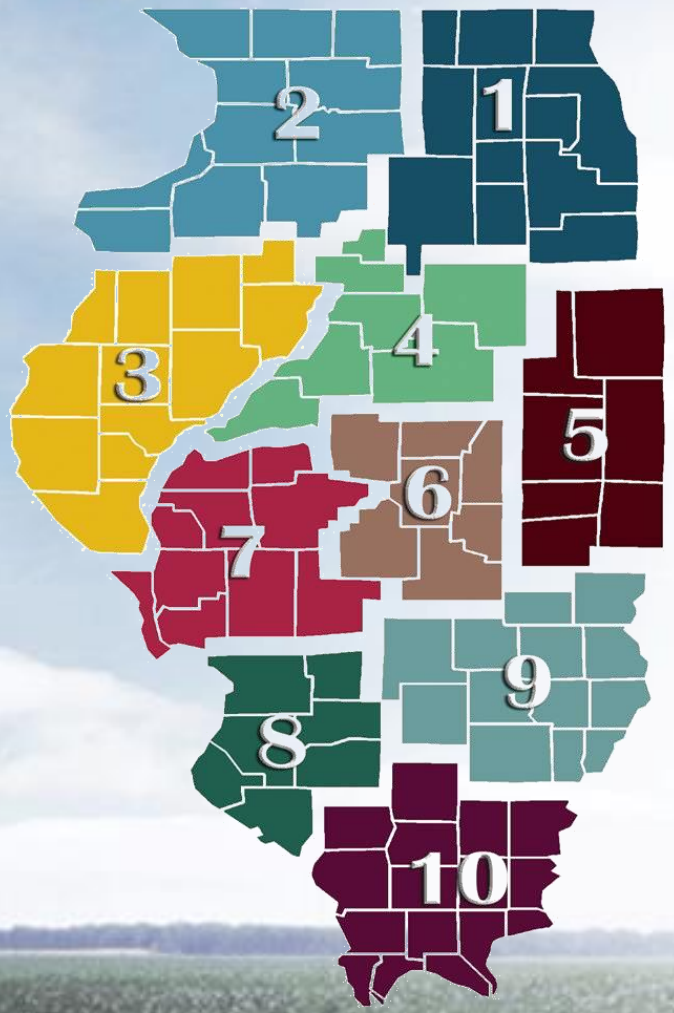
2015
Illinois Farmland Values & Lease Trends

Dale E. Aupperle, AFM, ARA
General Chairman

Gary Schnitkey, Ph.D.
Head – Survey Group



2015
Illinois Farmland Values & Lease Trends

- 20th Annual Report
- Covers Calendar Year 2014
- 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 | ACES College of Agricultural, Consumer and Environmental Sciences

Illinois Farm & Land Chapter
of the REALTORS Land Institute

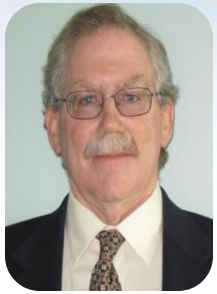
It Takes a Team of Professionals



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It Takes a Team of Professionals

Region 1



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Land Pro LLC
2683 US 34
Oswego, IL 60543
(815) 439-9245

Region 2

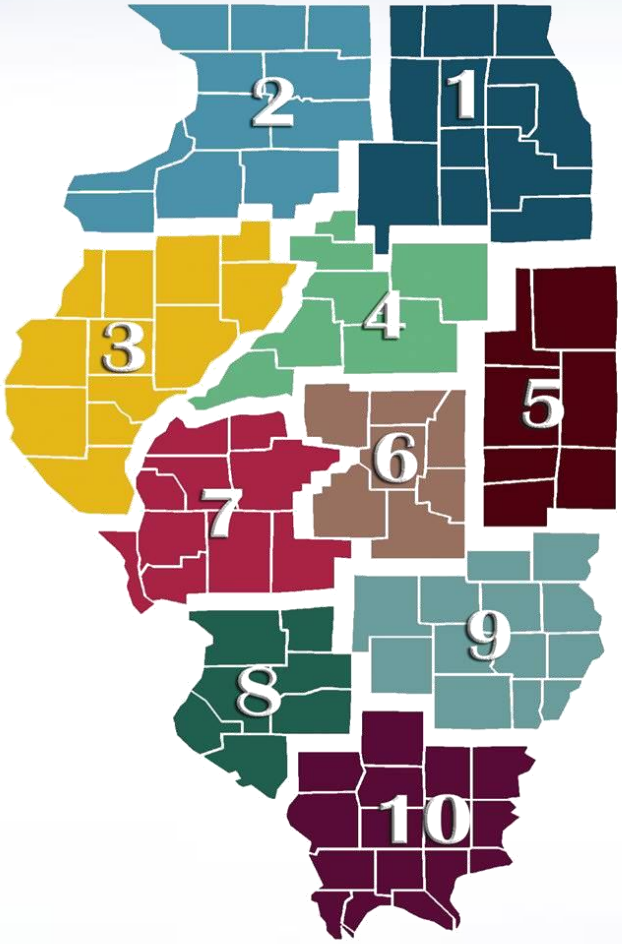


David Dinderman
1st Farm Credit Services
705 E. South Street
Freeport, IL 61032
(815) 235-3171

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
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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

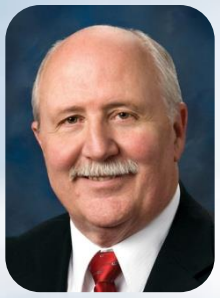
Region 5



Mac Boyd, ARA
Farmer National Co.
109 East Main Street
Arcola, IL 61910
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It Takes a Team of Professionals

Region 6

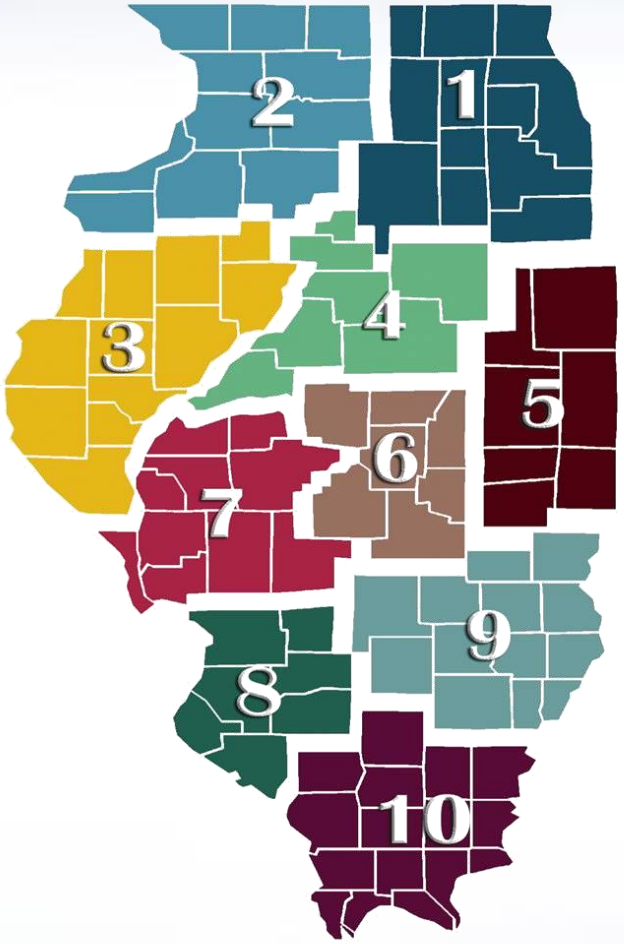


Dean G. Kyburz
Busey Ag Services
130 North Main Street
Decatur, IL 62523
(217) 425-8290

