



2013

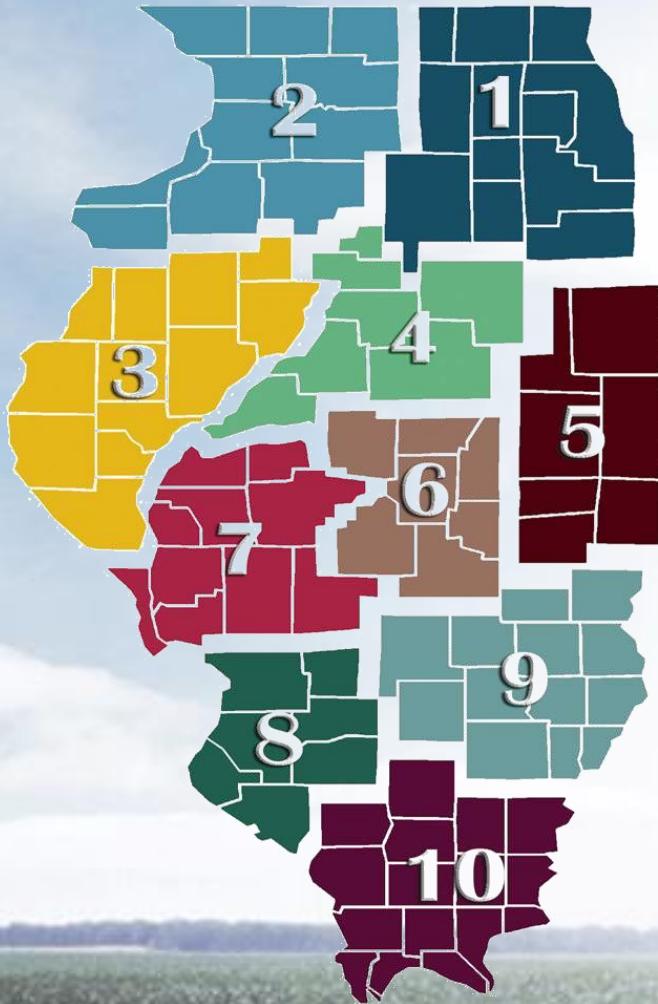
Illinois Farmland Values & Lease Trends

Dale E. Aupperle, AFM, ARA
General Chairman

Gary Schmitkey, Ph.D.
Head – Survey Group

2013

Illinois Farmland Values & Lease Trends



- ▼ 18th Annual Report
- ▼ Covers Calendar Year 2012
- ▼ Lots of Farm Real Estate Transactions
- ▼ Updates on Rents & Leasing Trends
- ▼ A Team of Over 70 Professionals
 - Professional Farm Managers
 - Accredited & State Certified Appraisers
 - Licensed Farmland Brokers

All Sharing Real World Experiences!

Contributing Organizations



Illinois Society of Professional
Farm Managers and Rural Appraisers

University of Illinois College of ACES



Illinois Farm & Land Chapter
of the REALTORS Land Institute



It Takes a Team of Professionals



General Chair

Dale Aupperle, AFM, ARA
Heartland Ag Group, Ltd.
1401 Koester Drive, Ste. 100
Forsyth, IL 62535
(217) 876-7700



Head – Survey Group
Gary Schmitkey, Ph.D.

University of Illinois
300A Mumford Hall
1301 W. Gregory Drive
Urbana, IL 61801
(217) 244-9595



Regional Data Group
Donald K. Cochran, ARA

Cochran Ag Services
2453 East 700th Avenue
Wheeler, IL 62479
(618) 783-8383



Regional Data Group
Bruce Sherrick, Ph.D.

University of Illinois
College of ACES
1301 W. Gregory Drive
Urbana, IL 61801
(217) 244-2637



Regional Data Group
Charles Knudson, ARA, RPRA

1st Farm Credit Services
2005 Jacobssen Drive, Ste. C
Normal, IL 61761
(309) 268-0286



Advertising Group
Jonathan Norvell, Ph.D., AFM

University of Illinois
506 S. Wright Street
Urbana, IL 61801
(217) 244-6352



Land Values Conference
Tim Harris, AFM

Capital Ag Property Services
22263 1365 N. Avenue
Princeton, IL 61356
(815) 875-7418



Land Values Conference
Winnie Stortzum, ARA

Farmers National Co.
109 E. Main Street
Arcola, IL 61910
(217) 268-4434



It Takes a Team of Professionals

Region 1



Douglas Deininger, ALC
Capital Ag Property Services
25846 Meadowland Circle
Plainfield, IL 60585
(630) 258-4801

Region 2



David Dinderman
1st Farm Credit Services
705 E. South Street
Freeport, IL 61032
(815) 235-3171

Region 2



Todd Slock
1st Farm Credit Services
3184 North State Route 23
Ottawa, IL 61350
(815) 433-1780

Region 3



Herbert Meyer, ARA
1st Farm Credit Services
PO Box 70
Edwards, IL 61528
(309) 676-0069

Region 4

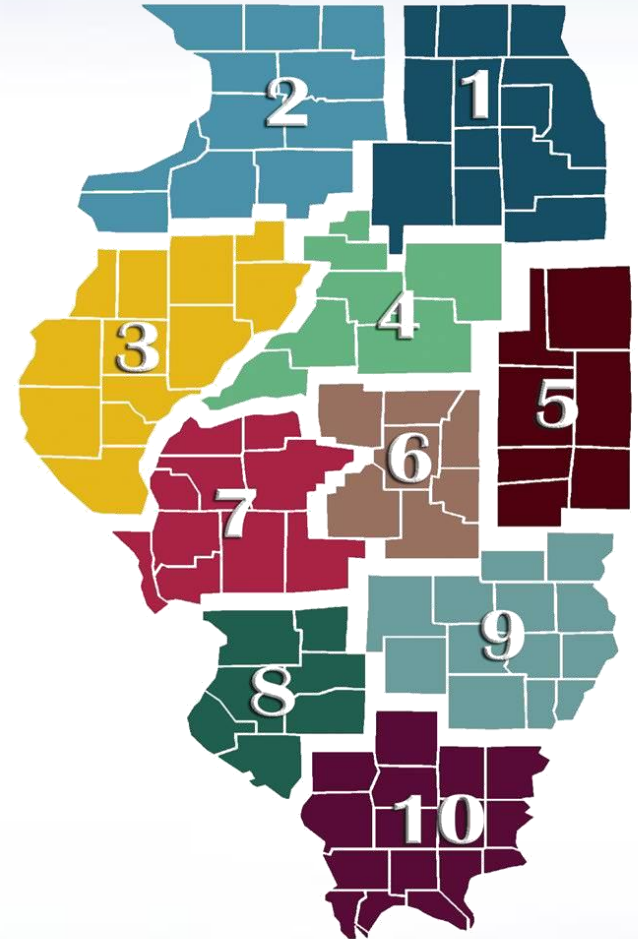


David E. Klein, AFM, ALC
Soy Capital Ag Services
#6 Heartland Dr., Ste. A
Bloomington, IL 61702
(309) 665-0961

Region 5



Mac Boyd, ARA
Farmer National Co.
109 East Main Street
Arcola, IL 61910
(217) 268-4434





It Takes a Team of Professionals

Region 6



Dean G. Kyburz
Busey Ag Services
130 North Main Street
Decatur, IL 62523
(217) 425-8290

Region 7



Thomas Toohill, AFM
Soy Capital Ag Services
3151 Greenhead Drive, Ste. A
Springfield, IL 62707
(217) 547-2885

Region 8



Dale Kellermann, AFM
Hickory Point Bank & Trust
1400 S. Lincoln Ave., Ste. G
O'Fallon, IL 62269
(618) 622-9490

