. Pricing for these lands can vary due to flood protection, their location, ease of access and the potential for irrigation.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|---------|-----------|-------------|------------|----------------------|-------------------|
| Jasper | Jan | 40.0 | 55.0 | 127.7 | 2,500 |
| Jasper | Feb | 40.0 | 73.5 | 116.3 | 3,900 |
| Fayette | Mar | 67.2 | 84.4 | 126.9 | 5,882 |
| Edwards | Mar | 20.0 | 90.0 | 110.6 | 5,100 |
| Edwards | Jul | 80.0 | 80.3 | 108.1 | 6,900 |
| Clay | Aug | 21.4 | 48.7 | 128.0 | 3,505 |
| Marion | Oct | 53.0 | 38.0 | 126.0 | 2,358 |
| Wabash | Nov | 114.9 | 100.0 | 123.7 | 13,539 |
| Fayette | Dec | 103.4 | 77.4 | 118.5 | 5,500 |

Special Interest

In 2013, there were a couple of auctions where the sellers reserve was not met. One larger tract auction occurred in November and involved 2,013 acres of mostly bottomland in Clay County. The high bid was \$4,450,000 for all tracts and did not sell. Another auction occurred in December in Wayne County. This sale was a 71-acre tract of fair productivity land that was mostly tillable. The high bid was \$3,700 per acre and the property did not sell at auction.

There was a larger tract auction in December in Crawford County. This sale sold as 7 tracts with 6 tracts of cropland and 1 tract of recreational land located along the Embarras River.

The cropland tracts contained a total of 1,354.6 acres of land with 1,273 tillable acres (94 percent tillable). They sold, collectively for \$5,869.43 per acre. Most of the cropland was bottomland that was levee protected. There was a machine shed and approximately 90,000-bushel of grain storage located on the upland. The recreational land contained 198.4 acre of land and was located along the Embarras River. There was no tillable land in this tract which sold for \$1,259.70 per acre.

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Region 9: Percentage Change

| By Period | Average | Fair |
|--------------------|---------------|---------------|
| 2001 - 2002 | 1.86% | 49.35% |
| 2002 - 2003 | 4.47% | 1.98% |
| 2003 - 2004 | 13.82% | 12.90% |
| 2004 - 2005 | 19.73% | -6.69% |
| 2005 - 2006 | 3.35% | 27.68% |
| 2006 - 2007 | 17.54% | 28.59% |
| 2007 - 2008 | 16.47% | 0.34% |
| 2008 - 2009 | 4.17% | -6.71% |
| 2009 - 2010 | 19.13% | 28.58% |
| 2010 - 2011 | 25.94% | 23.13% |
| 2011 - 2012 | -2.20% | -3.24% |
| 2012 - 2013 | 24.31% | 19.77% |
| 2001 - 2013 | 12.38% | 14.64% |

* (Note: Limited numbers of sales by year may affect representativeness)



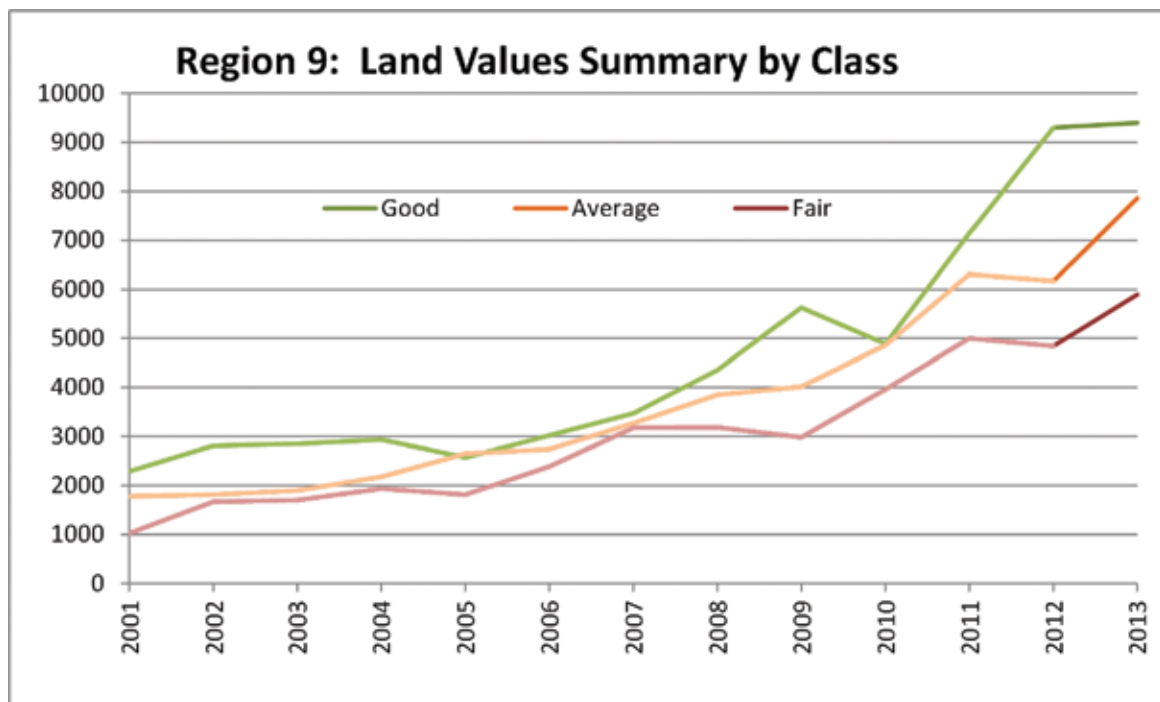
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Lease Trends

Most newly negotiated leases are at last year's levels. Many operators are reluctant to increase their rent offers in light of lower grain prices. In the newer leases, landowners are favoring cash rent contracts over crop share agreements.



Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|----------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Good Productivity | 275 | 300 | 325 | 2 years | 300 | 50 | 30 | 20 | 0 |
| Average Productivity | 200 | 250 | 275 | 2 years | 250 | 50 | 30 | 20 | 0 |
| Fair Productivity | 175 | 200 | 225 | 2 years | 200 | 50 | 30 | 20 | 0 |

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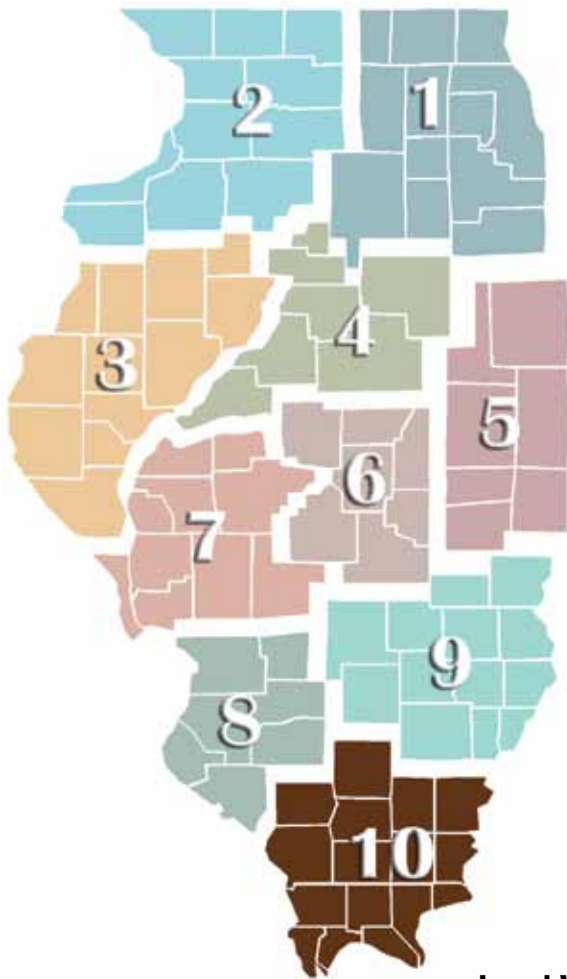
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Land Value and Cash Rent Trends Overall Summary

| <u>Farm Classification</u> | <u>Total Value Per Acre (Typical)</u> | <u>% Change in \$/Acre from prior year</u> | <u>Change in rate of land turnover</u> | <u>Ave. Cash Rent Per Acre typical in region</u> | <u>% Change from prior year</u> | <u>Ave. Cash Rent/Ac. on recently negotiated leases</u> |
|----------------------------|---------------------------------------|--|--|--|---------------------------------|---|
| Good Productivity | \$9,971 | Up 5.5 | Down | \$159 | | \$192 |
| Average Productivity | \$6,631/\$4,844 | Up 6.1%/11 % | Down 26%/44 % | \$147/\$136 | | \$145 |
| Fair Productivity | \$4,319 | Up 21.5 % | Steady to Up | \$126 | | \$105 |
| Recreational Land | \$2,634 | Up 6.1 % | Down 20 % | \$71 | | |

Land values for agricultural tracts increased in value across all land classes in 2013. The increase was modest compared to increases in 2012. Good productivity tracts, which are a small share of the region’s sales increased by 5.5 percent compared to an increase of 30 percent in the previous year. Land values for average productivity tracts, which typically comprise the largest number of sales by land class category, increased 6.1 percent in area 1, a competitive market area, and increased 11 percent in area 2, a less competitive market area. Those increases were down compared to 2012 which had increases slightly more than 20 percent for both areas. Land values for fair productivity land showed the largest increase in value for 2013 with a 21.5 percent increase compared to a 13 percent increase in 2012. Recreational land value increased by 6.1 percent for 2013 compared to no change in

2012. Volume of land transfers was down across all classes of productivity except fair productivity which was steady to slightly higher. The volume of fair class sales was almost equivalent to average land class sales because the market for fair class sales held steady whereas the market for average land class was down in sales.