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
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O'Fallon, IL 62269
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Region 9

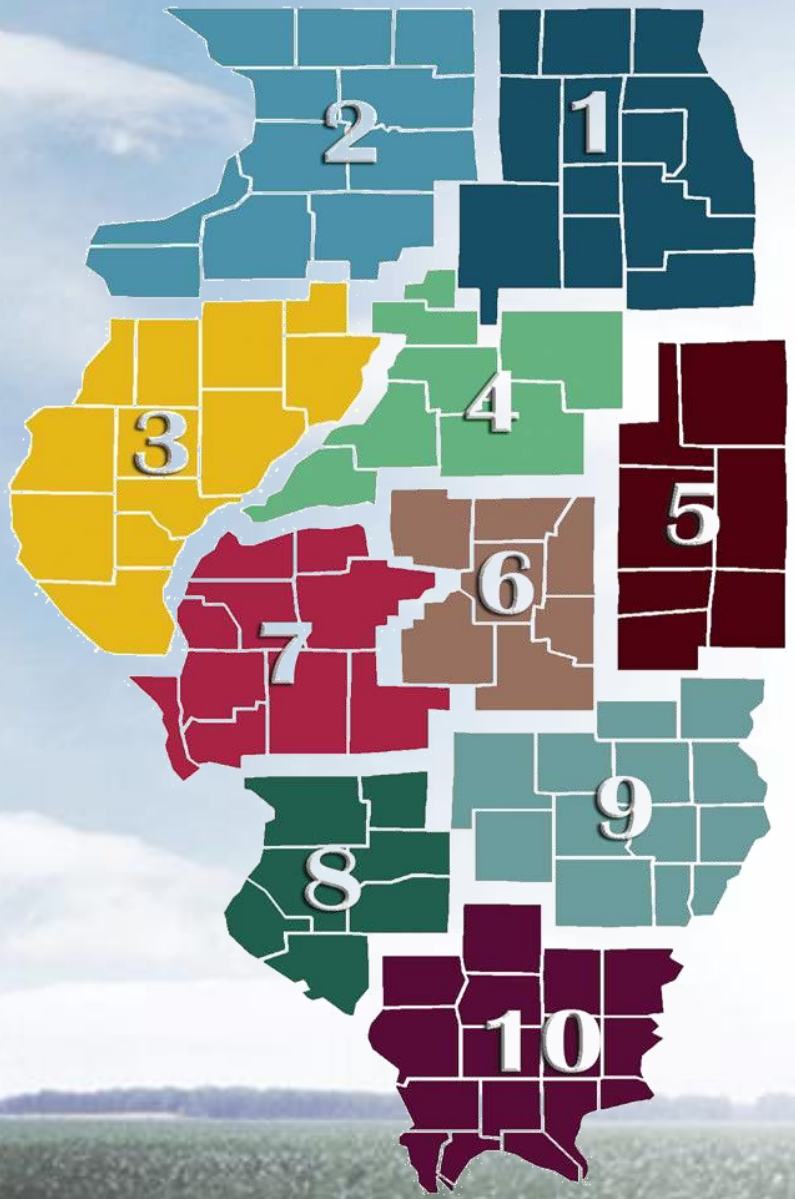


David M. Ragan
Farm Credit Services of Illinois
1506 E. Lafayette Ave.
Effingham, IL 62401
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Region 10

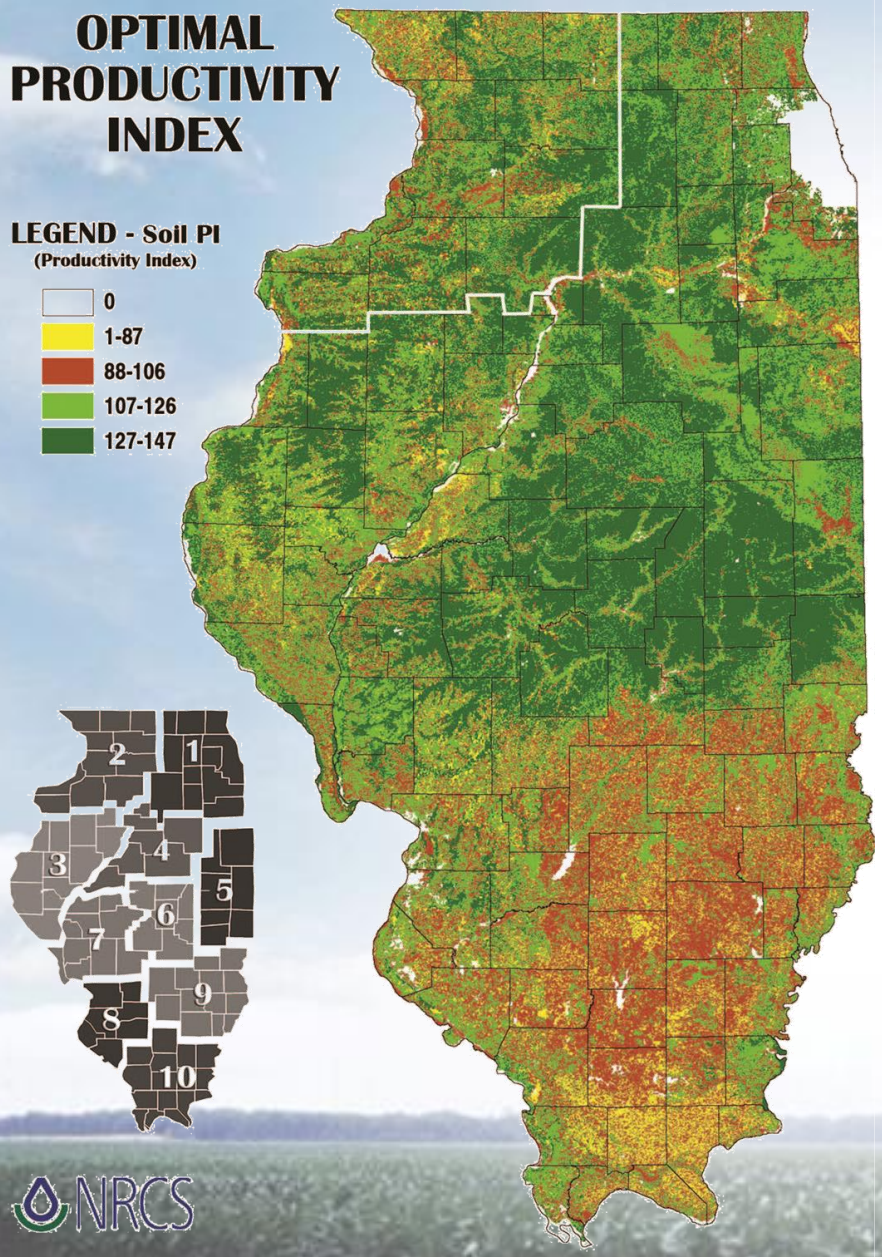


Phil Eberle
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Carbondale, IL 62901
(618) 457-0574