Region 9

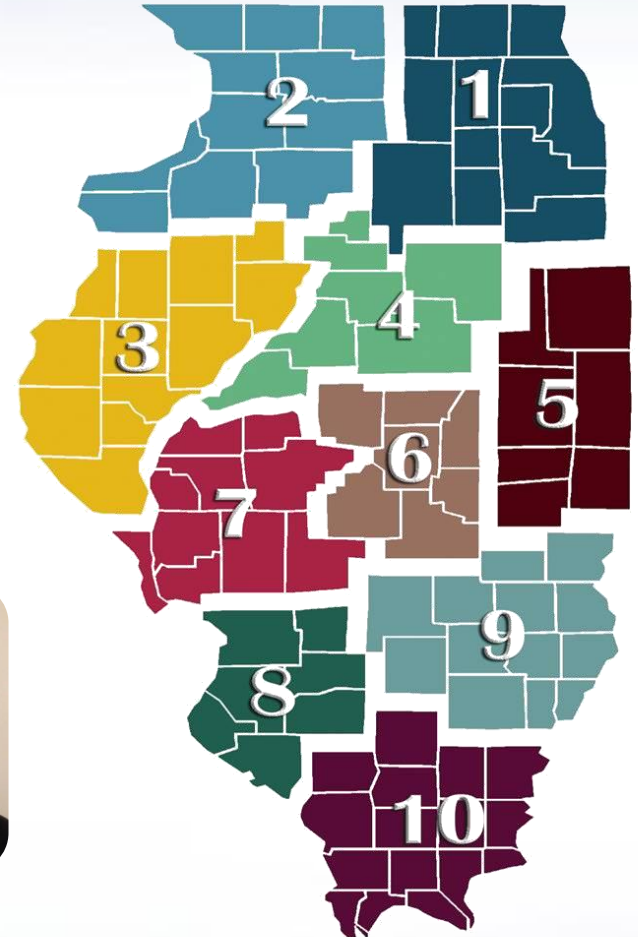


David M. Ragan
Farm Credit Services of Illinois
1506 E. Lafayette Ave.
Effingham, IL 62401
(217) 342-6640

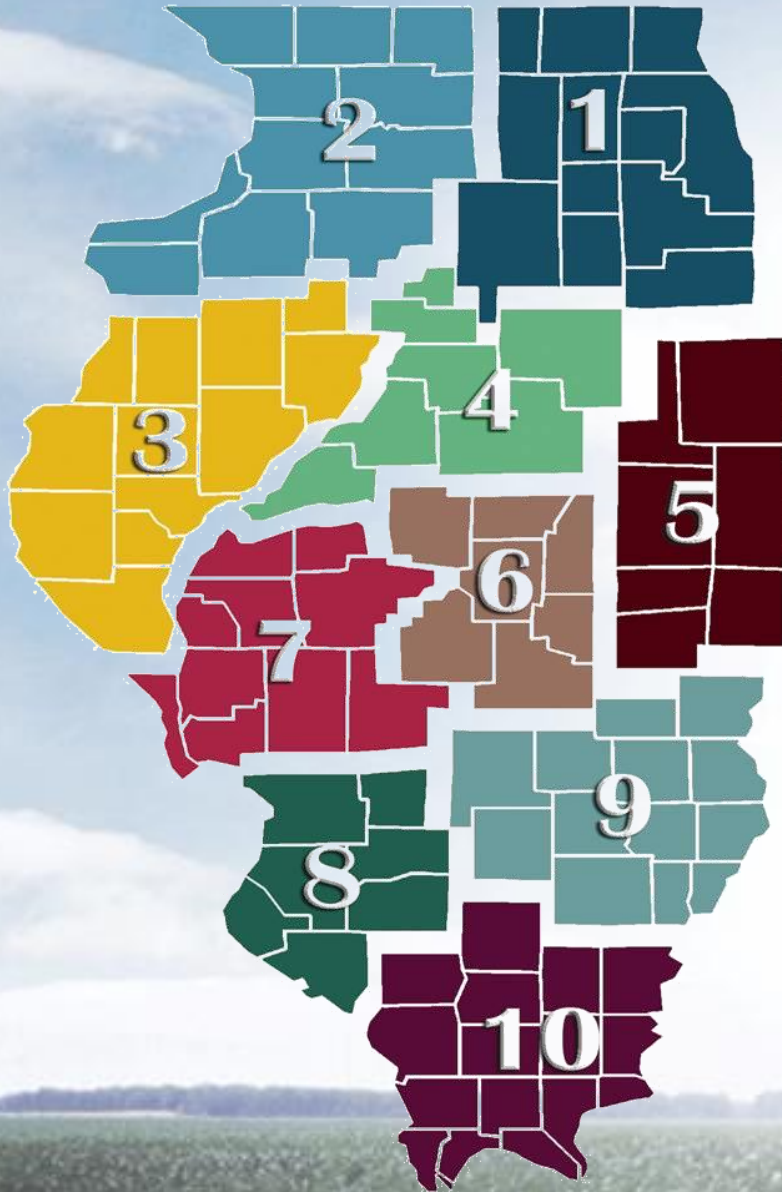
Region 10



Phil Eberle
112 N. Lark Lane
Carbondale, IL 62901
(618) 457-0574



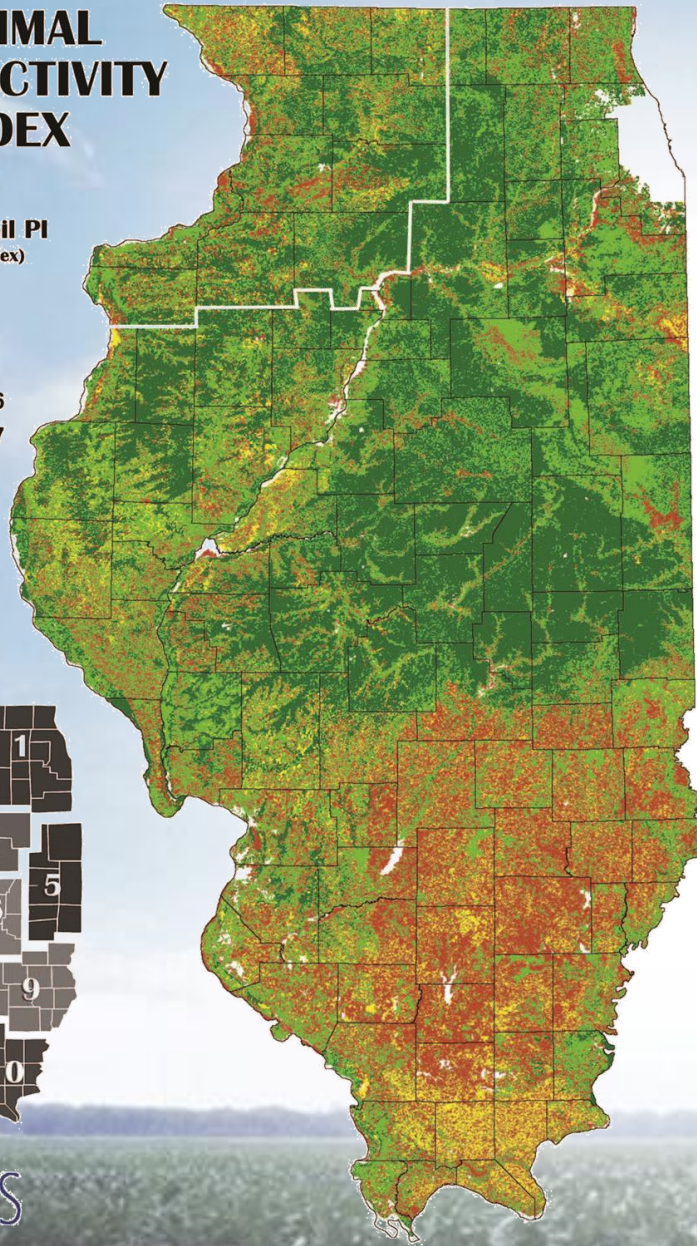
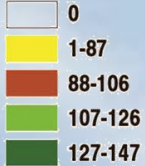
About This 2013 Booklet:



- ▼ **Our First Full Color Presentation**
(Thanks Carroll Merry)
- ▼ **Presented by 10 Regions**
 - *Farmland Sales Data*
 - Excellent Productive Tracts
 - Good Productive Tracts
 - Average Productive Tracts
 - Fair Productive Tracts
 - Recreational Tracts
 - Transitional Tracts
 - *Lease Trends & Rental Rates*
- ▼ **Our Sponsors & Advertisers**
 - *A good place to find a professional!*
- ▼ **Special Articles**
 - *Agricultural Price Prospects*
 - *Expected Changes to Farm Programs in Next Farm Bill*
 - *Continuing Increase in Farmland Prices in 2012*
 - *The Illinois Farmland Market: Trends in Farmland Turnover and Value*

OPTIMAL PRODUCTIVITY INDEX

LEGEND - Soil PI
(Productivity Index)



2013 Illinois Farmland Values & Lease Trends

Understanding Our Farmland Categories
Using the Productivity Index from the University of Illinois (Bulletin 811).