Most of the buyers were farmers with very few investors in the Region 10 market. Most of the transfers were private sales. Auction sales are not as common in this area. A lack of competitive buyers has been observed at some of the auction sales in the region. In one auction sale where farm was sold in several tracts, one tract was sold after the auction in a private sale for slightly more than the auction tracts. Thus, anecdotally one cannot conclude that auction sales have resulted in higher prices in Region 10.

Cash rents and lease types vary considerably across the region. Although reported rents for 2013 appear lower than those reported for 2012, the committee believes cash rents are still trending higher. It is difficult to determine trends in cash rents in Region 10 because crop share leasing is still the dominant lease type in the area despite cash leases making up a larger share of newer leases. The variability in soil productivity and terrain results in variability of lease rates. Also, none of the Region 10 committee members are directly involved in lease negotiations so our lease data comes primarily from the reports of tenants rather than from landowners. Lease types also vary by class of land with lower productivity land more likely share rented and higher productivity land showing a trend from crop share leasing to cash **leasing**.

Good Productivity Tracts

The sales of good productivity tracts are not common in the region accounting for less than 7 percent of land transfers. This past year's sales were very limited with no transfers beyond the first quarter of the year. The last five sales were from a single estate of which the last four of the five sales listed were from an estate auction. The first of the five sales was a private sale sold after the auction. Sales are primarily due to deaths or retirement. Buyers are typically local farmers purchasing for expansion. This quality of land is located primarily in northern and eastern White County, northern Gallatin County, northern Saline County, and in the levee protected bottoms of the Mississippi River in Jackson and Union County. The average price for good productivity tracts was \$9,971 per acre in 2013 compared to \$9,452 for 2012. The range in values in 2013 is from \$7,895 to \$11,725 as compared to the 2012 range of \$8,262 to \$10,504.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|---------|-----------|-------------|------------|----------------------|-------------------|
| White | Feb | 76.0 | 92.0 | 121.1 | 7,895 |
| Jackson | Feb | 42.0 | 96.2 | 111.8 | 11,000 |
| Jackson | Feb | 157.8 | 91.7 | 121.7 | 11,725 |
| Union | Feb | 145.8 | 97.7 | 117.0 | 9,901 |
| Union | Feb | 118.2 | 98.6 | 120.2 | 9,901 |
| Union | Feb | 41.4 | 92.1 | 121.7 | 9,406 |

Average Productivity Tracts

Average productivity tracts are the most common quality of crop production farms found in Region 10, typically accounting for about half of all transfers. However, transfers of land class were down this year. 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 \$3,194 to \$7,800 per acre. In past years, the committee has reported a differentiation between prices observed from the general area and from stronger farming and sales "pockets" scattered throughout the region. The 14 sales from the typically stronger sales areas (Area 1) ranged in values from \$5,000 to \$7,800 with an average of \$6,631 per acre. The 19 sales from the more typical areas (Area 2) ranged in values from \$3,194 to \$6,750 with an average of \$4,844 per acre. Farms from Area 2 are most representative of the productivity in Region 10 typically account for about a third of all sales, but this year sales of this class accounted for only 20 percent of sales. Below is a sampling of sales from Area 1 and Area 2. Note that the percentage of tillable acres is typically lower for tracts in area 2. Area 2 had an average percentage tillable of 88 percent compared to 94 percent for area 1.


| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|---------------|-----------|-------------|------------|----------------------|-------------------|
| Area 1 | | | | | |
| Franklin | Feb | 79.0 | 88.0 | 106.5 | 6,000 |
| White | Nov | 40.0 | 97.5 | 103.5 | 7,800 |
| Franklin | Dec | 75.0 | 100.0 | 104.2 | 6,100 |
| Area 2 | | | | | |
| Jefferson | Sep | 93.0 | 96.7 | 104.9 | 5,340 |
| Perry | Apr | 80.0 | 97.7 | 102.8 | 5,000 |
| Hamilton | Oct | 80.0 | 86.3 | 94.6 | 4,800 |
| Massac | Jul | 97.5 | 81.0 | 100.5 | 4,462 |

Fair Productivity Tracts

Many of the fair productivity tracts have lower percentages of tillable acres in addition to a lower soil productivity index as compared to average productivity farms. Fair productivity tracts often have value for recreational uses in addition to crop value. The average percentage of tillable acres was 84 percent compared to 88 percent for area 2 tracts of average productivity and 94 percent for area 1 tracts of average productivity. The buyers of the higher cropland percentage farms are mostly local farmers while the buyers of the lower percentage cropland farms are more likely to be recreational buyers, or investors planning to sell to recreational buyers. The sellers are mostly retired farmers and estates. These farms typically have sloping topography and/or weak soil types. The volume of sales and prices increased from 2012. Volume increased by 14 percent and price increased by 21 percent. Sales ranged in values per acre from \$2,785 to \$6,204 per acre with an

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average of \$4,319. A sample of sales from across region is provided above, sorted from highest to lowest price/acre.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Franklin | Feb | 20.0 | 80.0 | 90.8 | 5,000 |
| Perry | Feb | 20.0 | 97.5 | 93.5 | 4,750 |
| Franklin | Jan | 27.6 | 81.4 | 97.6 | 4,698 |
| Jackson | Mar | 182.3 | 81.5 | 97.4 | 4,498 |
| Franklin | Feb | 40.0 | 65.3 | 99.7 | 4,300 |
| Franklin | Feb | 151.0 | 64.8 | 97.8 | 4,099 |
| Jefferson | Jun | 34.4 | 94.2 | 86.6 | 4,000 |
| Jefferson | Aug | 30.1 | 94.8 | 95.5 | 3,833 |
| Saline | Apr | 39.4 | 81.6 | 96.7 | 3,811 |
| Jefferson | Feb | 21.4 | 65.4 | 92.4 | 3,631 |
| Hamilton | Jul | 110.0 | 80.9 | 88.1 | 3,500 |

Recreational Tracts

Many of the sales of recreational tracts in the region are transacted through realtors. The primary recreational use for these properties is deer hunting. 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, and other open land) and wooded areas. Recreational values ranged from \$1,680 to \$4,047 per acre with an average value \$2,634. Prices are up by 6 percent and volume down

by 20 percent from 2012. The average percentage tillable was 44 percent for recreational tracts. The average tracts size was 120 acres with tracts ranging from 20 to 626 acres. Some of the largest tracts sold in 2013 in region 10 were for recreational use.

| County | Sale Date | Total Acres | % Tillable | P / I on Tillable Ac | \$ Total Price/Ac |
|-----------|-----------|-------------|------------|----------------------|-------------------|
| Perry | May | 111.0 | 46.6 | 103.7 | 4,047 |
| Jefferson | Sep | 35.0 | 42.9 | 108.0 | 3,250 |
| Gallatin | May | 84.3 | 40.1 | 86.3 | 3,150 |
| Jefferson | Mar | 120.0 | 38.1 | 97.3 | 3,000 |
| Hardin | May | 36.0 | 16.6 | 120.3 | 2,779 |
| Alexander | Jul | 55.2 | 55.9 | 125.5 | 2,706 |
| Jackson | Mar | 20.0 | 56.0 | 95.9 | 2,700 |
| Pulaski | Jan | 200.0 | 49.2 | 103.0 | 2,550 |
| Pope | Apr | 469.5 | 78.2 | 81.5 | 2,400 |
| Hardin | Apr | 626.0 | 39.1 | 93.2 | 2,292 |
| Hardin | Mar | 58.0 | 61.4 | 95.9 | 1,875 |
| Gallatin | Mar | 70.9 | 45.4 | 114.4 | 1,680 |

Region 10. Percentage Change

| By Period | Good | Average | Fair |
|-------------|-------|---------|-------|
| 2010 - 2011 | 17.77 | 16.67 | 4.78 |
| 2011 - 2012 | 18.52 | 26.02 | 11.24 |
| 2012 - 2013 | 5.35 | 10.55 | 16.49 |

Lease Trends

The majority of existing leases are share leases in Region 10, but cash leases make up the majority of new leases. In the previous year, flexible cash leases were believed to be exceeding traditional cash leases, but for this past year that does not appear to be the case. Terms of flexible leases in the region vary widely by location and soil type, as do other types of leases as well. Typically flexible cash leases have a base rent and a bonus paid by the tenant if gross return (yield x price) per acre exceeds a base value. For example, one agreement has a base cash rent, then the farmer (tenant) keeps track of income and expenses and pays the landlord a bonus if 25 percent of net income exceeds the base rent. The tenant pays a bonus up to 25 percent of net income. The bonus also is related to base rent. Leases with a higher base rent for a comparable soil type will likely have a formula that results in a smaller bonus and vice versa.

Cash rents are expected to increase slightly, but there is wide range of rents in the region that vary by location, soil type and competition for leased land. Cash rents can vary from \$70 to \$250 an acre within a county because of soil types. Irrigated land will rent from \$225 to \$280 an acre. Pasture rents have declined because of the reduction of cattle numbers. For a small percentage of pasture leases, the rental arrangements are based on the tenant maintaining the pasture in exchange for its use. Leases rates for recreational use have remained steady.