About This 2015 Booklet:

- **Our Third 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**
  - *Farmland Prices Decline Expected to continue*
  - *Drop in Cash Rent Levels Continues*
  - *2014 Farm Bill Program Decisions*



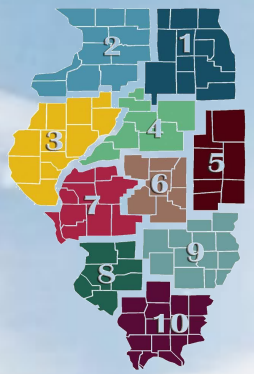
2015
Illinois Farmland Values & Lease Trends

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**
Recreational Tracts	
Transitional Tracts	

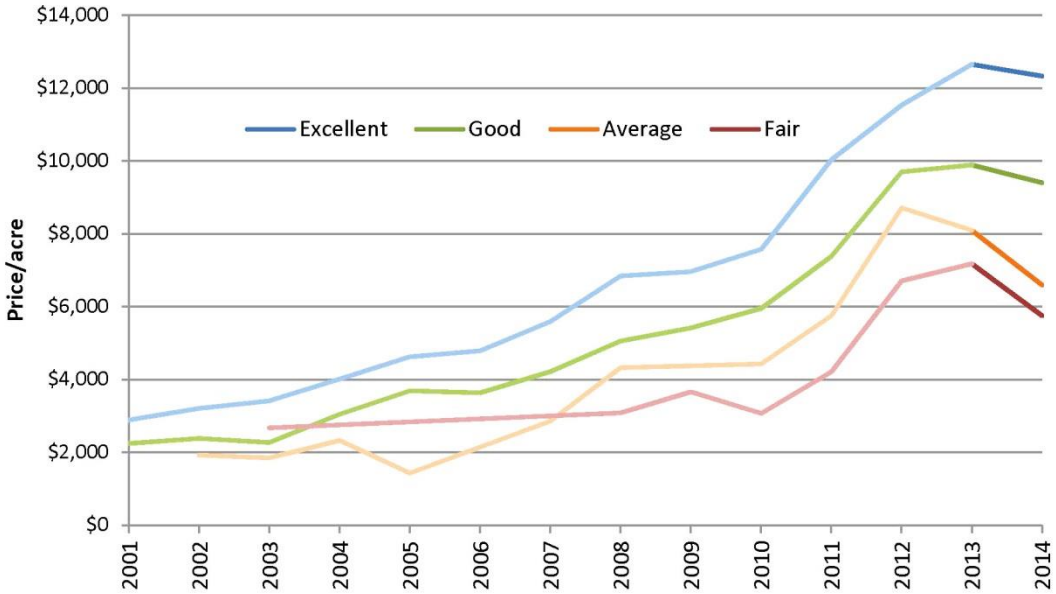
Illinois Society of Professional Farm Managers and Rural Appraisers



A Special Report Feature

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

Region 6 Land Values Summary Chart: 2001-2014

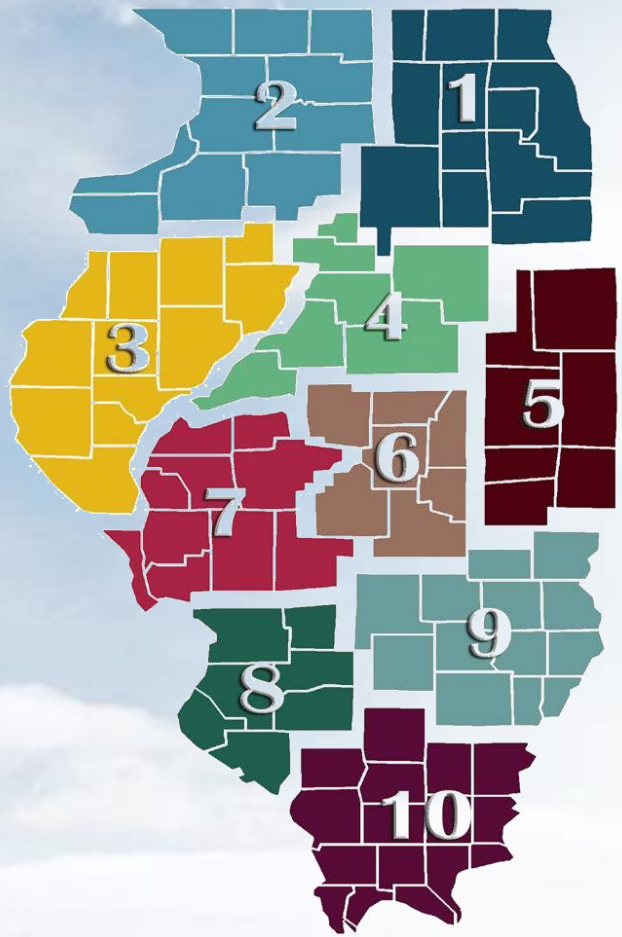




Regional Data Group
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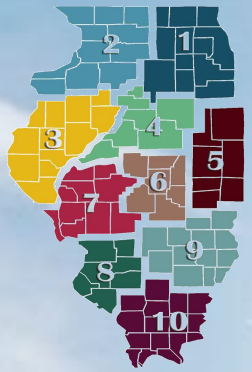
Thanks - - Dr. Sherrick

2014 – Results at a Glance



Farm profits are important! Historically high corn and soybean yields helped ease the pain from lower commodity prices.

Land Category	*Mid Range 2014 Change*	*Comments*
Excellent	**-1%**	Values remain steady – supported by historic high crop yields. Very few new high land prices were set. Pockets of strength and weakness.
Good	**-3%**	Farmers were primary buyers. Somewhat easier price levels. Buyers were cautious - - looking for deals.
Average	**-2%**	These farms require higher maintenance and management. Buyers were selective. More noticeable price declines.
Recreational	***Steady to stronger***	Volume of sales increased slightly. More discretionary income in the economy. More activity around metropolitan areas.
Transitional	**Steady**	Activity limited to metropolitan areas. Some developers looking at raw land. Market comeback underway.