- Excellent Productivity – 147 to 133**
- Good Productivity – 132 to 117**
- Average Productivity – 116 to 100**
- Fair Productivity – Less than 100**





A New Report Feature

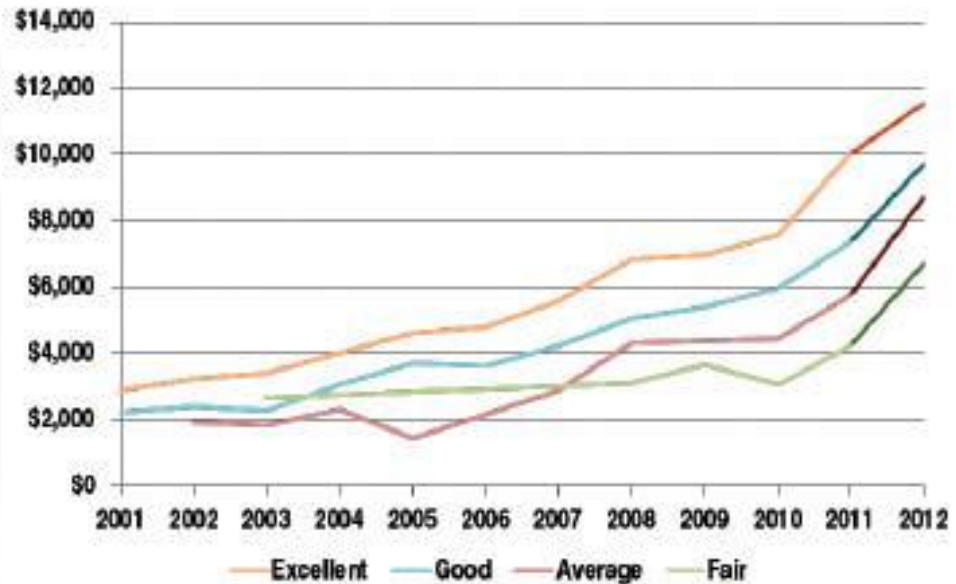
We have added a chart that tracks the value of each category of land over time.



Regional Data Group
Bruce Sherrick, Ph.D.

University of Illinois
College of ACES
1301 W. Gregory Drive
Urbana, IL 61801
(217) 244-2637

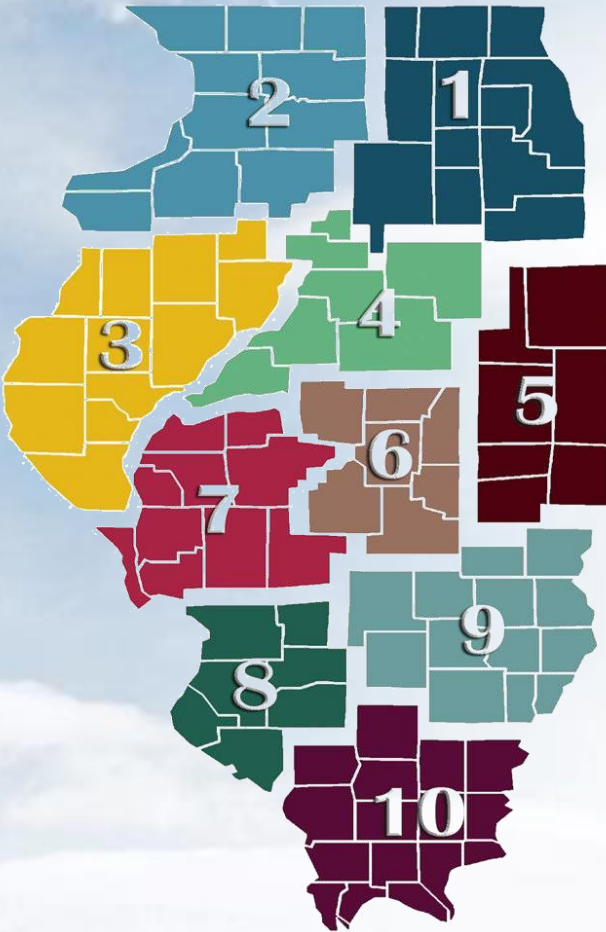
Region 6 Land Values Summary Chart: 2001-2012



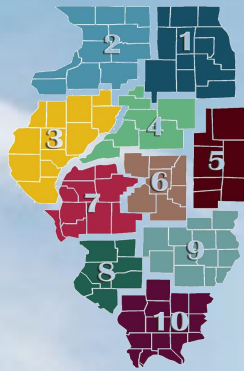
Thanks - - Dr. Sherrick

2012 – Results at a Glance

Forces impacting agriculture were quite volatile in 2012 - - but the farmland market never blinked - - continuing its uptrend!



<u>Land Category</u>	<u>Mid Range 2012 Change</u>	<u>Comments</u>
Excellent	+21%	Third year of double digit increases (<i>totaling 65% in three years. Everyone's favorite.</i>)
Good	+17%	Strong market activity but Class I soils drew the premium.
Average	+16%	These buyers were likely to be neighbors in the local community.
Fair	+17%	Popular category as land mix attracts residential, recreational and non-farm use.
Recreational	+5% (<i>maybe</i>)	Poor economy limits discretionary income and keeps lid on prices.
Transitional	Flat	Limited activity. Current farmland values nearly equal to development land values!



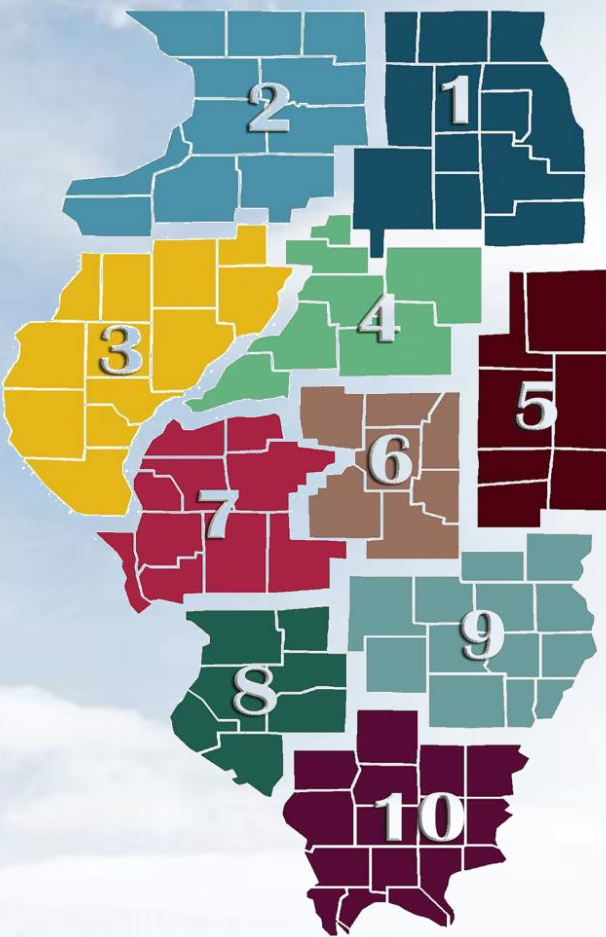
All Categories of Farmland The Great State of Illinois

Here is the most comprehensive look you will get at 2012 statewide Illinois farmland values:

	<u>Excellent</u>	<u>Good</u>	<u>Average</u>	<u>Fair</u>	<u>Recreational</u>	<u>Transitional</u>
Region 1	\$10,800	\$9,300	\$7,300	--	\$5,700	\$15,000
Region 2	\$11,000	\$9,300	\$6,700	\$4,600	\$3,640	--
Region 3	\$12,000	\$8,500	\$5,200	--	\$2,925	--
Region 4	\$12,700	\$9,100	\$6,900	--	\$4,700	--
Region 5	\$10,000	\$8,100	\$5,700	--	\$3,800	\$9,350
Region 6	\$11,800	\$10,100	\$8,900	\$5,800	\$3,575	\$13,000
Region 7	\$11,600	\$10,600	\$6,000	\$3,000	\$2,450	\$10,000
Region 8	--	\$8,800	\$7,800	\$10,900	\$3,500	\$9,600
Region 9	--	--	\$7,000	\$4,800	\$2,950	\$9,575
Region 10	--	<u>\$9,400</u>	<u>\$6,200</u>	<u>\$3,500</u>	<u>\$2,500</u>	--
Average	\$11,400	\$9,200	\$6,700	\$5,400	\$3,575	\$11,000

Averages are dangerous - - but they gives us a snapshot of each category (*for comparison*).