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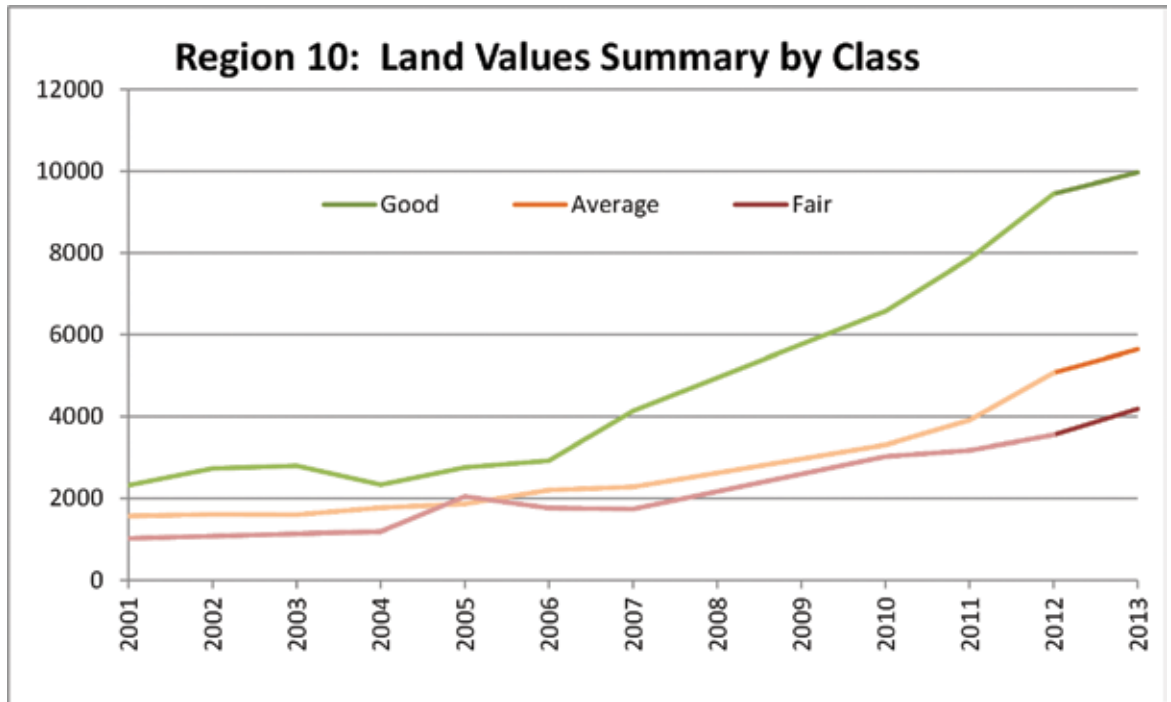


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Length of leases also varies by location with year to year term leases more prevalent in southern counties and 3 to 5 year terms in Wayne, White and Edwards counties. Some tenants are offering to share cost of irrigation and tiling expense for a longer and more favorable crop share lease. On new written leases for average and fair productivity tracts, the length of the lease for many contracts is 5 years. Tenants would like to have a lease contract of 5 years on tracts of good productivity, but landlords are reluctant to agree, therefore the typical length of contract is 3 years for good productivity tracts.



Crop share leases are dominant in the region. Crop shares of 2/3 tenant and 1/3 landlord tend to prevail with some 60-40 shares and an occasional 50-50 share on more productive tracts.

Leasing Trends

| Farm Classification | Typical Existing Cash Rental Rates for: | | | Ave. Length of Lease Contract | Most representative rate on NEW cash lease in area for 2014 crop year | Percentages of NEW leases that are: | | | |
|----------------------|---|-------------------|-----------------|-------------------------------|---|-------------------------------------|---------------|-------|-------|
| | Lowest 1/3 by rate | Midde 1/3 by rate | Top 1/3 by rate | | | Cash | Flexible Cash | Share | Other |
| Good Productivity | 160 | 190 | 220 | 3 | 192 | 55 | 12 | 33 | 0 |
| Average Productivity | 115 | 140 | 155 | 3 | 145 | 50 | 8 | 42 | 0 |
| Fair Productivity | 90 | 105 | 120 | 3-5 | 105 | 45 | 8 | 47 | 0 |
| Recreational Land | 5 | 10 | 15 | 1 | 10 | 100 | | | |
| Pasture | 20 | 30 | 40 | 1 | 30 | 90 | | | 10 |

Farmland Prices Decline in 2013

Prepared by Gary Schnitkey, Ph.D., University of Illinois Department Ag and Consumer Economics

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey in which it asks knowledgeable individuals about the farmland market. Respondents indicated that farmland prices decreased in 2013. Expectations are for decreasing farmland prices in 2014. Some respondents believe prices will continue to decrease over the next five years.

Land Prices Decreased in 2013

Respondents were asked to estimate farmland prices on January 1, 2013 and December 31, 2013 for the following farmland quality classes:

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

Price of excellent productivity farmland was estimated at \$13,100 per acre price on January 1 and \$12,800 per acre price on December 31st, a decrease of 2 percent during the year (see Table 1). Good quality farmland price was estimated at \$11,100 at the beginning of the year and \$10,800 at the end of the year, a decrease of 3 percent. Average farmland price was \$9,100 per acre at the beginning of year and \$8,700 at the end of year, a decrease of 4 percent. Fair productivity price was \$7,100 at the beginning of the year and \$6,600 at the end of the year, indicating a price decrease of 7 percent.

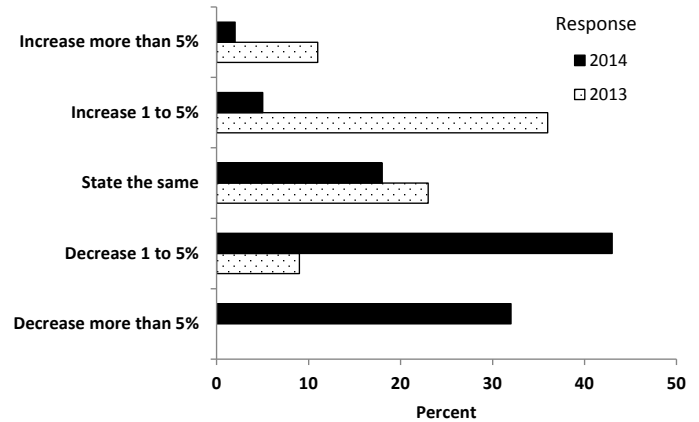
Table 1. Estimates of Land Price, Beginning and Ending of 2013

| Productivity | Date | | Percent Change |
|--------------|-----------------|-------------------|----------------|
| | January 1, 2013 | December 31, 2013 | |
| | \$ per acre | | |
| Excellent | 13,100 | 12,800 | -2% |
| Good | 11,100 | 10,800 | -3% |
| Average | 9,100 | 8,700 | -4% |
| Fair | 7,100 | 6,600 | -7% |

Expectations for 2014 and the Next Five Years

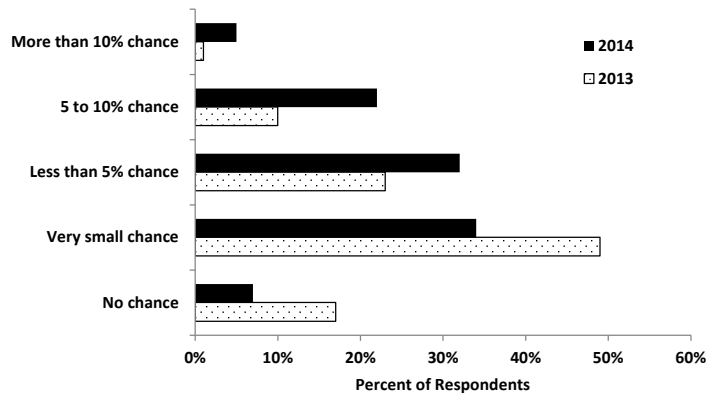
Most respondents expect farmland prices to decrease in 2014 (see Figure 1). Seventy-five percent of respondents expect farmland prices to decrease, with 32 percent expecting prices to decrease more than 5 percent and 43 percent expecting prices to decrease between 1 and 5 percent. Of the respondents, 18 percent expect farmland prices to remain the same while 7 percent expect farmland prices to increase.

Figure 1. Expectations of Price Changes in 2013 and 2014.



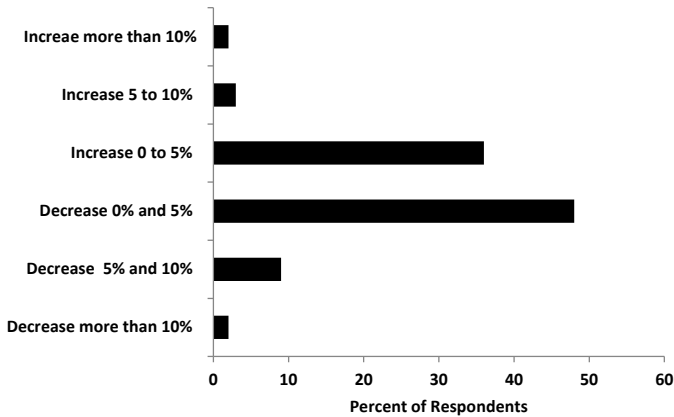
Expectations for 2014 are markedly more pessimistic than in 2013. Forty-seven percent of respondents expected price increases when surveyed at the beginning of 2013. Only 7 percent of respondents expect price increases during 2014 (see Figure 1).

Figure 2. Chance of a 20% Farmland Price Decline in the Next Year, Percent of Respondents by Chance Category Answering in 2013 and 2014.



Respondents were asked what they believed the chances were of a 20 percent decline in farmland prices during 2014. This question gauges the sentiments of respondents concerning a large downward correction in prices. Five percent of respondents indicate that the chances were over 10 percent, 10 percent indicated a 5 to 10 percent change, and 32 percent indicated the chance was less than 5 percent (see Figure 2). Seven percent of respondents indicated that there was no chance of a decline. Respondents believe that there are higher chances of a 20 percent or more price decline in 2014 than they did in 2012 (see Figure 2).

Figure 3. Expected Yearly Increase in Farmland Prices Over Next Five Years.