All Categories of Farmland
The Great State of Illinois

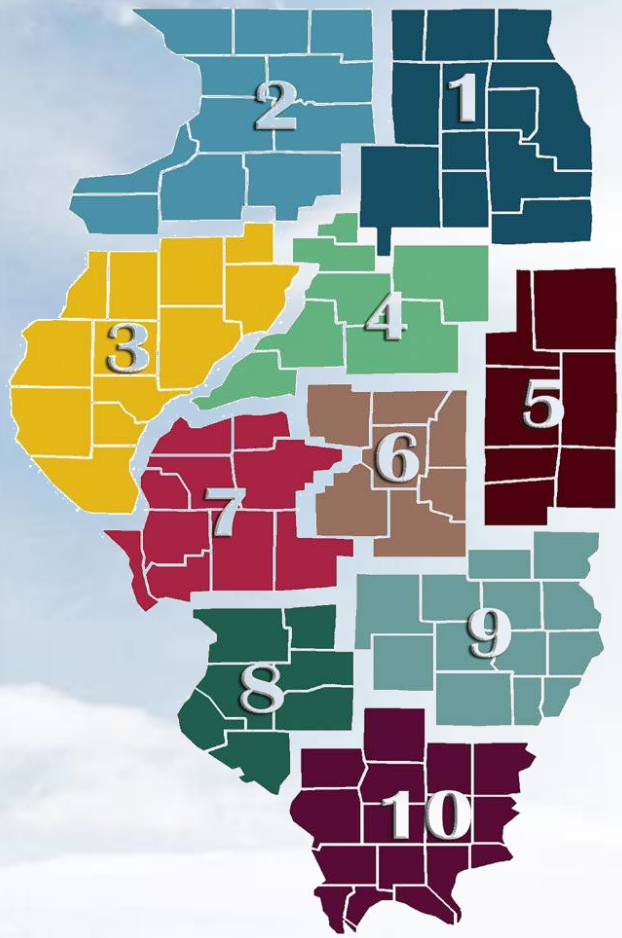
These *(rounded)* figures are the average as reported by each region on the categories shown.

	Excellent	*Good*	*Average*	*Fair*	*Recreational*	*Transitional*
Region 1	$12,700	$9,000	$8,100	$6,400	$4,500	$18,500
Region 2	$12,400	$9,100	$6,700	$5,300	$4,500	$7,700
Region 3	$13,700	$8,000	$5,500	$4,500	$3,300	- -
Region 4	$12,700	$9,900	$7,000	- -	$5,100	- -
Region 5	$11,400	$9,100	$7,600	$6,500	$4,100	$36,100
Region 6	$12,300	$9,300	$6,600	$5,800	$4,100	$18,600
Region 7	$13,800	$9,000	$7,100	$3,800	- -	- -
Region 8	- -	$10,100	$9,300	$7,100	$4,100	$12,300
Region 9	- -	$9,700	$7,200	$6,300	$3,900	- -
Region 10	- -	$9,800	$5,300	$4,000	$3,000	- -
Average	**$12,700**	**$9,300**	**$7,100**	**$5,500**	**$4,100**	**$18,600**

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

2014 Excellent Quality Farmland

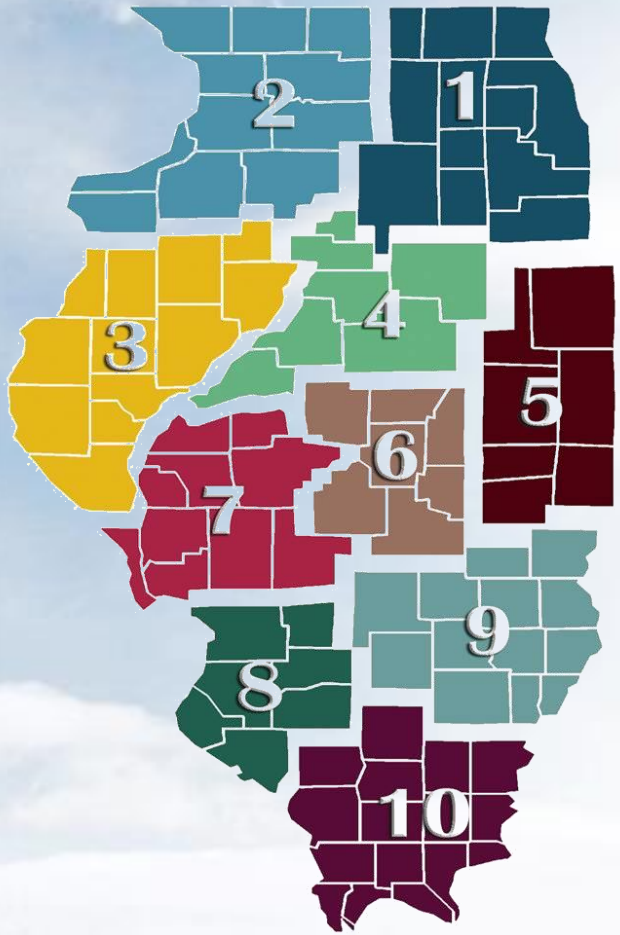
The prices shown below are the averages reported by each region.



	Mid Range Land Value	*Comments*
Region 1	**$12,700**	Values remain steady - - limited availability of excellent tracts - - great 2014 yields added support. Landowners are moving Central Illinois land back home.
Region 2	**$12,400**	Majority of sales purchased by local farmers. Values were higher in the second half of the year. Limited number of sales. Good competition among buyers.
Region 3	**$13,700**	Strong sales in early spring - - Warren County farm at $15,300! Harvest sales weaker.
Region 4	**$12,700**	Same range as 2013 - - no new highs were set. Highest land quality brought the most money. Majority of transactions ranged from 40 to 160 acres in size.
Region 5	**$11,400**	Price range was down slightly from 2013. Number of sale transactions was down slightly.
Region 6	**$12,300**	Average tract selling was about 100 acres and 98% tillable. Market steady to down 2% from previous year.
Region 7	**$13,800**	Principal buyers are operating farmers and investors with ties to aggressive farming operations. Noticeable pockets of strength and weakness across region.
Region 8	- -	
Region 9	- -	
Region 10	- -	
	$12,700	***(average)***

2014 Good Quality Farmland

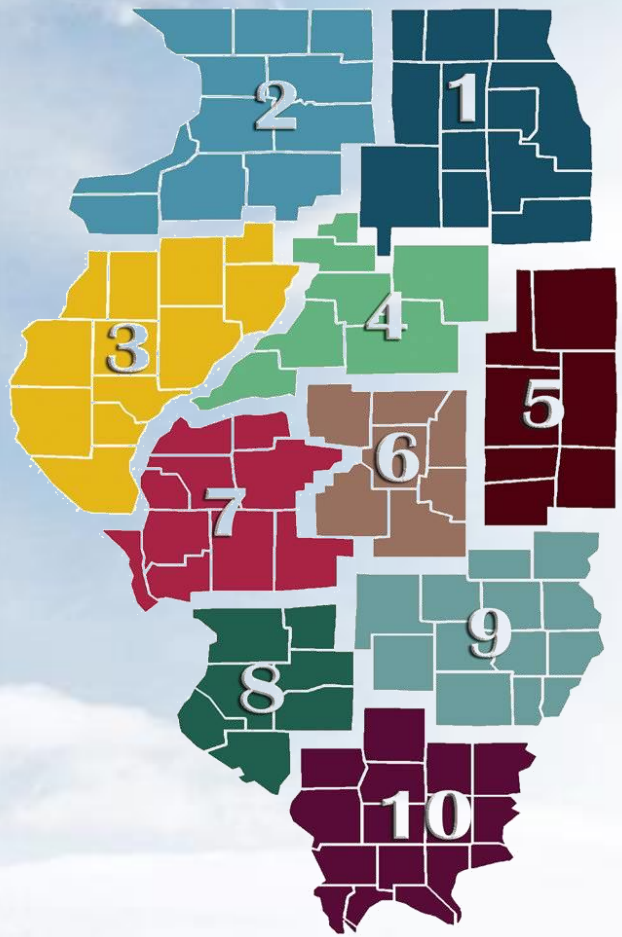
The prices shown below are the averages reported by each region.