Excellent Quality Farmland



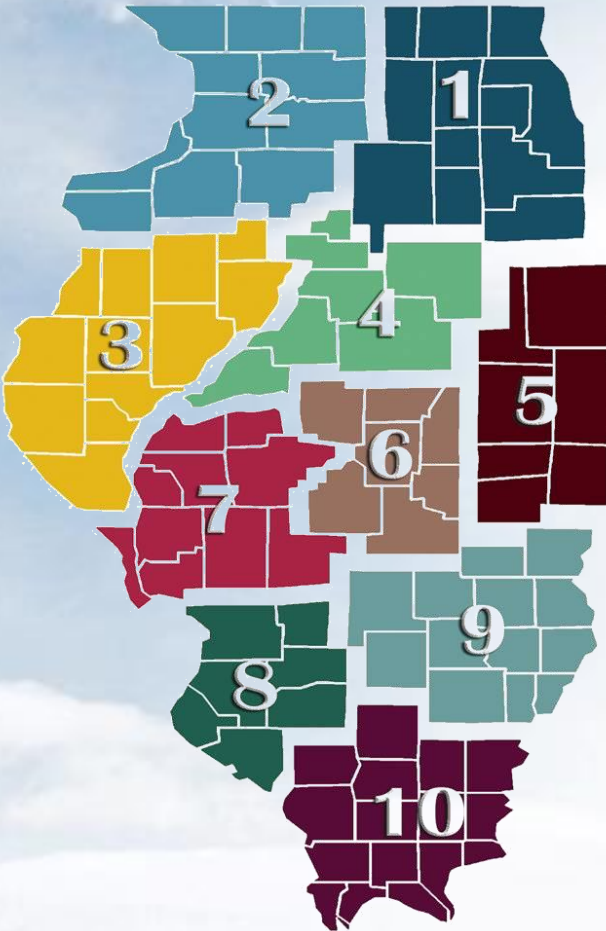
	<u>Mid Range Land Value</u>	<u>Comments</u>
Region 1	\$10,800	After harvest and crop insurance checks - - land values quickly increased.
Region 2	\$11,000	Majority of farms purchased by local farmers who have increased purchasing power.
Region 3	\$12,000	Prime land has shown strength at auction. Two noticeable selling seasons - - (<i>spring and fall</i>).
Region 4	\$12,700	November sales exceed \$15,000 at public auction! Prices escalated at year-end.
Region 5	\$10,000	Landowners hesitant to put farms on the market because of alternative investment opportunities.
Region 6	\$11,800	Return on investment remains very strong for farmland.
Region 7	\$11,600	Principal buyers are farmers and investors with close ties to aggressive farmers.
Region 8	- -	
Region 9	- -	
Region 10	- -	
	<hr/> \$11,400 <i>(average)</i>	

Good Quality Farmland

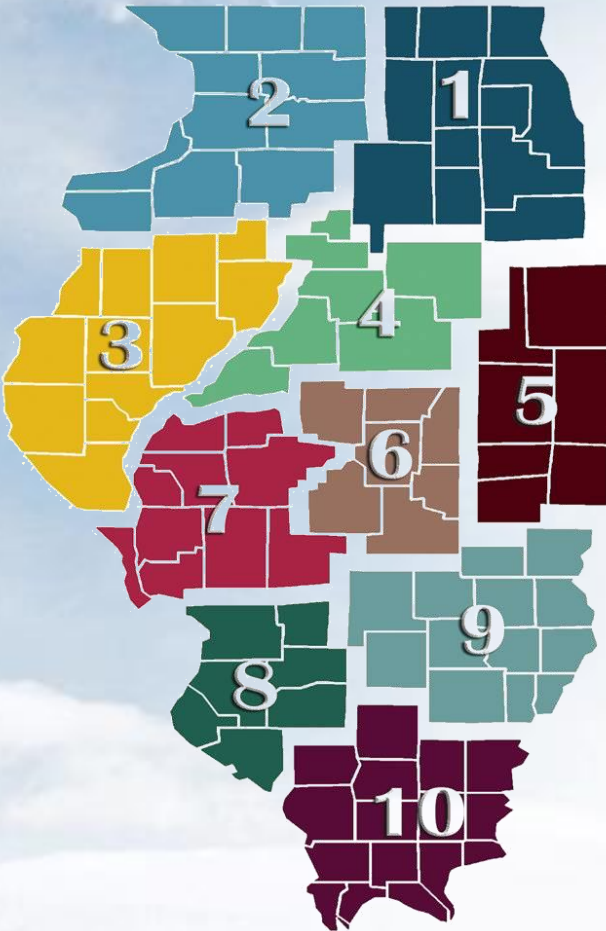
Mid Range Land Value

Comments

Region 1	\$9,300	Purchasers focused on improving fertility and drainage to enhance these farm investments.
Region 2	\$9,300	A majority of purchasers were by local farmers - - value shot up in the last quarter.
Region 3	\$8,500	Average soils take more time and inputs to farm and have more irregularly shaped fields.
Region 4	\$9,100	These soils respond well to high management. Wider ranges of values is available. High supply in 2012.
Region 5	\$8,100	Investors buying these properties in anticipation of higher cash returns on their investment dollars. Farmers are aggressive buyers.
Region 6	\$10,100	Significant range in size and quality of land sold in this category.
Region 7	\$10,600	Gap between good and excellent quality has widened due to greater demand of Class I soils.
Region 8	\$8,800	Limited soils above 133 productivity index.
Region 9	- -	Most soils are located along the Wabash River - - limited volume.
Region 10	\$9,400	Less than 10% of land in this category. Sales are due to death or retirement. Local purchasers.

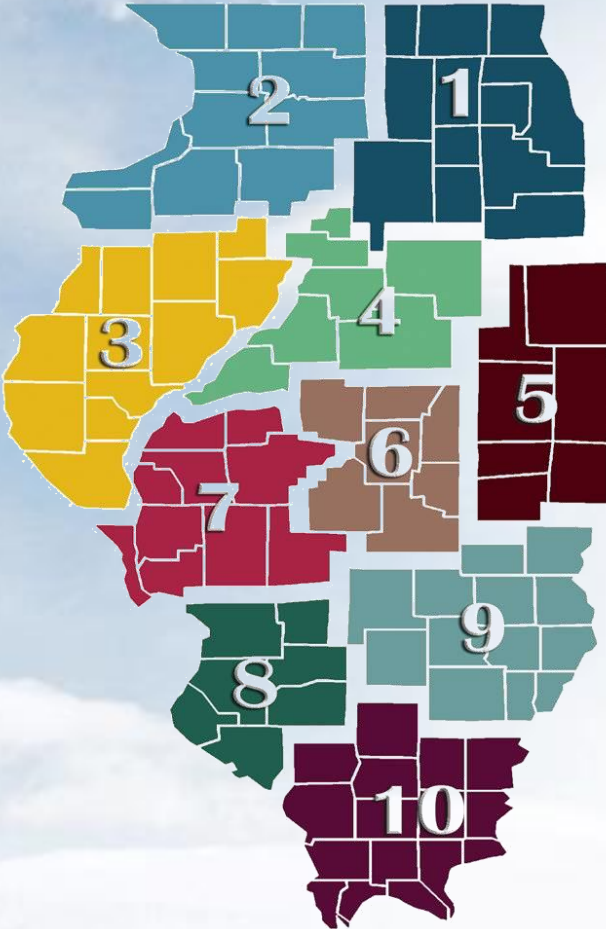


Recreational Land



	<u>Mid Range Land Value</u>	<u>Comments</u>
Region 1	\$5,700	Poor Economy - - Stagnate Market
Region 2	\$3,640	Supply (<i>for sale</i>) Exceeds Demand – Prices Down 19%
Region 3	\$2,925	Soft Market – Auction Sales show Weakness
Region 4	\$4,700	Increase in number of tracts sold. Soft Market. 20 to 60 acre tract sizes.
Region 5	\$3,800	Demand Slow – No Money - - Supply Low
Region 6	\$3,575	Small Number of Sales
Region 7	\$2,450	Premium for Timber over odd shaped tillable
Region 8	\$3,500	Usually wooded tracts (<i>no income</i>) – Good demand from St. Louis area.
Region 9	\$2,950	Lots of small, irregular fields
Region 10	\$2,500	Unchanged Value. Majority of sales by realtors for deer hunting.