Respondents are divided on expectations of price increases over the next five years. Fifty-nine percent of respondents expect prices to average decreases over the next five years, with 36 percent expecting the prices to decrease between 0 and 5 percent. Forty-one percent of respondents expect prices to increase. Overall, more respondents expect decreasing farmland prices rather than increasing prices.

Respondents were given a set of factors and then asked whether changes in those factors will have positive or negative impacts on farmland prices (see Figure 2). Factors that respondents indicated could have positive impacts include Chinese demand, inflation pressures, crop yields, and global weather. Factors with the most negative impacts include commodity prices, interest rates, net farm income, and input costs. Judging by scores, respondents believed more factors will have negative impacts than positive impacts.

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 52 percent of the sales and were, by far, the largest category of sellers (see Table 2). Estate sales were followed by farmers, making up 18 percent of sellers. Eleven percent (being retired and the balance being active) of those farmers were retired and 7 percent were active farmers. Individual investors accounted for 14 percent of the sellers, followed by institutions (9 percent) and others (7 percent).

Table 2. Sellers of Farmland, 2013

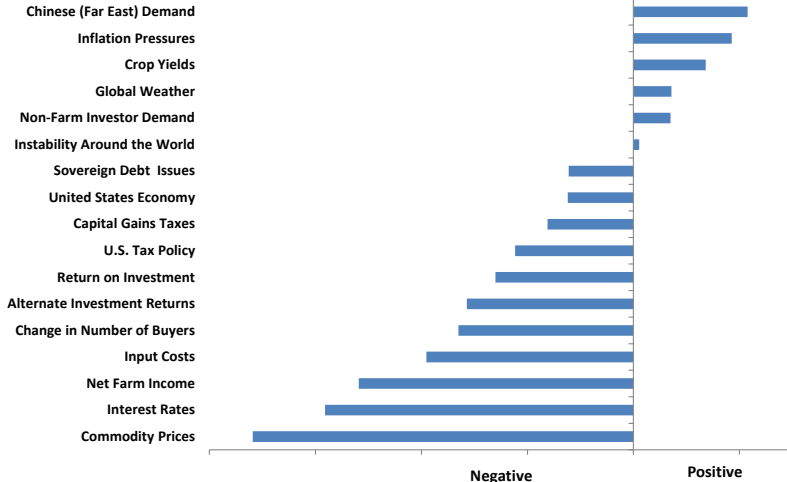
| | |
|----------------------|------|
| Active farmers | 7 % |
| Retired farmers | 11 % |
| Estate Sales | 52 % |
| Institutions | 9 % |
| Individual investors | 14 % |
| Others | 7 % |

Survey respondents were asked to identify reasons why farmland was sold. The major reason for selling farmland was to settle estates, accounting for 50 percent of the farmland sales (see Table 3). “Receiving a good price for farmland” was the next highest reason with 22percent of the sales. Remaining reasons were close-out undivided interest (10 percent), need cash (8 percent), re-orient investment portfolio (7 percent), and forced liquidation (3 percent). Compared to results for 2012, percentages for need cash and forced liquidation increased in 2013.

Table 3. Reasons for Selling Farmland, 2013.

| | |
|--------------------------------|------|
| Settle Estates | 50 % |
| Need cash | 8 % |
| Forced liquidation | 3 % |
| Received a good price | 22 % |
| Re-orient investment portfolio | 7 % |
| Close-out undivided interests | 10 % |

Figure 4. Factors and their Potential Impacts on Farmland Prices over the Next Three Years.



Overall, percentages shown in Tables 3 and 4 vary little across years. For example, estate sales make up the largest category of sellers for the last several years of the Illinois survey. In 2013, a slight increase appeared to be in reasons related to adverse economic results. Percentages for needed cash and forced liquidation increased.

Methods used for selling farmland are shown in Table 5. Forty-three percent of sales were sold by public auction, 36 percent by private treaty, 11 percent by sealed bid, and 11 percent by multi-parcel auction. Little change in methods occurred between 2013 and 2014.

Table 5. Method of Selling Farmland, 2013

| | |
|----------------------|------|
| Sealed bid | 11 % |
| Multi-parcel auction | 10 % |
| Public auction | 43 % |
| Private treaty | 36 % |

Buyers of Farmland

Survey respondents were asked to classify buyers into categories as farmers, investors, institutions, or recreational buyers. Farmers accounted for 68 percent of the purchasers, with 64 percent being local farmers and 4 percent being relocating farmers (see Table 6). Individual investors who would not farm the land themselves were the next largest group, accounting for 23 percent of the buyers. Non-local investors accounted for 9 percent of the buyers and local investors accounted for 14 percent. Institutions accounted for 6 percent of buyers. Survey respondents indicated that 57 percent of farmland buyers did not require debt financing. Of those requiring financed, 49 percent of the purchase was financed using debt capital.

Table 6. Buyers of Farmland, 2013

| | |
|---------------------|------|
| Local farmers | 64 % |
| Relocating farmers | 4 % |
| Non-local investors | 9 % |
| Local investors | 14 % |
| Institutions | 6 % |
| Other | 3 % |

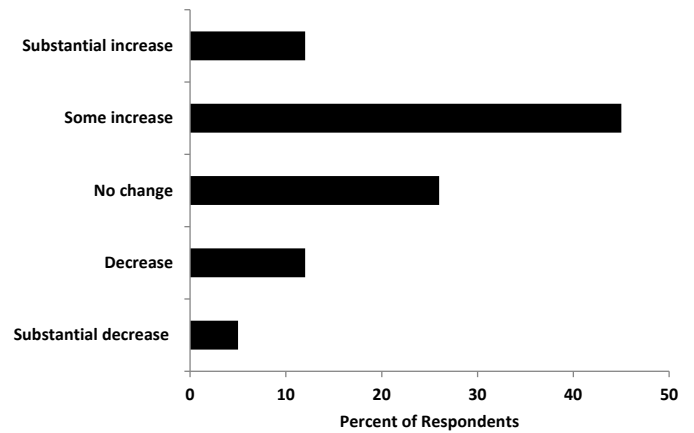
There has been an increase in interest in farmland investing from outside the agricultural sector. Thirty-nine percent of respondents indicated that outside interest has increased (see Figure 5). As of yet, this interest has not resulted in a large change in percentages in the “buyer of farmland” categories.

Volume of Farmland Sold

Respondents indicated that there was some increase in the volume of farmland sold during the last half of 2013 compared to the last half of 2012 (see Figure 6). Fifty-seven percent of respondents indicated that volume increased, with 45 percent indicating that there was a substantial increase in farmland volume. Twenty-six percent of respondents indicated that there was no change in volume, with 5 percent indicated that volume decreased. During 2013, 9 percent of the respondents indicated they expect volumes of sales to increase. Thirty-seven percent

expect no change in volume and 9 percent expect a decrease in volume.

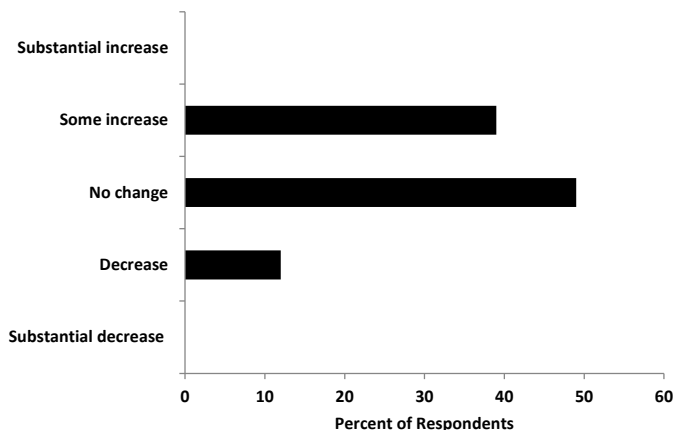
Figure 6. Change in Volume of Farmland Sold in Last Half of 2013 Compared to Last Half of 2012.



Summary

Depending on productivity class, farmland prices decreased by between 2 and 7 percent during 2013. Respondents expect farmland prices to continue to decrease in 2014. Commodity prices, net farm incomes, and input costs could negatively impact farmland prices in the future.

Figure 5. Change in Outside Interest in Farmland Investment, 2013.



Cash Rent Levels Decrease

Prepared by Gary Schnitkey, Ph.D., University of Illinois Department Ag and Consumer Economics

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual survey of its membership concerning farmland leasing in Illinois. Survey results indicated that 2014 incomes from owning farmland were below 2013 levels. Cash rents for 2014 decreased from 2013 levels. Expectations are for lower cash rents in 2015.

2013 Incomes

Survey respondents were asked to estimate average incomes landlords received from alternative leases. Incomes were asked for the 2013 cropping year. Average incomes equaled gross revenue less all expenses, including a deduction for property tax. Alternative leases are:

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

Net incomes for 2013 are reported in Table 1 for four different land qualities:

1. Excellent (corn yields expected to be over 190 bushels per acre),
2. Good (corn yields expected to be between 170 to 190 bushels per acre),
3. Average (corn yields expected to be between 150 to 170 bushels per acre), and
4. Fair productivity farmland (corn yield expected to be less than 150 bushels per acre).

For excellent quality farmland, traditional crop shares had average income of \$320 per acre, cash rent had \$347 per acre, and custom farming had \$394 per acre. Across all land qualities, returns from share rent leases were lower than cash rent leases. Custom farming had the highest returns.