	Mid Range Land Value	*Comments*
Region 1	**$9,000**	Showed a 5% increase - - farmers were primary buyers - - low interest rates were helpful - - crop insurance is important.
Region 2	**$9,100**	Vast majority of sales were purchased by local farmers. Investors like the strong rental potential. Buyers were cautious - - looking for a deal.
Region 3	**$8,000**	The decline was more recognizable in farms with lower percentage tillable and erodible ground.
Region 4	**$9,900**	Prices fell slightly. Stable supply of land on market. Pockets of strength and weakness.
Region 5	**$9,100**	An increase in volume of sales. Anticipation for higher earnings for investment dollars spent. Can acquire more acres.
Region 6	**$9,300**	Values down 2.7% for year. Average size tract was 68 acres - - 89% tillable - - with a productivity index of 126.
Region 7	**$9,000**	A continued downward price bias from 2013. Lower quality land values fell off more rapidly.
Region 8	**$10,100**	Limited amount of this soil. Good black soils raise better houses than crops! Values increased from 5% to 19%. Number of sales was significantly higher.
Region 9	**$9,700**	Few sales in this category. Slight increase over the prior year's values.
Region 10	**$9,800**	Only make up 2% of land transfers. Buyers are typically local farmers that are expanding.

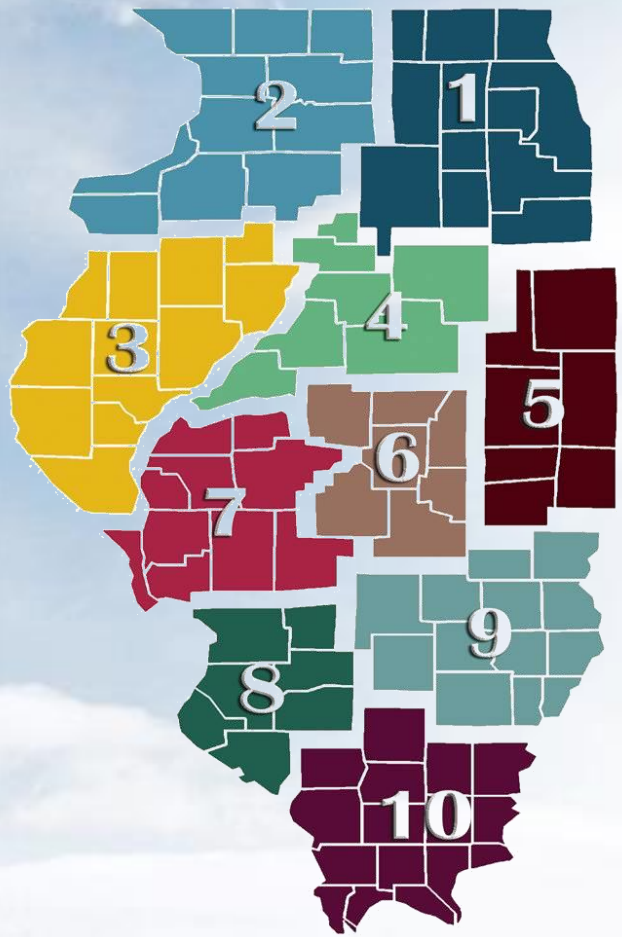
2014 Recreational Land

The prices shown below are the averages reported by each region.



	Mid Range Land Value	*Comments*
Region 1	**$4,500**	Very few sales - - holding its value for duck and deer hunting. Forest Preserves have exhausted their funds.
Region 2	**$4,500**	Sales are increasing and prices are up slightly. General economic recovery helped. Market driven by buyers who would like to build a weekend home on the property. Tracts sell better with realtors.
Region 3	**$3,300**	Volume of sales increased. Discretionary income is noticeable. Economic outlook good.
Region 4	**$5,100**	Slightly fewer sales. Some strength in close proximity to major area towns. Tract size is important - - highest prices on 10 to 50 acres. Potential residential size affect values.
Region 5	**$4,100**	Demand continued to be slow. General supply was low. Corn and soybean producing area.
Region 6	**$4,100**	Increase between 5% and 10%. Steady volume of sales.
Region 7	**- -**	Premium paid for non-tillable versus tillable land. Values holding steady. CREP rates are important.
Region 8	**$4,100**	Most tracts are wooded with no agricultural income. Non-farmers and hunters looking for recreational opportunities. Good demand from large population base around St. Louis.
Region 9	**$3,900**	Prices have increased slightly. Partially tillable tracts have non-agricultural highest and best use.
Region 10	**$3,000**	Primary use is deer hunting. Realtors active in promoting these tracts. Average of only 24% tillable.