Transitional Land

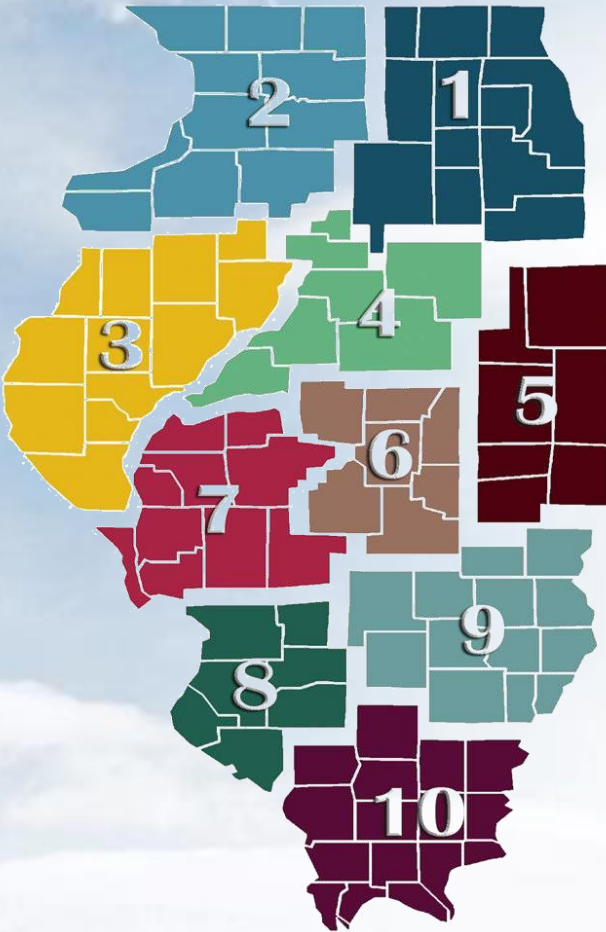


	<u>Mid Range Land Value</u>	<u>Comments</u>
Region 1	\$13,466	Bank Owned Sales Ending
Region 2	N/A	
Region 3	N/A	
Region 4	\$22,500	A True Commercial Sale
Region 5	\$9,350	Modest Demand around Champaign and Danville
Region 6	\$13,000	Slight increase in Demand (<i>Decatur</i>)
Region 7	\$10,000	
Region 8	\$9,600	Not much added value (<i>down sharply from \$25,000 to \$40,000 per acre at peak</i>)
Region 9	\$9,575	Limited Activity
Region 10	N/A	

Note – If the tracts were not being purchased for immediate development - - most only retained ag value.

River Bottom Land

Here is a special focus on River Bottom land sales:



	<u>Mid Range Land Value</u>	<u>Comments</u>
Region 3	\$8,300	Farms are in both Illinois and Mississippi River Bottoms. Prices influenced by drainage and location in the bottoms.
Region 9	\$4,400	Prices vary greatly depending on the flood protection.



Here is the good stuff - -

First hand observations from across the great state of Illinois!

- ▼ ***Grain Prices*** – Mother Nature slashed corn and soybean yields in 2012 which resulted in skyrocketing grain prices. \$7.00 to \$8.00 per bushel corn and \$15.00 to \$18.00 per bushel soybeans were significant and offset much of the yield drop.
- ▼ ***Net Farm Income*** – Farmland truly is what it earns! Net farm income across Illinois was stable to increasing this past year due to higher commodity prices and the payouts from crop insurance programs.



Here is the good stuff - - *(continued)*

- ▼ ***Drought Conditions*** – The Great Drought of 2012 resulted in some of the largest corn and soybean yield reductions our members had ever witnessed. On an average corn yields were down nearly 50% and soybeans were reduced by one-third.
- ▼ ***Crop Insurance*** – These insurance product were available to all producers and until this year were viewed as an expensive way to manage your risk. Not anymore! The overall revenue protection it provided Illinois farmers and landowners was amazing. Many net farm incomes were stable to rising in spite of the drought.



Here is the good stuff - - (*continued*)

- ▼ ***Tile Drainage*** – On most Illinois farms - - drainage is critically important. Farmers took advantage of their profits and expanded their farm drainage through an amazing amount of tiling systems. Millions of feet of tile have gone in across Illinois.
- ▼ ***Interest Rates*** – Interest rates on operating loans and farm mortgages are at the lowest ebb in anyone’s memory. Savings that result from “*cheap money*” allow interested landowners to bid more for farmland or farm operators to pay more for cash rent. Agricultural participants worry that our next move in interest rates is higher.



Here is the good stuff - - *(continued)*

- ▼ ***Auction Sales*** – An auction is an exercise in price discovery. There has been a sharp increase in the number of auction sales as farmland values continue to rise. Those auction results are instant knowledge to a wide variety of participants and observers in the land market.
- ▼ ***Capital Gains Taxes*** – The threat of higher capital gains taxes caused a surge in the volume of land being offered for sale at year-end 2012. Most sellers wanted to avoid the additional tax and rushed to close their transactions prior to year-end.



Here is the good stuff - - *(continued)*

- ▼ ***Inflation*** – Most participants in Illinois agriculture view our government’s deficit spending as a formula for significant future inflation. Farmland is a hedge against that possibility - - attracting widespread buyers to Illinois farmland.
- ▼ ***Mineral Rights*** – Illinois is experiencing an energy boom. Farmland owners across the state are becoming sensitive to the prospect of coal, oil natural gas under their properties which drives the value of the property and income from it.



Here is the good stuff - - (*continued*)

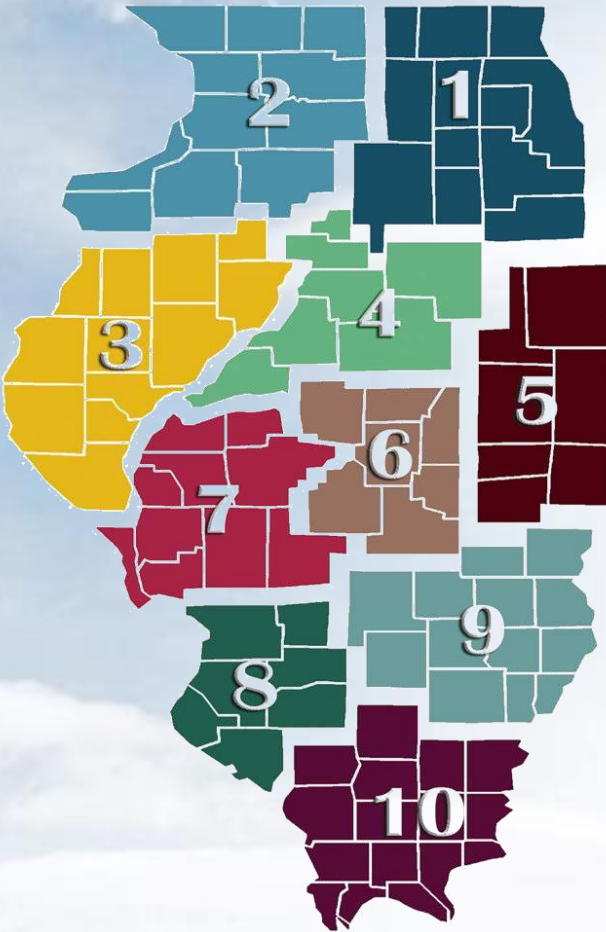
- ▼ ***Wind Farms*** – An uncertain environment for wind energy had caused many projects to be placed on hold throughout 2012. There was a flurry of activity at the end of the year when legislation extended the tax benefits to the wind energy participants for one year.
- ▼ ***Estate Taxes*** – Rising farmland values are putting significant pressure on the estate tax exemption and are a major concern of land owners across the entire state of Illinois.



Here is the good stuff - - *(continued)*

- ▼ ***USDA Programs*** – There is little need for price supporting programs in this environment and the farming community is not focused on the safety net at this time. There is a general understanding that conservation funding will also be limited by funds available.

A Quick Look Forward



▼ Influencing factors to watch for:

- Interest Rates
- Value of the Dollar
- Alternate Investments
- Weather and Yields
- Commodity Prices
- Crop Insurance

▼ Our ISPFMRA Membership Thoughts:

- Look for rising values in 2013
- Next 5 year trend is positive
- Prefer a return to normal (5% - 6%) annual increases

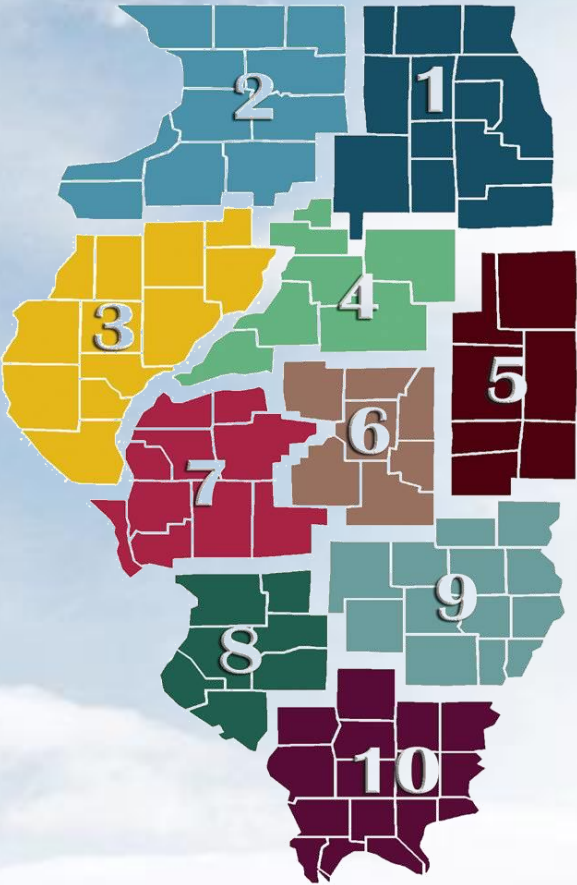
▼ Late Breaking Farmland Sales – Wow!