Table 1. Per Acre Farm Incomes that Landlords Receive for Different Lease Types and Land Qualities, 2013.

| Lease type | Land Quality | | | |
|------------------------|-------------------------|------|---------|------|
| | Excellent | Good | Average | Fair |
| | ----- \$ per acre ----- | | | |
| Traditional crop share | 320 | 270 | 230 | 186 |
| Cash rent | 347 | 281 | 242 | 197 |
| Custom farming | 394 | 344 | 279 | 226 |

In general, incomes were lower in 2013. Table 2 shows 2013 incomes minus 2012 incomes. Negative numbers indicated incomes were lower in 2013 than in 2012. For excellent productivity farmland, traditional crop share income was \$25 per acre lower in 2013 as compared to 2012. Cash rent income was \$1 lower in 2013 as compared to 2012 while custom farming income was \$96 per acre lower in 2013 as compared to 2012. Between 2012 and 2013, custom farming had the largest decreases in incomes.

Table 2. 2013 Incomes Minus 2012 Incomes.

| Lease type | Land Quality | | | |
|------------------------|-------------------------|------|---------|------|
| | Excellent | Good | Average | Fair |
| | ----- \$ per acre ----- | | | |
| Traditional crop share | -25 | -21 | -22 | -12 |
| Cash rent | -1 | -13 | 0 | 3 |
| Custom farming | -96 | -57 | -45 | -14 |

Cash Rents for 2014

Table 3 shows per acre cash rents for the 2014 crop year. Average cash rents again are broken out by four different land quality classes: excellent, good, average, and fair quality. In each class, respondents were asked to give the average of rental arrangements with the highest 1/3 rents, mid 1/3 rents, and low 1/3 rents.

Table 3. Per Acre Cash Rents for High 1/3, Mid 1/3, and Low 1/3 Cash Rent Leases by Land Quality, 2014.

| Category | Land Quality | | | |
|----------|-------------------------|------|---------|------|
| | Excellent | Good | Average | Fair |
| | ----- \$ per acre ----- | | | |
| High 1/3 | 408 | 356 | 303 | 247 |
| Mid 1/3 | 375 | 323 | 277 | 219 |
| Low 1/3 | 303 | 255 | 211 | 163 |

As can be seen in Table 3, there is a great deal of variability in cash rents for a given land productivity. For example, the average cash rent for the mid 1/3 group on excellent quality farmland is \$375 per acre (see Table 3). The high 1/3 of leases, however, average \$408 per acre, \$33 higher than the mid 1/3 group. Similarly, the low 1/3 group average \$303 per acre, \$72 lower than the mid 1/3 group. From the high 1/3 group to the low 1/3 group, there is a \$105 per acre difference in average rents for excellent productivity farmland. Similar ranges exist across good (\$101 from the high 1/3 to low 1/3 averages), average (\$92 per acre), and fair (\$84 per acre) quality farmland classes.

Cash rent levels decreased in 2014 (see Table 4). The \$375 per acre cash rent for 2014 was \$21 lower than the \$396 per acre cash rent in 2013. Cash rents across all farmland classes fell: \$16 per acre decrease for good quality farmland, \$8 per acre decrease for average quality farmland, and a \$16 per acre decrease for fair quality farmland.

Table 4. History of Cash Rents for Mid 1/3 of Cash Rent Leases.

| Year | Land Quality | | | |
|------|-------------------------|------|---------|------|
| | Excellent | Good | Average | Fair |
| | ----- \$ per acre ----- | | | |
| 2007 | 183 | 164 | 144 | 120 |
| 2008 | 241 | 207 | 172 | 138 |
| 2009 | 267 | 221 | 187 | 155 |
| 2010 | 268 | 231 | 189 | 156 |
| 2011 | 319 | 271 | 220 | 183 |
| 2012 | 379 | 331 | 270 | 218 |
| 2013 | 396 | 339 | 285 | 235 |
| 2014 | 375 | 323 | 277 | 219 |

Expectations for 2015

Most of the respondents expect 2015 cash rents to be lower than 2014 cash rents. Seventy-nine percent of respondents expect cash rents to decrease in 2015. Twenty percent of respondents expect 2015 rents to be the same as in 2014. None of the respondents expected increasing cash rents. Respondents were asked what would happen to 2015 rents if yields are normal and fall prices are near \$3.50 per bushel for corn and \$10 per bushel for soybeans. In this case, 92 percent of the respondents expect cash rents to decrease by more than \$10 per acre, 4 percent expect decreases of less than \$10 per acre, and 4 percent expect the same cash rents

Leasing Arrangements Used in 2013

Figure 1 shows lease arrangements used by farm managers. In Figure 1, the first three lease types relate to crop share leases in which the land owner and tenant share in the revenues and expenses from the farm. A traditional crop share lease has a simple sharing arrangement of revenue and direct expense, with a common split in northern and central Illinois being 50 %. In a crop share with supplemental rent arrangement, the land owner and tenant share in revenues and direct expenses, and the tenant pays an additional cash payment to the land owner. This additional cash payment often is called a supplemental rent.

According to survey respondents, the supplement rent averaged \$37 per acre in 2013. A share rent with other modifications arrangement is another type of share lease that modifies payments between the land owner and tenant. One typical modification is that the tenants pay all of the chemical costs. Share rent leases accounted for 50 percent of the leases in 2013, with traditional crop

share accounting for 21 percent of the leases, crop share with supplemental rents accounting for 13 percent of the leases, and crop share with supplemental accounting for 16 percent of the leases (see Figure 1).

There are two types of cash rent leases: traditional and variable. Under a traditional lease, a fixed amount of cash rent is negotiated between the land owner and tenant, typically at the beginning of the cropping year. Under a variable lease, the amount of the cash payment depends on revenue. A typical variable lease has a fixed base payment and then a “bonus” payment. The bonus payment is a percentage of gross revenue when gross revenue exceeds a specified level.

In 2014, traditional crop share arrangements accounted for 25 percent of leases while variable cash leases had a 17 percent share of leases (see Figure 1). Farm managers typically use short lease terms on cash rental arrangements. Of cash rents, 76 percent had a one-year lease term, 9 percent had a two-year lease term, and 15 percent had a three-year lease term.

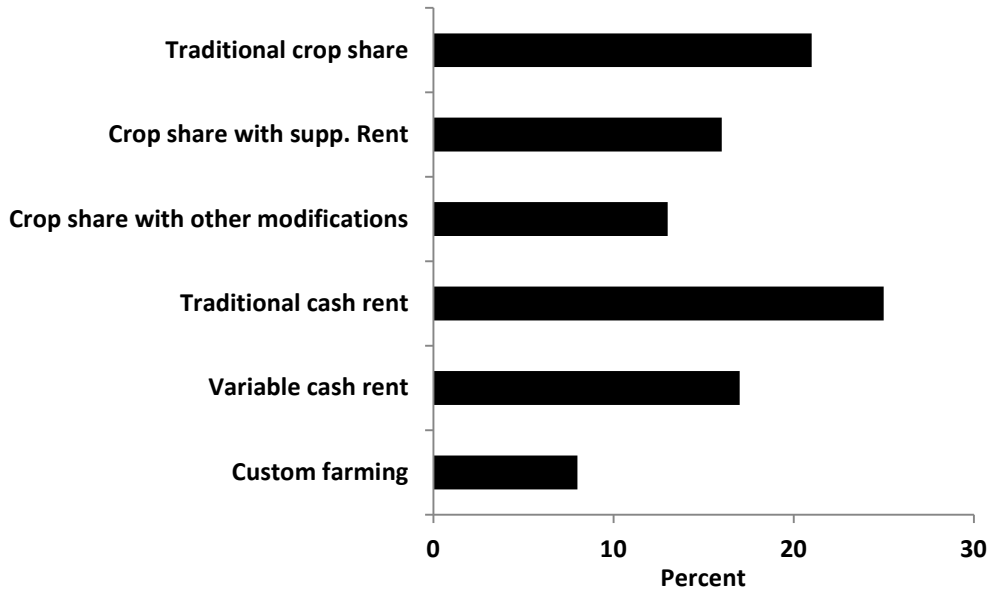
Custom farming is an arrangement in which the land owner pays a farmer to perform machinery-related operations on the farmland. The land owner then receives all revenue and pays all direct expenses from the farm. Custom farming accounted for 8 percent of leases.

Variable Cash Leases

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

1. For those arrangements that have bonuses, bonus cash rents generally had minimum cash rents that were below the average cash rent for similar quality farmland: 5 percent indicated that the minimum cash rent was \$100 below the average cash rent, 35 percent indicated it was \$50 to \$100 below the average cash rent, 45 percent indicated that the minus was \$0 to \$50 below the average cash rent, and 15 percent indicated that the minimum cash rent was not below the average cash rent.
2. Costs of production entered in the calculation of the bonus on a small number of leases. Costs of production only entered into the calculation on 21 percent of the leases. The percentage of variable cash leases using costs of production has been growing over time.
3. Bonuses generally were based on gross revenue. Eighty-three percent of the leases were based on gross revenue. The remaining leases were divided between based-on-yield only and price only.
4. For those leases using yields, farm yields were used on 94 percent of the leases in calculating revenue. The remaining leases used county yields.

Figure 1. Lease Arrangements Used by Farm Managers, 2014.



5. Price at a delivery point was used in 68 percent of the leases to determine the price used in gross revenue calculation. Future prices were used in 26 percent of the leases.

Summary

Cash rents increased between 2006 and 2013. In 2014, cash rents decreased and expectations are for continuing decreases into 2015. These decreases likely are the result of lower corn and soybean prices that have occurred beginning in the fall of 2013. Lower commodity prices then cause lower agricultural returns. In the end, lower agricultural returns will lead to lower returns to farmland owners.

Impacts of Recent Changes in the Illinois Farmland Assessment Act

Prepared by Bruce J. Sherrick, Ph.D., Marjorie and Jerry Fruin Professor of Farmland Economics and Director, and Todd Kuethe, Clinical Assistant Professor, TIAA-CREF Center for Farmland Research, Advancing Farmland Markets through Research and Information.