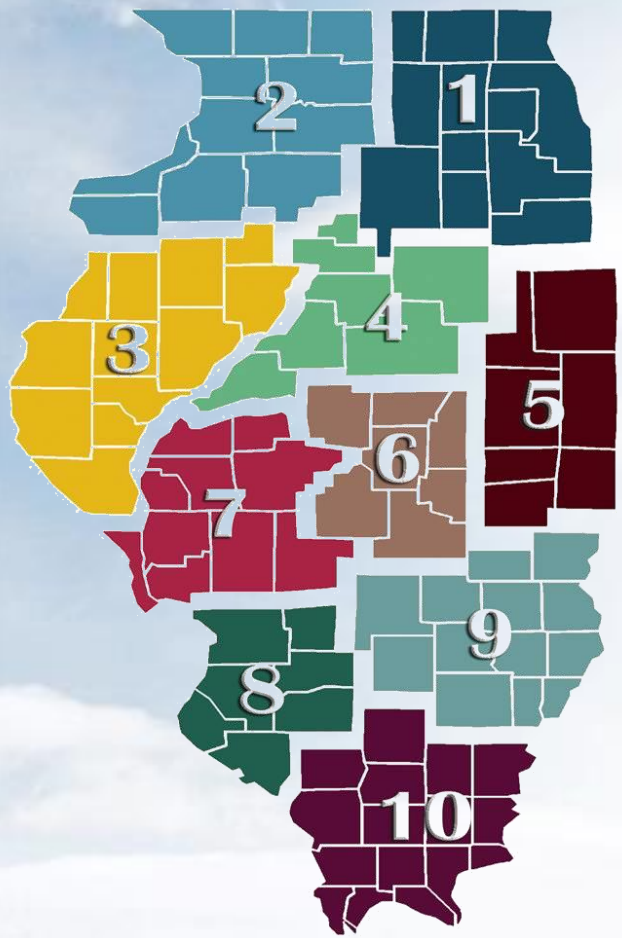
2014 Transitional Land



	Mid Range Land Value	*Comments*
Region 1	**$18,500**	Silica sand for fracking generates over $20,000 per acre. Cargo shipping container business is booming.
Region 2	**$7,700**	Sales volume increasing and prices are up slightly. Market driven by buyers who planned to build a weekend house. Brokers active.
Region 3	**N/A**	No reported activity.
Region 4	**N/A**	No reported activity.
Region 5	**$36,100**	Demand was weak - - only three sales reported. The state of Illinois has unfavorable business climate.
Region 6	**$18,600**	Minimum number of sales. Values have increased slightly *(about 5%)*.
Region 7	**N/A**	On the threshold of a comeback for transitional type of land.
Region 8	**$12,300**	Sales occurred within city limits or adjacent to them. Residential subdivisions are filling up. Developers will start buying raw land.
Region 9	**N/A**	No recent activity. Most municipalities have a good supply of land available for development.
Region 10	**N/A**	No reported activity.

Special Interest Stories

Our members across Illinois have unique transactions occurring in their communities. Let's take a look:



Region 2

Pearl Valley Farms is planning a $20 million expansion including equipment, technology and new barns to house chickens. Major nationwide egg distribution.

Region 4

Three farms sold with wind turbines. In general, investors may have paid a premium for the wind turbine. High quality farmland with turbines is stable.

Region 5

Cronus Chemicals will be building a $1.4 billion world scale granular urea fertilizer manufacturing facility on a 241 acre site two miles west of Tuscola. Location to the availability of two natural gas pipelines, two class one railroads and two interstate highways was critical. State of Illinois provided a $30 million incentive package. Construction in the spring of 2015. 2,000 construction workers and 175 permanent employees.

Region 8

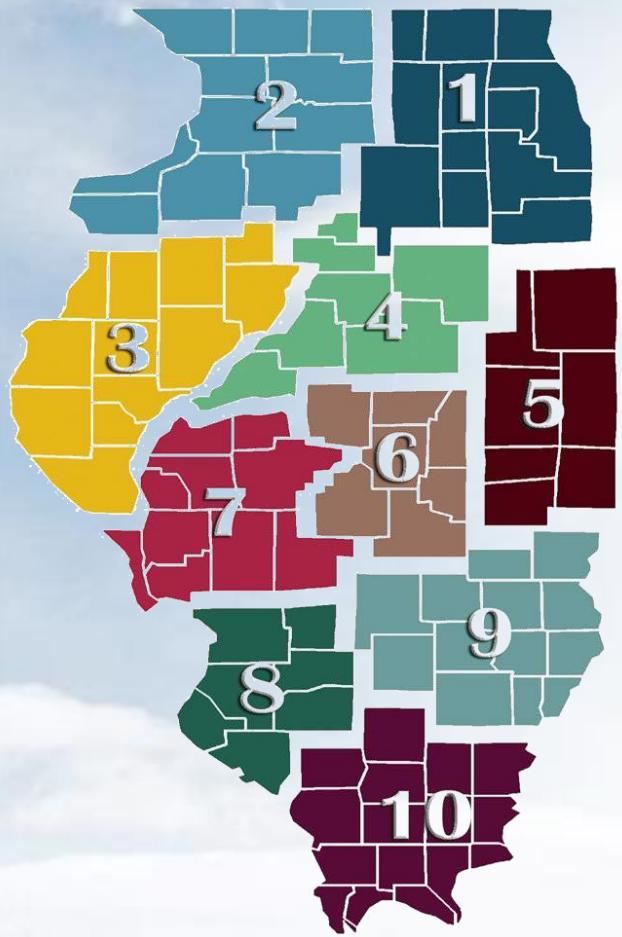
A former cold war missile base that once guarded the St. Louis region against a nuclear strike was auctioned in July. Competition from five bidders produced a winning bid of $227,000 from a small business owner from Smithton, Illinois. The second bidder was a farmer who adjoins the site!

Region 9

Clean Line Energy is proposing to construct a 750 mile overhead direct current transmission line through the region to deliver power to 1.4 million homes. Ultimately a 150 to 200 ft. right-of-way is required. The company has agreed to use single foundation monopole structures *(4 to 7 per mile)* to minimize disruptions to farmland. Construction will take two years and it is anticipated to begin in 2017.

2014 Lease Observations

Our membership has offered detailed observations on leasing trends in each region. Here are some highlights:



Region 1

Cash rental rates saw a 10-15% reduction. Nearly all leases have been converted to cash rent. Farm bill and crop insurance programs may support rents.

Region 2

Producers will stick it out one more year at these rental levels. Some farmers are aggressive bidders to gain control of rented acres. Overall cash rents have decreased slightly. Leases range from one to three years in length. Increasing switch to variable cash rent leases.

Region 3

Time has come to change to flexible lease terms. Many different formulas available. Flexible leases comply with FSA requirements.

Region 4

Straight cash rent leases dominate this region. Base plus bonus leases are the most common flexible cash rent leases. Farm managers are available to guide landowners.

Region 5

This area has lots of straight cash rent leases, some flexible cash rent leases, and still some older crop share leases. Supplemental cash payments are popular. Cash rents have come down a little this year *(approximately 10%)*.

Region 8

Quite a few long term landowner-tenant relationships with low cash rent values that automatically renew. Crop share leases are popular with most share leases are 33-66% or 40-60%. Common lease term is three years.

Region 10

Flexible cash leases have increased slightly from 2013. Flexible leases include a base rent with a bonus paid considering price or yield triggers. More crop share leases on less productive tracts.

Here is the good stuff - -

First hand observations from across the great state of Illinois!

- ***Net Farm Income*** **–** *Farmland is what it earns!* All of agriculture is watching corn and soybean prices to see which direction our earnings will take in 2015. Crop insurance is an important safety net. In general, the earnings outlook is a diminishing one!

- ***Return on Investment*** **–** Our traditional 3.5 percent to 4.0 percent competitive return on farmland investments is diminished by the lower commodity prices. Those returns are now in the 2.0 percent to 2.5 percent range. Investors find this acceptable.

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

- ***Alternative Investments*** **–** As farmland's performance levels off - - the competition from other financial assets is enhanced. A rising U.S. dollar and potentially rising interest rates signal that the game is changing. Hopefully money does not start leaving agriculture. We are seen as an extremely safe haven investment!