- | | |
|--------------------------|-----------------------|
| - Champaign Co. \$15,375 | - Shelby Co. \$14,500 |
| - Christian Co. \$15,800 | - McLean Co. \$14,550 |

One Last Thought:

“If you eat - - then you
are a part of
Agriculture.”

Leland Glazebrook
Farm Broadcaster
WDZQ Radio



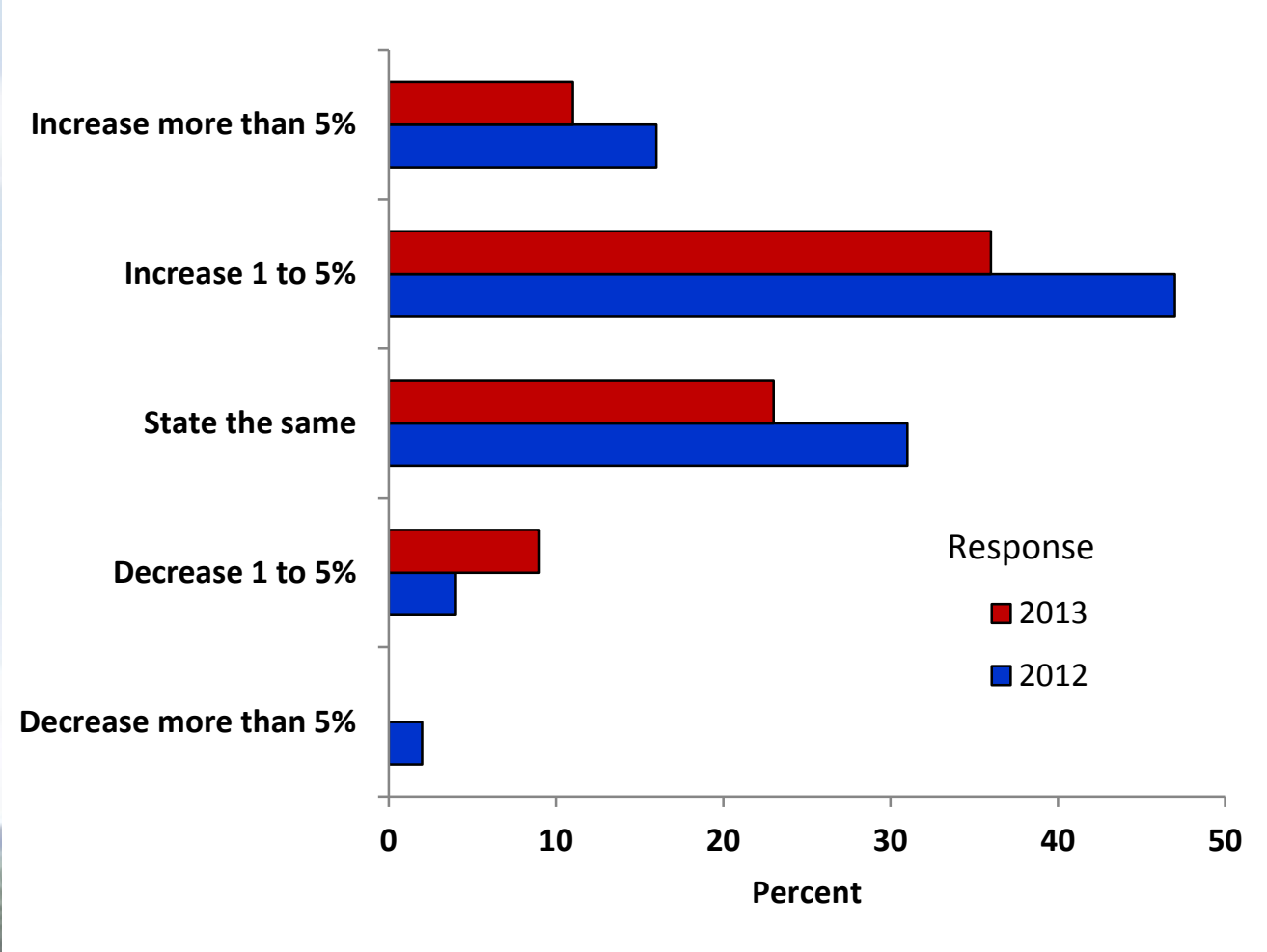
Land and Lease Survey

- Surveys of individuals knowledgeable about the farmland and farmland rental markets
- Land Survey (page 86)
 - Increases in 2012
 - Optimism for 2013
- Lease Survey (page 89)
 - Cash rent increases in 2013

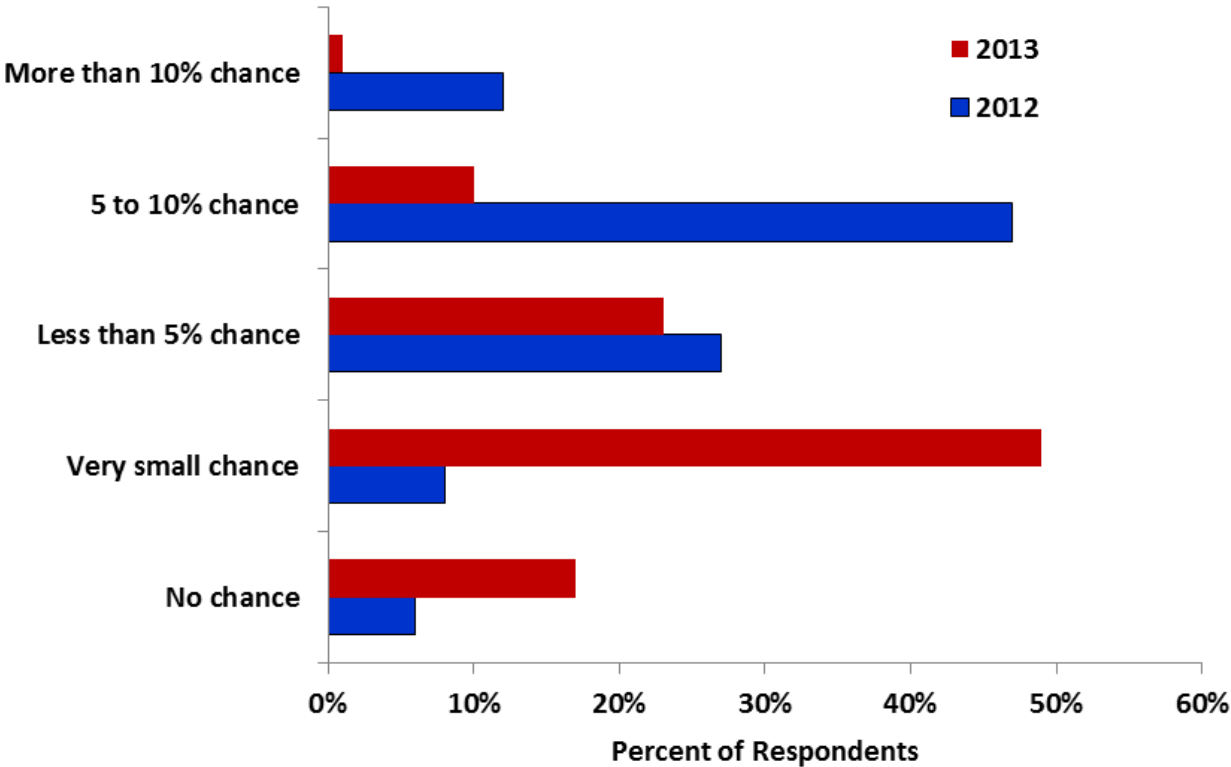
Farmland Prices

Land Quality	<u>Jan 1, 2012</u>	<u>Dec 31, 2012</u>	<u>Change</u>
Excellent	\$10,510	\$12,670	21%
Good	\$8,980	\$10,500	17%
Fair	\$7,560	\$8,770	16%
Poor	\$5,980	\$6,980	17%