The Illinois Farmland Assessment statutes were originally designed with the intent to base property tax assessments of agricultural property on income derived from agricultural use, rather than on market values. The methods were originally developed in the early 1980s using best available data and practices for measuring income potential across a wide range of agricultural practices and conditions. To limit variability through time and across management differences unrelated to income potential of the underlying assets, the income measures were smoothed across time, and subjected to limits in change from year to year of 10 percent of the previous year's corresponding value.

Importantly, all 50 states use some form of use-value assessment for agricultural land (Anderson, 2012). The specific approach used in Illinois is generally comparable with approaches used in most other Midwestern states for ag-use valuation, though differences in specific methods do exist from state to state. However, the principle remains that assessed values are intended to reflect a capitalized value of the income potential that the land represent in agricultural use, and not the market value which might reflect expectations of future growth and or conversion potential for example.

The Illinois Economic Development Act of 2013 that went into effect in July of 2013 contains a modification to the language defining the limit to the permitted change in the certified assessed value from one year to the next. Specifically, the underlined portions of the following text were inserted into the law:

“any increase or decrease in the equalized assessed value per acre by soil productivity index shall not exceed 10 percent from the immediate preceding year's soil productivity index certified assessed value of the median cropped soil; in tax year 2015 only, that 10 percent limitation shall be reduced by \$5 per acre”. (35 ILCS 200/10-115)

Following the enactment of the change in the law, questions have been raised about the impact on farmland assessments and subsequent taxes through time; and perhaps more importantly, what would have been the impact through time if the law had not been changed. The purpose of this article is to provide background on the process used to determine farmland assessments, and to provide additional context to assess the impact of the change on farmland assessments in Illinois.

A bit more detail about the actual calculations of assessment is useful to better understand future implications of the recent changes to the Act.

Farmland Assessment process in steps:

The steps involved in calculating the assessed value for farmland are conceptually straightforward, involving the following steps:

1. Calculate the **Gross** return by Productivity Index, or P/I point. The **Gross** return is comprised of the acre-weighted returns across the major crops grown in Illinois, limited to corn, soybeans, wheat, oats, grain sorghum, and hay. Under the original implementation of the Act, P/Is were taken by soil type from University of Illinois Circular 1156, but were later converted to P/Is from what is known as Bulletin 810 (<http://soilproductivity.nres.uiuc.edu/Bulletin810ALL.pdf>) as updated through time to reflect improved soils mappings and P/I assignments. The Gross is computed using a rolling five-year average of expected yields, and based on actual producer records for acres and rotations; and uses National Ag Marketing Services records of actual commodity prices. The income *potential* is important, rather than actual income, as it mitigates the impact of good or bad management, or good or bad weather that would not be expected to be reflected in values of income available under typical use, and relies on standardized yield functions for each P/I summarizing the typical experience across all parcels.

2. Calculate the **Landreturn** by subtracting comparable rolling average non-land costs from **Gross**, or:

$$\text{Landreturn} = \text{Gross} - \text{NonLand Costs},$$

at each point on the P/I scale. **NonLand Costs** are based on actual producer records through time corresponding to the same rolling window over which the **Gross** is computed.

3. The **Landreturn** is then converted to its implied **Agricultural Use Value**, or AUV as:

$$\text{Landreturn}/r_t = \text{AUV}$$

where r_t is the 2032a capitalization rate at the time t of calculation – the same interest rate required to be used by the IRS in many applications for computing “use-value”. This approach is consistent with the concept of

determining the value of an asset that would generate a permanent income equal to the **Landreturn** at the given interest rate r . To illustrate, if you deposited \$2,000 into an account paying 5 percent interest, you could withdraw the income of \$100/year forever. Thus, a \$100/year income forever would be equivalent to an earning asset valued at \$2,000 today. A farmland parcel generating \$100 of **Landreturn** would thus have an implied Ag-Use Value of \$2,000 at a 5 percent 2032a rate.

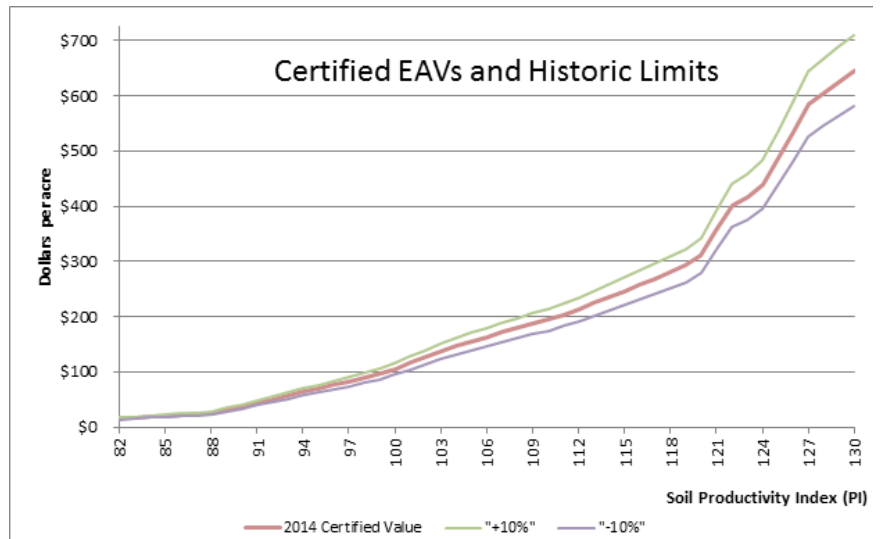
4. The **AUV** is converted to a base **Equalized Assessed Value (EAV)** by dividing by 3 (as is done with residential and other properties as well – a convention that has absolutely no economic effect, as the implied tax rates are thus 3 times as high, but is a common convention nonetheless and is used in farmland assessments as well).

$$EAV = AUV/3.$$

5. The next step is a bit trickier as the **Certified EAV** is calculated subject to a test for its maximum change from the prior year's value. This is the only step impacted by the change in the law and in simplest form, the new law creates a common range of change for all points on the P/I scale so that changes in income or capitalization values would have a common impact and remain proportional to income.

Prior to the enactment of the new law, the maximum change was compared to its own prior value and the certified value at a P/I point not allowed to deviate from its previous year's value by more than 10 percent of the previous year's value, notwithstanding the casual interpretation of the limit of a 10 percent change. The plain language used to limit the movement to "no more than 10 percent of the previous certified value" did not contemplate the issue that would arise from applications of 10 percent to certified values that were nearly zero.

Importantly, percentage changes when applied in the fashion described are not symmetric – a 10 percent reduction followed by a 10 percent increase results in a 1 percent decline. This effect was particularly pronounced near the lower end of the P/I scale and during a period of time when the definition of "income potential" was particularly impacted by changes in farm programs. More bluntly, once a Certified EAV value was established near zero or a low number, the 10 percent limitation became unintentionally binding for a series of years. Conversely, at higher points on the P/I scale, as farm incomes increased, the variations allowed by 10 percent limits on far larger numbers could result in year to year variations that were extreme by historic norms, and didn't really represent a "smoothing" control anymore.



The graphic shows the resulting channel that developed through time with limitations on annual movements of roughly \$1.50/year for low P/I soils up to assessment movement of \$65/year for higher P/I soils.

The new law simply redefines the limitations on year-to-year change to be a constant at all P/I points of approximately \$15 (equal to 10 percent of the median certified EAV less \$5 as provided in the law for the first year of application) for all points on the P/I scale. After 2015, the one-time reduction in the rate no longer applies and the limitation is then tied to the previous year's certified EAV for the median-cropped P/I soil in the state of approximately 111 which currently has a certified EAV of \$203, and a base EAV of approximately \$970. In other words, the new law simply establishes a channel of approximately \$20 on either side of the certified EAV to limit annual changes.

In some sense, you can think of the base EAV line as being the "target" if there were no other constraints in the system. Importantly, it is a scaled version of income and relative EAVs are strictly proportional to income as stated and intended in the law. Currently, base EAVs range from approximately \$590 to \$1,220 per acre from P/Is of 82 to 130 respectively. These values represent considerably lower ag-use values than current market values. It is also important to note that the impact of the discount rate has been tremendous through time – if for example, you consider that a 10 percent discount rate results in an income multiple of 10 and a 5 percent rate results in an income multiple of 20, you realize that much of the upward movement is due to the reduction in the rates that have followed the recent past yield curves.

Ideally, identical changes in income, catalization rate, non-land expense or resulting gross each should have identical impacts on EAV regardless of the location on the P/I scale. In other words, one more dollar of income resulting from any change in the inputs should be capitalized into

the same change in EAV. Low P/I soils have lower base incomes, and thus are assessed proportionally lower based on the construction of the gross and associated differences in nonland costs.

One factor that has had a dramatic effect is the substantial reduction in the 2032a rate over recent years. The figure below shows the impact of the changing 2032a rate through time via the implied income multiplier associated with the rate.



Against this impact, it is again important to note that the language in the revised law simply creates a different channel – uniform and defined by the tycal case, and more stable through time as well. It does not change any of the calculations of income, use of the 2032a rate, or any other item that results in the EAV calculation prior to the application of the restriction on the change in the certified value from year to year.

One important intent of both the old and new law is to reflect similar magnitude changes to any change in income that might accrue to any point of the P/I scale through time. The new language does not – despite some initially reported cases to the contrary – result in the same size change being applied to all points on the curve regardless of the income that parcel has the potential to generate, it only re-establishes a uniform channel to limit annual variations. The intent all along was that the channel restricting the movement from year to year would seldom be binding (not always be binding). Further, the new language does not change the relationship between income and the tax rate applied after limited assessments are calculated. That issue seems to be a bit missed in some conversations as well where arguments about the rate are treated as the problem that the change in the law was meant to address – that is not the case, though it should be acknowledged that the tax rates themselves are also sticky and do not respond to changes in assessments proportionally in many cases either. In total, the changes in the law point toward improved controls on changes

in farmland assessments through time and improved adherence to the principles the original law intended to promote.