- ***Interest Rates*** **–** Interest rates on operating loans and farm mortgages are crucial to profitability. We are all watching the Federal Reserve Bank's action with regard to higher interest rates for all of us - - a perceived negative.

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

- ***Livestock Industry*** – Livestock farmers have competed vigorously *(in their respective neighborhoods)* for additional land purchases with their extra profits.

- ***Farmland Availability*** **–** In general, the supply of farmland was tight most of the year which helped to keep overall land values stable. Yes - - that tract near you never comes up a second time!

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

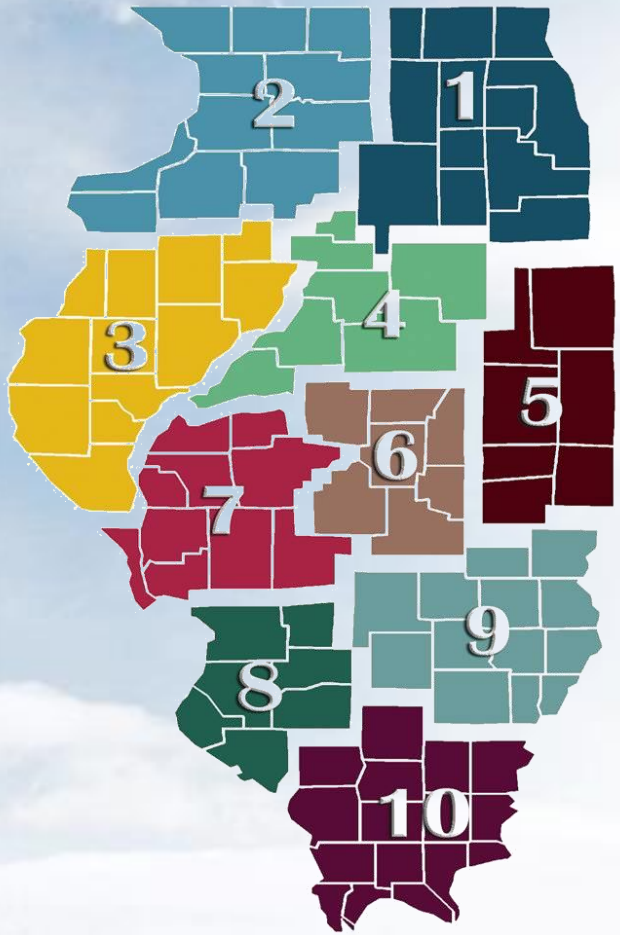
- ***Agriculture's Profits*** **–** There is still a large amount of cash in the agricultural economy from multiple years of prosperity. That cash gets redirected into land purchases and aggressive cash rents.

- ***Ethanol's Future*** **–** A lot of our corn usage is dependent on a vibrant ethanol industry moving forward *(especially in unstable economies)*. Farmers and landowners are closely watching the Renewable Fuel Standard.

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

- ***Mineral Rights*** **–** In various parts of the state of Illinois, drilling technology has caused renewed interest in oil and gas rights. Illinois has a lot of mineral resources beneath our top quality farmland.

Uptrend Interruptions

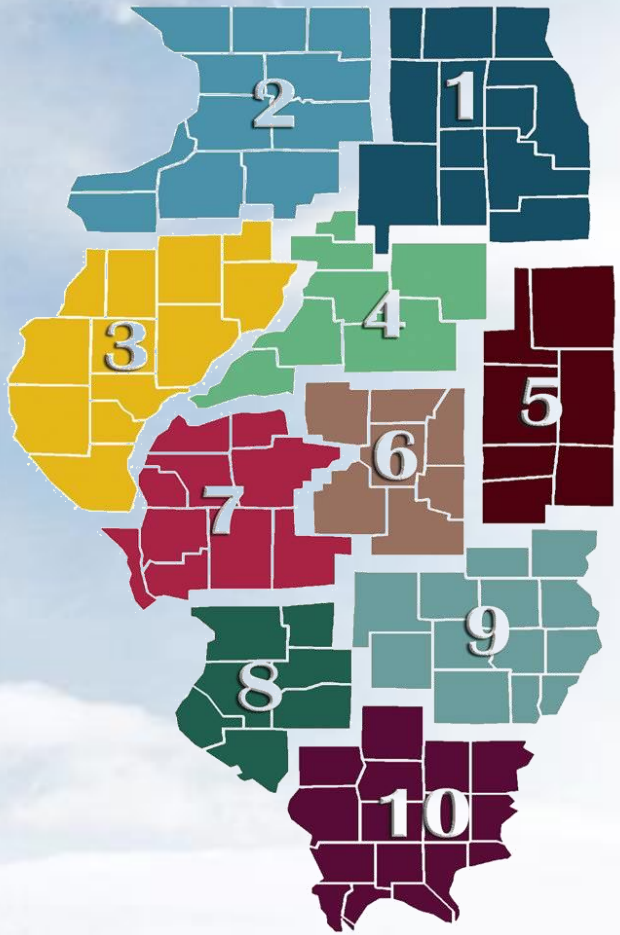


In the last four decades the Illinois farmland uptrend was interrupted on four occasions:

Years 2012 – 2014	**Sideways for two years - -** after rising 80% in value from 2008.
Years 2008 – 2009	**Sideways for a year - -** after doubling in value from 2001.
Years 1998 – 2001	**A 15% correction - -** after an eleven year uptrend from 1997 with farmland values rising by 92%
Years 1980 – 1987	**A 50% correction - -** after farmland values advanced nearly 500% from 1982. This one was a bubble.

In summary – Perhaps history gives us some guidelines for our current thought processes. It doesn't look like a bubble to us!

A Quick Look Forward



- **Influencing factors to watch for:**
  - Commodity Prices
  - Weather and Yields
  - Interest Rates
  - Net Farm Income
  - Value of the Dollar
  - Alternative Investments
  - Long Term Inflation
  - Ethanol

Land and Lease Survey

- Surveys of individuals knowledgeable about the farmland and farmland rental markets