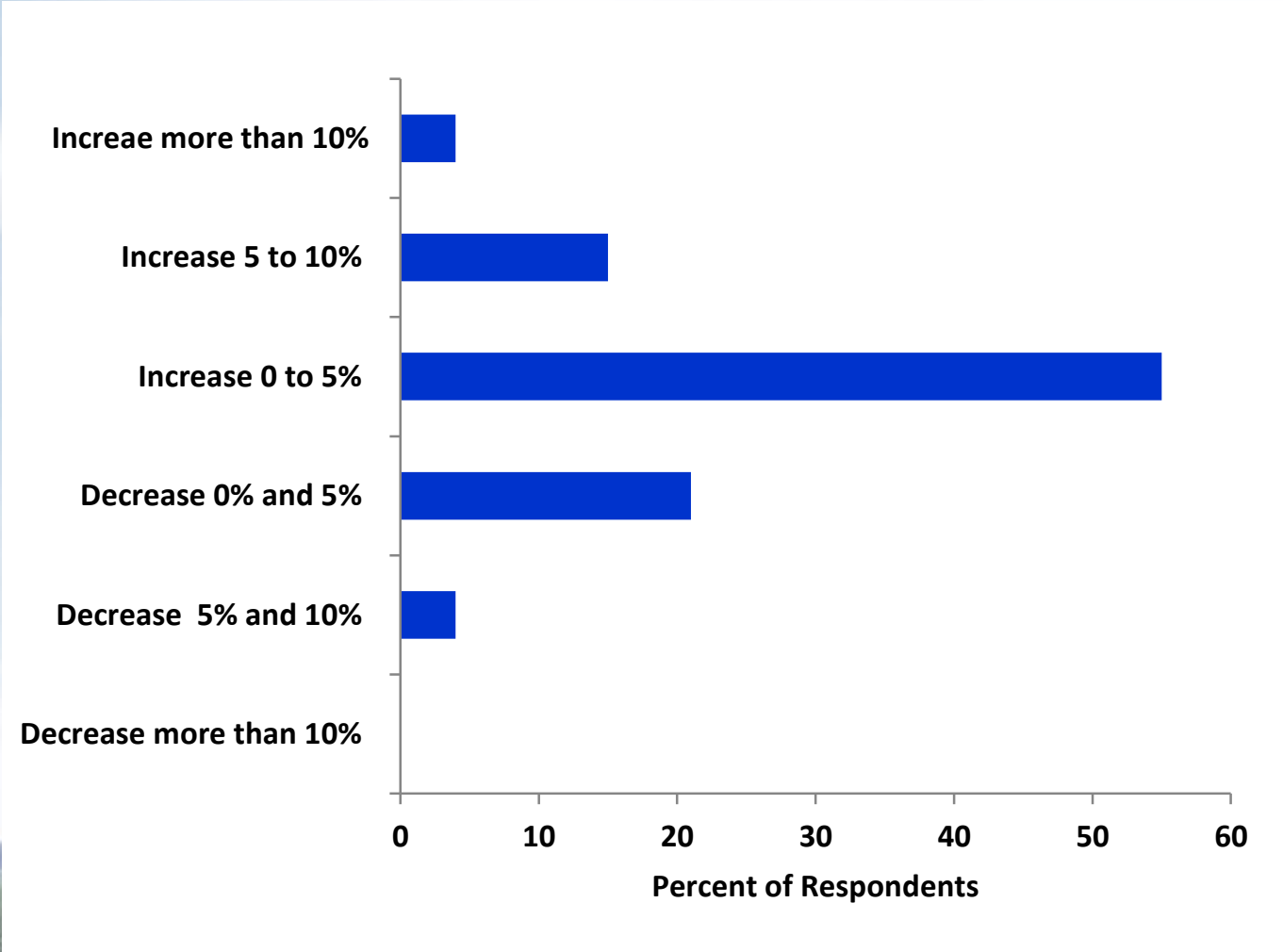
Percent of Members Expecting Farmland Price Increases in 2013



Chance of a 20% Price Decline



Expected Yearly Increase in Land Prices, Next Five Years



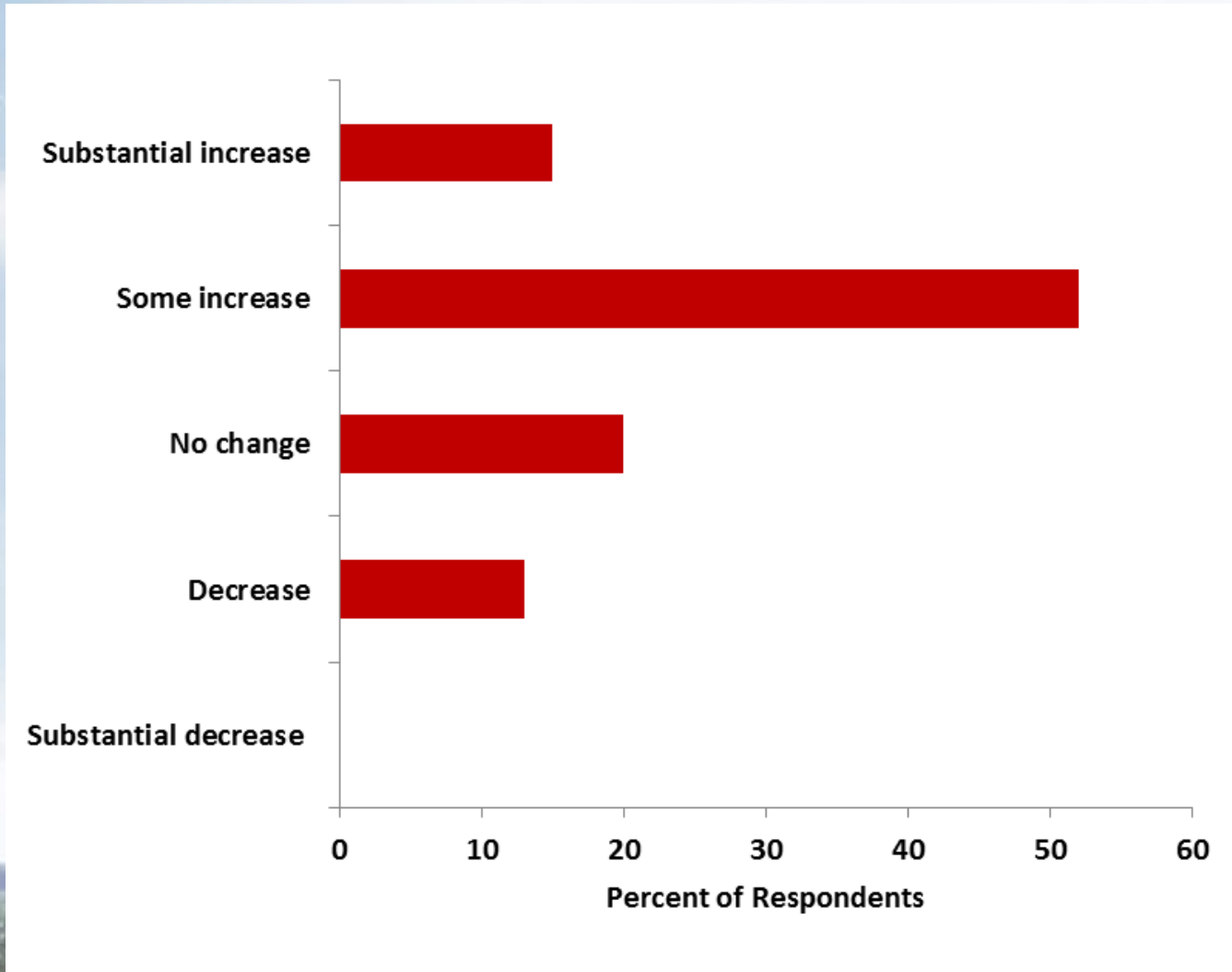
Buyers and Sellers

- Buyers: Local farmers 70%, Local investors 6%, Non-local investors 14%
- Sellers: Estate sales 58%, Individual investors, 15%, Retired farmers 14%
- Reasons for Selling: Settle estates 59%, Received a good price 26%