Note: The authors’ opinions do not necessarily reflect those of entities with whom professionally affiliated. All errors and omissions are the authors’ alone.



Potential Impact of Alternative RFS Outcomes on Biofuel and Grain Markets for 2014 and 2015

Prepared by Scott Irwin and Darrel Good, Department of Agricultural and Consumer Economics, University of Illinois

No shortage of ink has been spilled discussing the potential problems in implementing the Renewable Fuels Standards (RFS) due to the expanding gap between the implied mandate for renewable biofuels (ethanol) and the E10 blend wall. The U.S. Environmental Protection Agency (EPA) faces several constraints as it considers potentially momentous decisions about final RFS rules for 2014 and 2015.

The EPA announced preliminary rulemaking for 2014 on November 15, 2013, and the proposal did indeed signal a significant shift in EPA policy. The most surprising and controversial aspect of the proposal was the write-down of the renewable mandate from 14.4 to 13 billion gallons. This was much larger than anticipated by most analysts and more aggressive in dealing with blend wall constraints than several earlier proposals. The purpose of this article is to trace through the likely implications of the proposed EPA rulemaking for biofuel and grain markets. Specifically, we investigate two scenarios: 1) implementation of 2014 and 2015 rules as proposed by the EPA, and 2) implementation of 2014 and 2015 rules identical to the EPA proposal with the exception that the renewable mandate is not written down.

2014 Proposed Rules

There should be no doubt that E10 blendwall constraints drove the shift in EPA policy regarding implementation of the RFS mandates. The change is summarized in the following statement from the Fact Sheet for the proposal:

The proposal seeks to put the RFS program on a steady path forward – ensuring the continued growth of renewable fuels while recognizing the practical limits on ethanol blending, called the ethanol “blend wall.”

This new implementation framework basically takes the E10 blend wall as a starting point and builds the mandated volumes up from this starting point. EPA rulemaking in previous years worked in essentially the opposite fashion by taking the total RFS volume in the statute as the starting point and then reducing the cellulosic sub-mandate as needed. Based on the new framework, the EPA preliminary rule-making for 2014 proposed a write-down of the cellulosic mandate, the advanced mandate, and the total mandate. The proposed volume requirements, by fuel category, along with the 2013 volume requirements and the statutory requirements for 2014, are presented in Table

1. These volumes are in ethanol equivalents, except for biomass-based diesel which is stated in actual “wet” gallon terms.

The proposed cellulosic volume reflects EPA judgment about production potential in 2014 and represents a 1.733 billion-gallon write-down of the 1.75 billion-gallon cellulosic mandate for 2014. This continues the very large write-downs of the cellulosic mandate in recent years in view of the slower than expected ramp up in cellulosic production volumes. The proposed biomass-based biodiesel volume of 1.28 billion gallons is equal to that of 2013 and above the minimum of one billion gallons required by the RFS. Interestingly, the EPA also proposed holding the biomass-based diesel mandate constant at 1.28 billion gallons in 2015. The proposed total advanced biofuel volume of 2.2 billion gallons is 0.55 billion gallons less than the 2013 requirement and 1.55 billion gallons less than the RFS for 2014. The write-down of 1.55 billion gallons for the total advanced mandate is smaller than allowed based on the 1.733 billion gallon write-down in the cellulosic requirement. The implied volume requirement for renewable fuels (difference between the total and the advanced) is 0.79 billion less than the 2013 requirement and 1.39 billion less than the RFS for 2014. We use the term *implied mandate for renewable biofuel* because that category can also be satisfied with additional blending of advanced biofuels.

It is not an understatement to say that the EPA’s proposed rulemaking for 2014 is highly controversial. The EPA received over 15,000 comments on the proposed rulemaking before the official comment period ended on January 28, 2014. At the heart of the controversy is the EPA’s argument that it has the statutory authority to write-down the total mandate by more than the write-down in the cellulosic mandate, which effectively implies a write-down in the mandate for corn-based ethanol. The EPA argues that its authority in this regard is based on the waiver provision in the RFS statutes pertaining to “inadequate domestic supply.”

It is asserted by the EPA that “supply” in this context encompasses not only the production of biofuels but also the ability to distribute, blend, dispense, and consume biofuels. In addition to the specific volumes proposed as shown in Table 1, the EPA also provided ranges for the cellulosic, advanced, and total mandates that may be considered for final rulemaking. If the proposed volume

Table 1. RFS Volume Requirements for 2013 and 2014

| | 2013 EPA requirement | 2014 RFS requirement | 2014 proposed EPA requirement |
|------------------------|----------------------|----------------------|-------------------------------|
| Cellulosic biofuel | 1.0 bil. gal. | 1.75 bil. gal. | 17 mil. gal. |
| Biomass-based diesel | 1.28 bil. gal. | > 1.0 bil. gal. | 1.28 bil. gal. |
| Advanced biofuel | 2.75 bil. gal. | 3.75 bil. gal. | 2.2 bil. gal. |
| Total | 16.55 bil. gal. | 18.15 bil. gal. | 15.21 bil. gal. |
| Implied renewable fuel | 13.8 bil. gal. | 14.4 bil. gal. | 13.01 bil. gal. |

Note: These volumes are in ethanol equivalents, except for biomass-based diesel which is stated in actual "wet" volume terms.

requirements in Table 1 stand as the final EPA rules for 2014, we expect a legal challenge to ensue.

Analysis

In this section we trace through the likely implications of the EPA rulemaking as announced on November 15, 2013. Recognizing that the proposed rules could be altered by the EPA, or as the result of legal challenge, or even an EPA reversal of the write-down in the renewable mandate, we also analyze the likely implications of writing down the 2014 advanced volume to 2.2 billion gallons and the total volume requirement to 16.6 billion gallons. This alternative would leave the implied renewable volume requirement at the statutory level of 14.4 billion gallons.

The analysis is extended to 2015 under the assumptions outlined below. In addition, the alternative of writing down only the advanced mandate is evaluated under two scenarios. The first assumes that the gap between the implied renewable mandate and the E10 blend wall is satisfied mostly with biomass-based biodiesel, and the second assumes the gap is filled mostly with E85. The two compliance pathways are chosen to illustrate the range of possible compliance scenarios to fill the gap between the renewable mandate and the E10 blend wall. In actuality, there are multiple combinations of biodiesel and E85 that could fill the gap.

Some key assumptions for the analysis include:

- a) ethanol exports total 0.5 billion gallons in 2013, 2014, and 2015;
- b) imports of Brazilian ethanol total 0.5 billion gallons in 2013 and 0.1 billion gallons in 2014 and 2015;
- c) the E10 blend wall declines from 13 billion gallons in 2013 to 12.94 billion gallons in 2014 and 12.87 billion gallons in 2015 due to declining domestic motor fuel consumption;
- d) maximum domestic ethanol production capacity is 15.2 billion gallons per year;
- e) maximum domestic biodiesel production capacity is 3.6 billion gallons per year;
- f) no B5 blend wall restrictions on domestic biodiesel use;
- g) the biodiesel mandate is 1.28 billion gallons each year;
- h) the cellulosic mandate increases to 0.068 billion gallons in 2015;

- i) the advanced mandate for all scenarios in 2015 is 2.57 billion gallons, reflecting the maximum write-down of the advanced mandate given the cellulosic mandate and projected cellulosic production;
- j) the renewable mandate is fixed at 13.01 billion gallons in 2015 under the advanced and renewable write-down alternative;
- k) the renewable mandate is set at the statutory levels of 14.4 and 15 billion gallons in 2014 and 2015, respectively, under the advanced only write-down alternative;
- l) blending of undifferentiated advanced domestic biofuels other than biomass-based biodiesel totals 0.1 billion gallons in 2013, 0.15 billion gallons in 2014, and 0.20 billion gallons in 2015;
- m) net trade of biodiesel is zero;
- n) the biodiesel tax credit is not reinstated for 2014 and 2015; and
- o) the stock of RINs credits for the D4, D5, and D6 categories total 2.5 billion gallons at the beginning of 2013, and the total stock of credits from all three categories, if needed and available, is applied to the renewable mandate.

The value for key variables under each of the compliance scenarios is found in Table 2 along with assumed values for each category of the RFS mandates.

If EPA final rules are the same as the proposed rules and those rules survive any legal challenges, the implications of our analysis are:

- 1) Problems with implementing the Renewable Fuels Standards (RFS) due to the expanding gap between the implied mandate for renewable biofuels (ethanol) and the E10 blend wall are largely resolved.
- 2) There is little pressure to expand consumption of higher ethanol blends, and consequently, E85 consumption remains small, near 0.14 billion gallons per year.
- 3) RINs stocks remain plentiful, near one billion gallons, and D6 RINs prices are expected to return to pre-2013 levels. D4 RINs prices will be higher relative to D6 RINs prices but the level will depend to a considerable degree on whether the biodiesel tax credit is reinstated or not.

