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Farmland Values Show Minor Drop in 2014

(Bloomington, IL – March 19, 2015) Values for Illinois farmland took a 1 – 3 percent dip in prices in 2014, continuing a flattening trend that started in 2013 according to the Illinois Land Values and Lease Trends Report issued today by the Illinois Society of Professional Farm Managers and Rural Appraisers.

“We saw a flattening of prices starting in 2013 and this continued through 2014,” says Dale Aupperle, AFM, ARA, president of Heartland Ag Group, Forsyth, IL, and overall chair of the annual land values project undertaken by the Society. “This comes after prices rising 80 percent from 2008. We for sure have not seen a bursting of a bubble as many had forecast over time.”

Aupperle notes that the variations on values changes across the state and depends greatly on the productivity ranking of the properties. “Farmland considered Excellent (Productivity Index rating of 133 – 147) saw a general drop of one percent in 2014 from an average of \$13,100 in 2013 to \$12,800 last year. These prices are supported by historic high crop yields. In general there were very few new high land price levels set.”

He continued explaining that Good productivity land saw the greatest decline -- -3 percent – from an average price of \$11,100 in 2013 to \$10,500 in 2014. “The buyers of this land were primarily farmers and they were cautious and looking for deals.”

“Our sideways 2014 land value trend is actually a surprisingly strong performance in the face of declining commodity prices and shrinking net farm income!” Aupperle says. “This whole flattening process started in early 2013 and farmland values have generally gone sideways for the past two years. Another interesting point” he adds, “is there have only been three times in the last four decades where the powerful Illinois farmland value uptrend was interrupted. In 2008 the market went sideways after doubling in value, and in 1998 – 2001 we saw a 15 percent correction after nearly doubling in value.” The major correction came in 1980 through 1987, he says, after farmland values advanced nearly 500 percent.

“The one place where we’ve seen some strengthening of prices this past year has been in land that is classified as Recreational. There have been some upticks in prices and the volume of land sales increased slightly in 2014,” Aupperle says.

Local farmers still account for 66 percent of the buyers of farmland with local investors coming in second at 13 percent. Settlement of estates is still the primary reason for land sales to occur. Auctions and private treaty sales are the leading methods of making the transactions happen.

The Report is done annually by members of the Illinois Society. The state is divided into 10 geographic areas and teams gather regional information. The data is then compiled and summaries are developed with assistance from the University of Illinois’ College of ACES.

Lease Trends

Lease rates and trends are also part of the overall Report and lower commodity prices have driven cash rents downward, says Gary Schnitkey, Ph.D., University of Illinois College of ACES. “What was being paid for rent correlates directly to incomes off the land. For example, traditional crops share income on Excellent productivity farmland was \$70 per acre lower in 2014 compared to 2013. Cash rents across all farmland classes fell: \$28 per acre decrease for Good quality farmland; \$27 per acre decrease for Average quality farmland; and a \$19 per acre decrease for Fair quality farmland.”

What does this mean moving forward? “Eighty percent of Survey respondents expect that cash rents for 2016 will decrease modestly in 2016,” he says. “We asked what would happen to rents if yields are normal and fall prices are near \$3.50 per bushel for corn and \$10 per bushel for soybeans. Ninety two percent expect cash rents would decrease by more than \$10 per acre given this scenario,” Schnitkey explains.

Note to Editors -- For further general and regional clarification, contact any of the individuals listed below:

Dale Aupperle	dale@heartlandagggroup.com	217-876-7700	Overall Chairman
Gary Schnitkey	schnitke@uiuc.edu	217-244-9595	Head, survey group
Dan Davis	archag@htc.net	618-939-4560	Regional Data Group
Bruce Sherrick	sherrick@illinois.edu	217-244-2637	Regional Data Group
Chuck Knudson	cknudso@1stfarmcredit.com	309-268-0286	Regional Data Group
Douglas Deininger	doug@deininger-land.com	630-258-4801	Region 1
David Dinderman	ddinder@1stfarmcredit.com	815-235-3171	Region 2
Todd Slock	tslock@1stfarmcredit.com	815-433-1780	Region 2
Herbert Meyer	hmeyer@1stfarmcredit.com	309-676-0069	Region 3
David Klein	dklein@soybank.com	309-665-0961	Region 4
Mac Boyd	mboyd@farmersnational.com	217-268-4434	Region 5
Dean Kyburz	dean.kyburz@busey.com	217-425-8290	Region 6
Thomas Toohill	ttoohill@soybank.com	217-547-2885	Region 7
Dale Kellermann	dale.kellermann@hickorypointbnk.com	618-622-9490	Region 8
David Ragan	dave.ragan@farmcreditil.com	217.857.6450	Region 9
Phil Eberle	eberlep@siu.edu	618-457-0574	Region 10