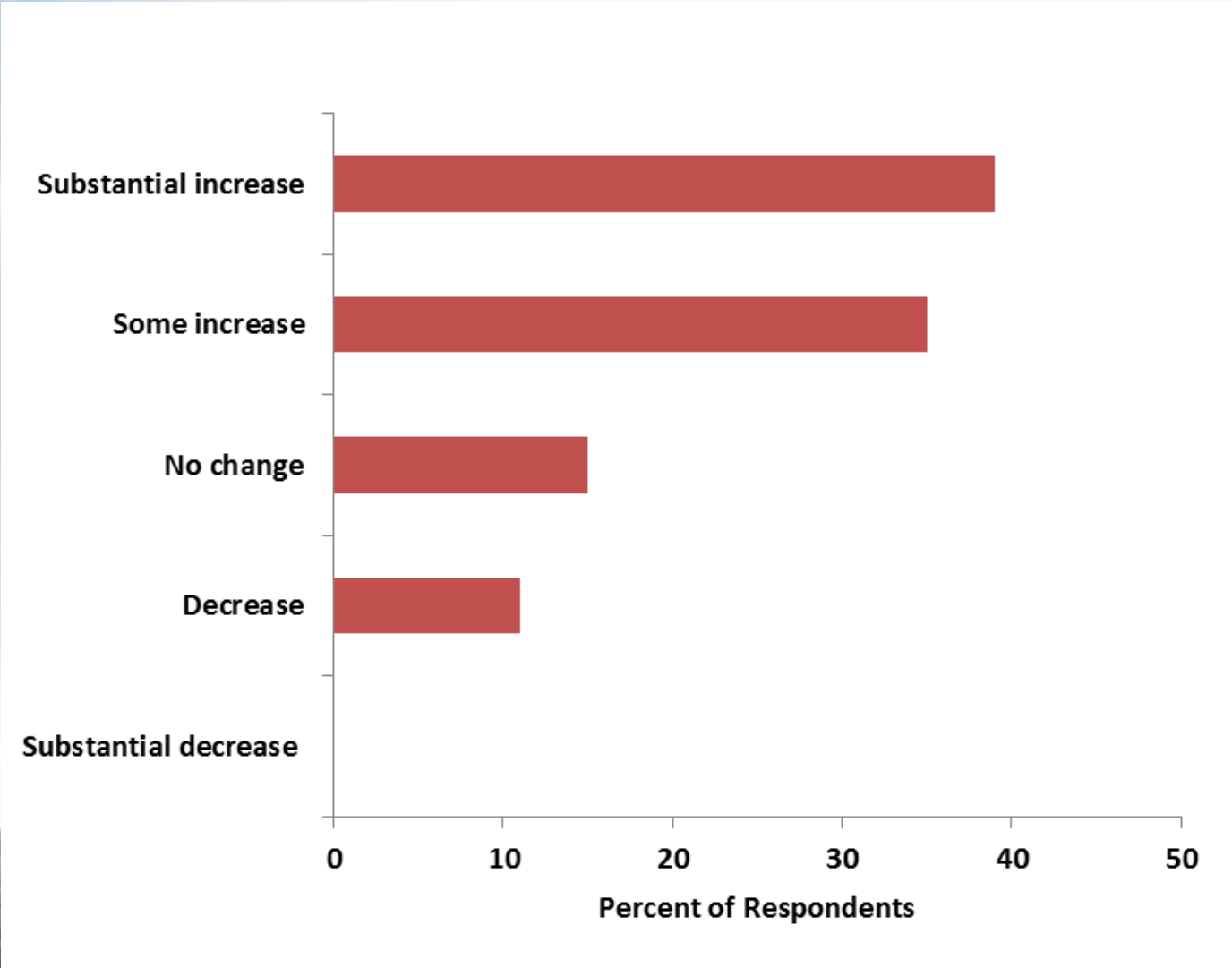
Method of Selling Farmland

Sealed bid	8%
Multi-parcel auction	13%
Public auction	44%
Private treaty	35%

Change in Outside Interest



Change in Volume, Last Half 2010 to 2011



Incomes from Alternative Lease Types, 2012

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
Traditional crop share	345	291	252	198
Cash rent	348	294	242	194
Custom farming	490	401	324	240

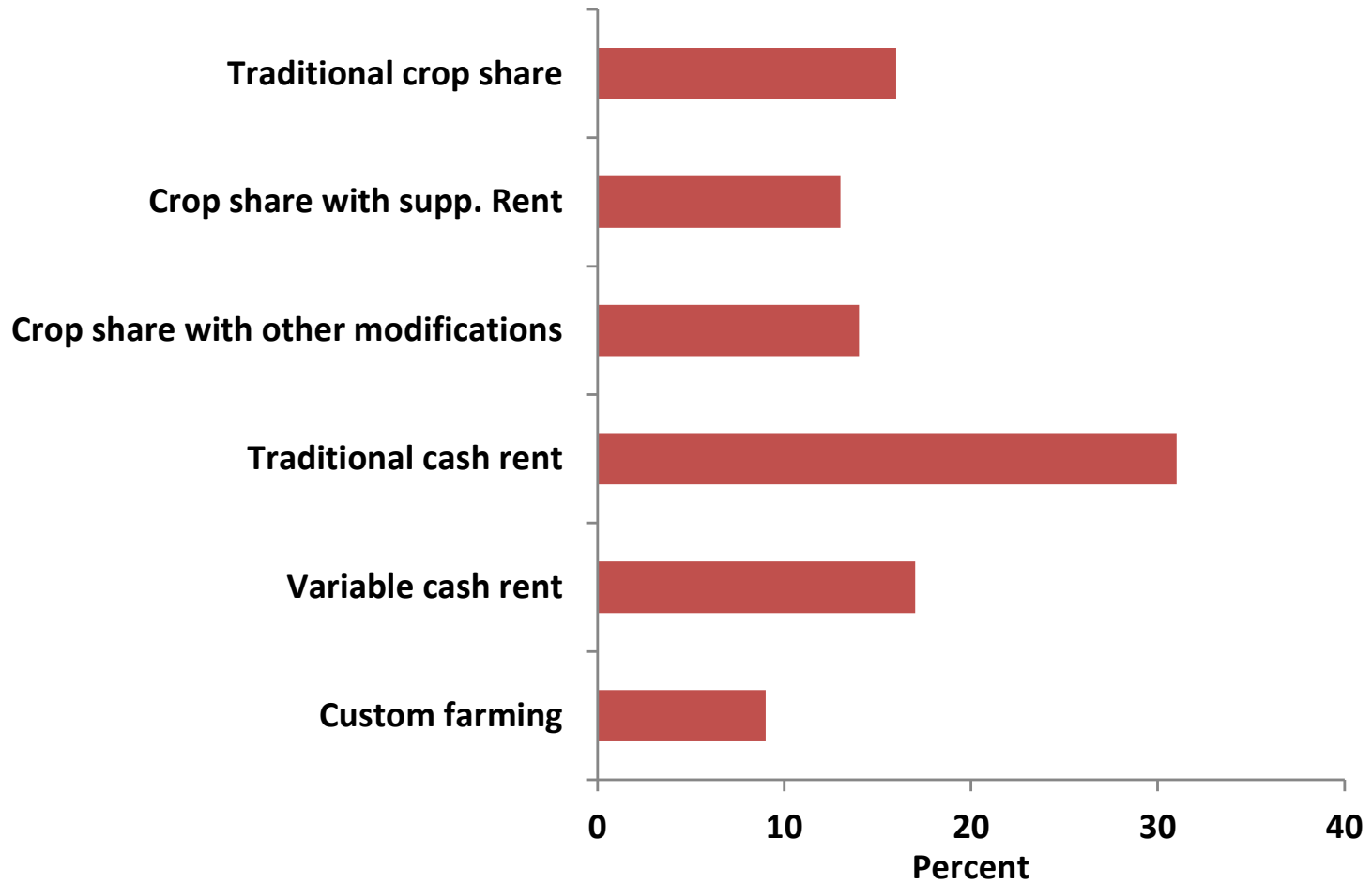
2013 Cash Rents, Professional Farm Managers

Category	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
High 1/3	447	385	324	265
Mid 1/3	396	339	285	235
Low 1/3	320	274	221	179

Historic Cash Rents, Midpoints

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

Lease Arrangement Use





Cash Rent Expectations for 2014

- **Most expect cash rents to remain the same in 2014**
- **If yields are normal, \$5.00 corn price, \$11 soybean price**
 - **40% expect cash rents to decrease \$10 per acre or more**
 - **30% expect cash rents to decrease \$0 to 10 per acre**
 - **27% expect cash rents remain the same**
 - **3% expect cash rents to increase**





Thank You and Questions