- 4) The reductions in the advanced mandate for 2014 and 2015 in combination with a constant biodiesel mandate imply there is little need for ethanol imports from Brazil, and therefore, ethanol imports do not exceed 0.1 billion gallons in 2014 and 2015. To the degree that ethanol imports replaced domestic production in 2013, this represents a net trade gain for ethanol and an increase in domestic use of corn to produce ethanol.
 - 5) Biodiesel production, and therefore feedstock consumption, is stable in 2014 and 2015, with the chance of lower production if D4 RINs stocks are used in place of physical blending. Given the elevated levels of biodiesel production for much of 2013, this is a negative factor for the soybean oil and soybean markets, since soybean oil is the principal feedstock used to make biodiesel.
 - 6) While there is little upside potential to corn use for ethanol due to the E10 blend wall and small growth in E85 use, there is also little downside risk to corn use below 4.8 billion bushels per year in 2014 and 2015. By historical standards, this is a very high floor on corn use for ethanol. So long as ethanol blending margins remain strongly positive, there also is little incentive to use RINs in place of physical ethanol blending. Overall, the implications are generally market-neutral for corn.
- 1) Problems with implementing the Renewable Fuels Standards (RFS) due to the expanding gap between the implied mandate for renewable biofuels (ethanol) and the E10 blend wall are evident in 2014 and 2015.
 - 2) RINs stocks are exhausted by the end of 2014. Consequently, D6 RINs prices are expected to be re-linked to D4 RINs prices, with both at considerably higher levels than in late 2013. The level will depend to a considerable degree on whether or not the biodiesel tax credit is reinstated.
 - 3) Large quantities of biodiesel and/or E85 are required in 2015 to fill the renewable gap. If the gap is mainly filled by biodiesel, production of 2.8 billion gallons will be required in 2015, twice that which would be required under the advanced and renewable write-down alternative. If the gap is mainly filled by E85, consumption of 2.6 billion gallons will be required in 2015. A moderate increase in biodiesel production is also required in this compliance scenario because domestic ethanol production hits the maximum capacity of 15.2 billion gallons.
 - 4) Since the reductions in the advanced mandate for 2014 and 2015 are the same under the advanced only write-down scenario, there is limited pressure for increased ethanol imports from Brazil, and therefore, ethanol imports do not exceed 0.1 billion gallons in 2014 and 2015. There could be incentives for additional imports by 2015 if Brazilian ethanol imports for use in E85 represent a cheaper compliance alternative than biodiesel.

If EPA final rules include only a write-down of the advanced mandate, the implications of our analysis are:

Table 2. Writedown Alternatives for Implementing the Renewable Fuels Standards for 2013-2015... Billion Gallons except Biodiesel Feedstock (Billion Pounds) and Corn (Billion Bushels)

| RFS Category | Advanced Only Write Down | | | Advanced and Renewable Write Down | | |
|--|--------------------------|-------|-------|-----------------------------------|-------|-------|
| | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 |
| Advanced | 2.75 | 2.20 | 2.57 | 2.75 | 2.20 | 2.57 |
| Renewable | 13.80 | 14.40 | 15.00 | 13.80 | 13.01 | 13.01 |
| Total | 16.55 | 16.60 | 17.57 | 16.55 | 15.21 | 15.58 |
| Reduction in Total | 0.00 | -1.55 | -2.93 | 0.00 | -2.94 | -4.92 |
| Compliance Scenario: Mainly Biodiesel | | | | | | |
| Biodiesel | 1.43 | 1.36 | 2.81 | 1.43 | 1.29 | 1.47 |
| E85 | 0.14 | 0.41 | 0.68 | 0.14 | 0.14 | 0.14 |
| End-of-Year RINs | 1.24 | 0.00 | 0.00 | 1.24 | 1.08 | 0.77 |
| Biodiesel Feedstock | 10.72 | 10.23 | 21.05 | 10.72 | 9.67 | 11.00 |
| Corn for Ethanol | 4.76 | 4.94 | 4.96 | 4.76 | 4.87 | 4.82 |
| Compliance Scenario: Mainly E85 | | | | | | |
| Biodiesel | 1.43 | 1.36 | 1.87 | n/a | n/a | n/a |
| E85 | 0.14 | 0.41 | 2.57 | n/a | n/a | n/a |
| End-of-Year RINs | 1.24 | 0.00 | 0.00 | n/a | n/a | n/a |
| Biodiesel Feedstock | 10.72 | 10.23 | 14.05 | n/a | n/a | n/a |
| Corn for Ethanol | 4.76 | 4.94 | 5.48 | n/a | n/a | n/a |

Note: n/a not applicable.

- 5) Feedstock consumption in the mainly biodiesel compliance scenario skyrocket in 2015, reaching 21 billion pounds, or over half of all fats and oils produced presently in the U.S. This would undoubtedly be a positive factor for the soybean oil and soybean markets, since soybean oil is the principal feedstock used to make biodiesel.
- 6) There is some upside potential for corn ethanol use in the mainly E85 scenario by 2015, as much as 700 million bushels compared to what is projected under the advanced and renewable write-down alternative. The upside, however, is limited due the assumed maximum ethanol production capacity for the U.S. of 15.2 billion gallons. Overall, the implications are moderately positive for the corn market.

Conclusions

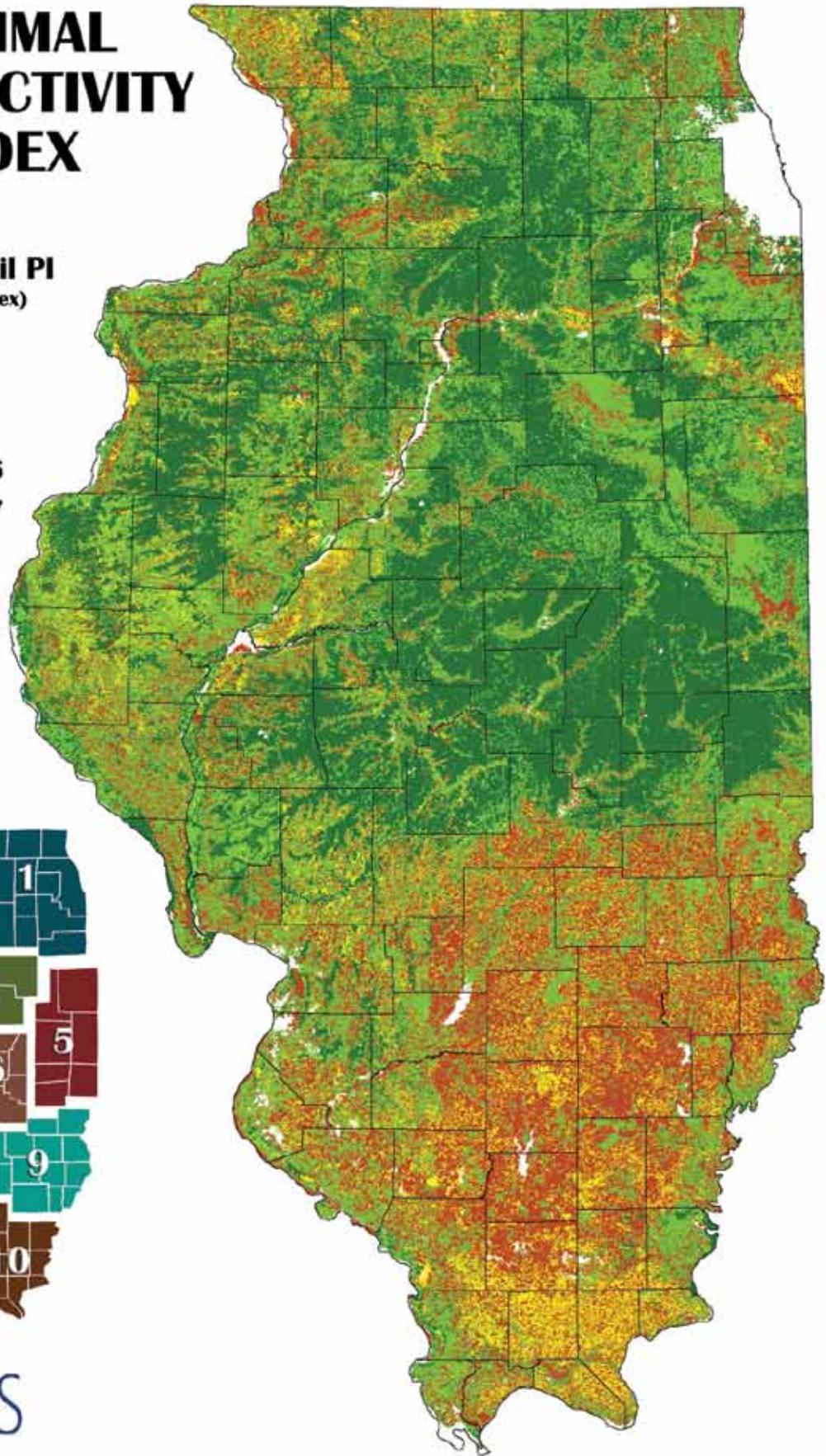
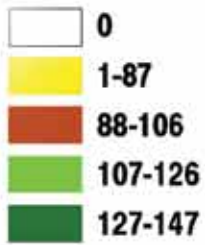
The EPA surprised many observers when it announced proposed 2014 volumes for the RFS mandates. The new EPA framework for implementing the mandates is keyed to the E10 blend wall and the proposal includes a write-down of the corn-based ethanol mandate for the first time. Not surprisingly, this policy change is highly controversial and the novel legal argument used to justify the write-down may be challenged in court. If the proposed EPA rules are finalized and survive a court challenge, then blend wall problems generally will be resolved, the RINs market will likely return to pre-2012 price levels, and pressures in grain and oilseed markets will be largely abated. This is negative for cash rents and land values in the Corn Belt.

If on the other hand the EPA rules are eventually overturned or reversed, then blend wall problems will return in short order, RINs stocks will likely be exhausted by the end of 2014, RINs prices will soar once again, and pressure on the grain and oilseed markets will in all likelihood resume. This outcome would be supportive of cash rents and land values in the Corn Belt. Much hangs in the balance on the eventual outcome of this policy battle.

Note: This article is an updated version of an article that first appeared at farmdoc daily (<http://www.farmdocdaily.illinois.edu/>) on December 4, 2013.

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