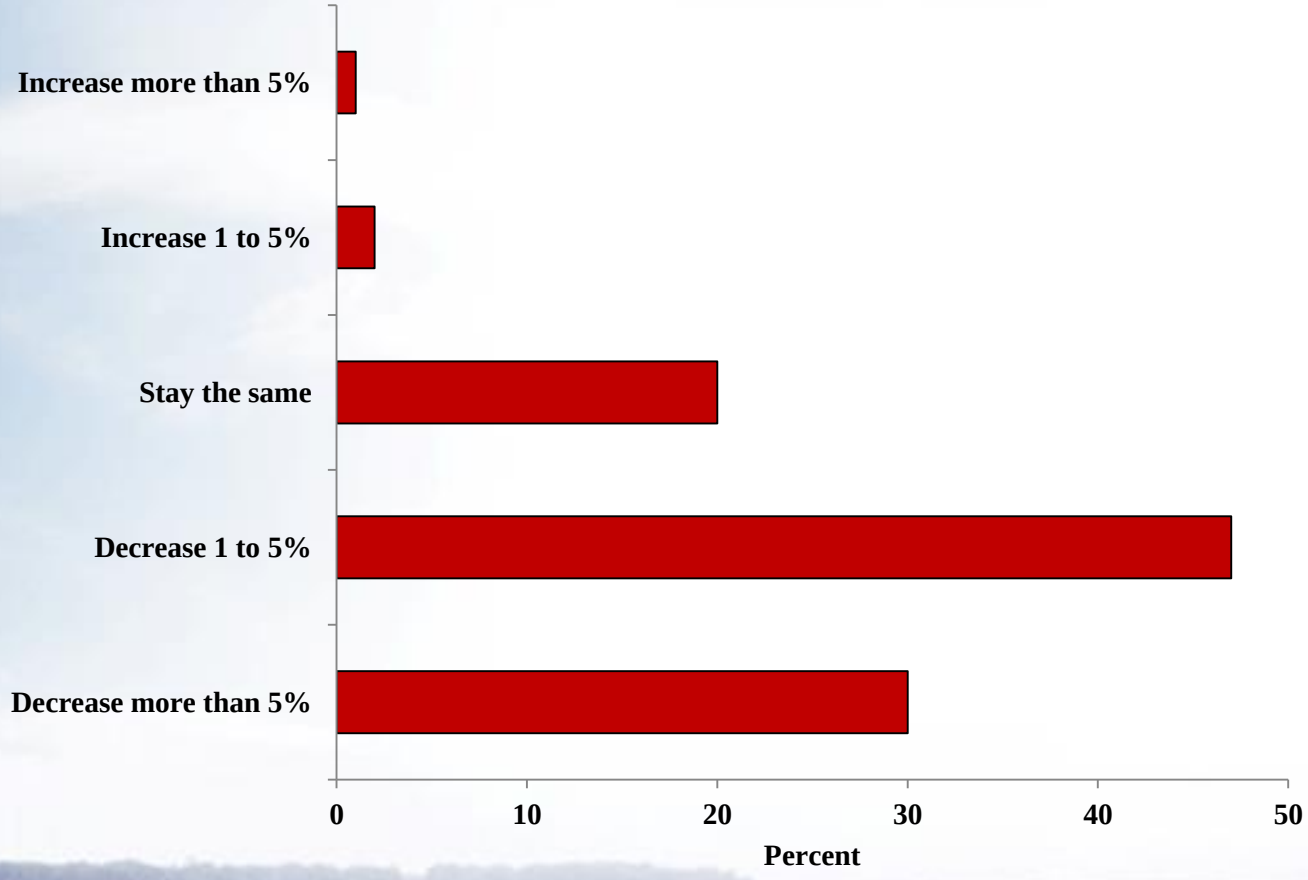
- Land Survey
  - Prices stable to declining, waiting to see returns for 2015

- Lease Survey
  - Cash rent decreasing with possibility of more decreases for 2016

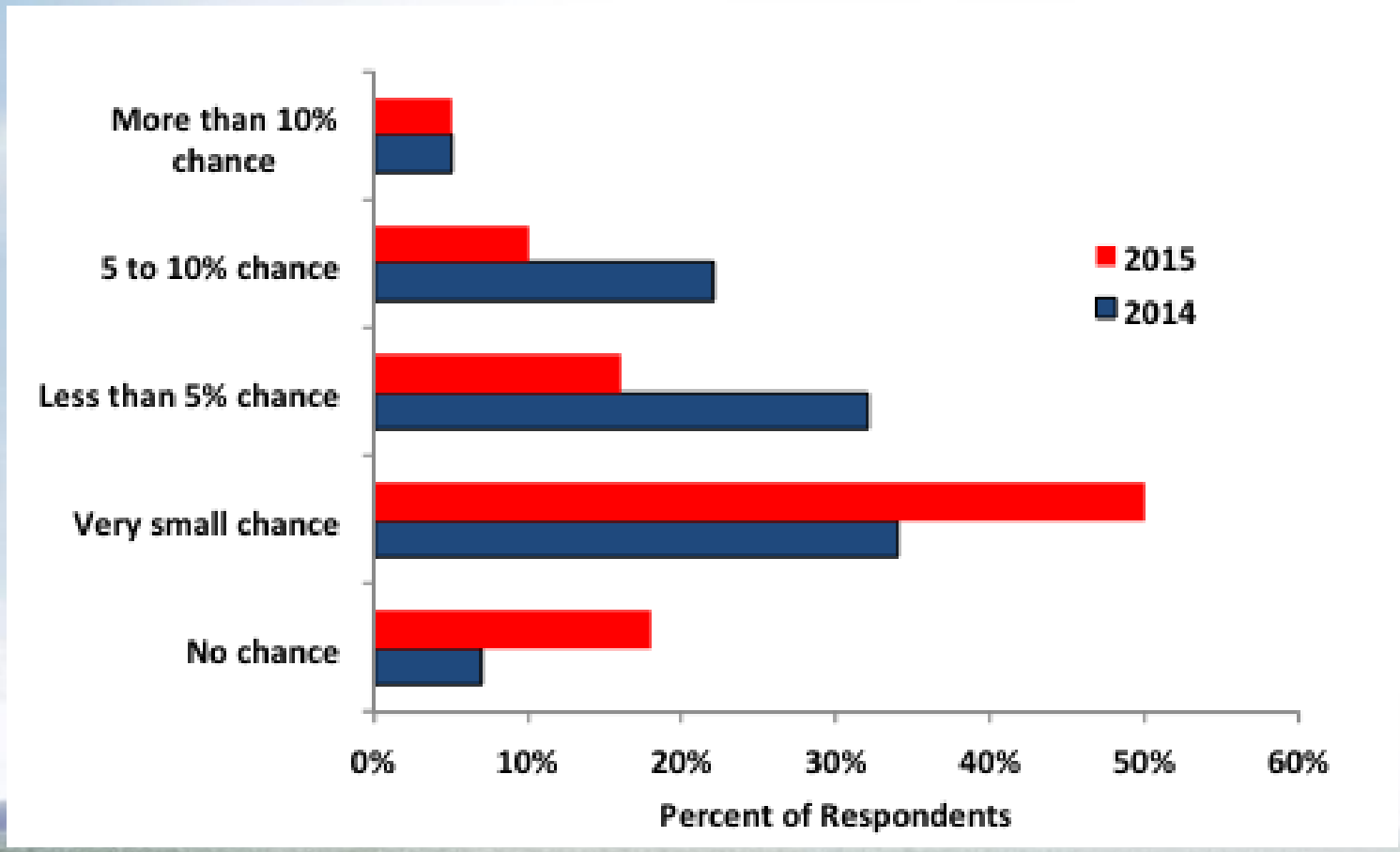
Farmland Prices

Land Quality	Jan 1, 2014	Dec 31, 2014	Change
Excellent	$12,900	12,800	-1%
Good	$10,800	$10,500	-3%
Fair	$8,700	$8,500	-2%
Poor	$6,600	$6,500	-2%

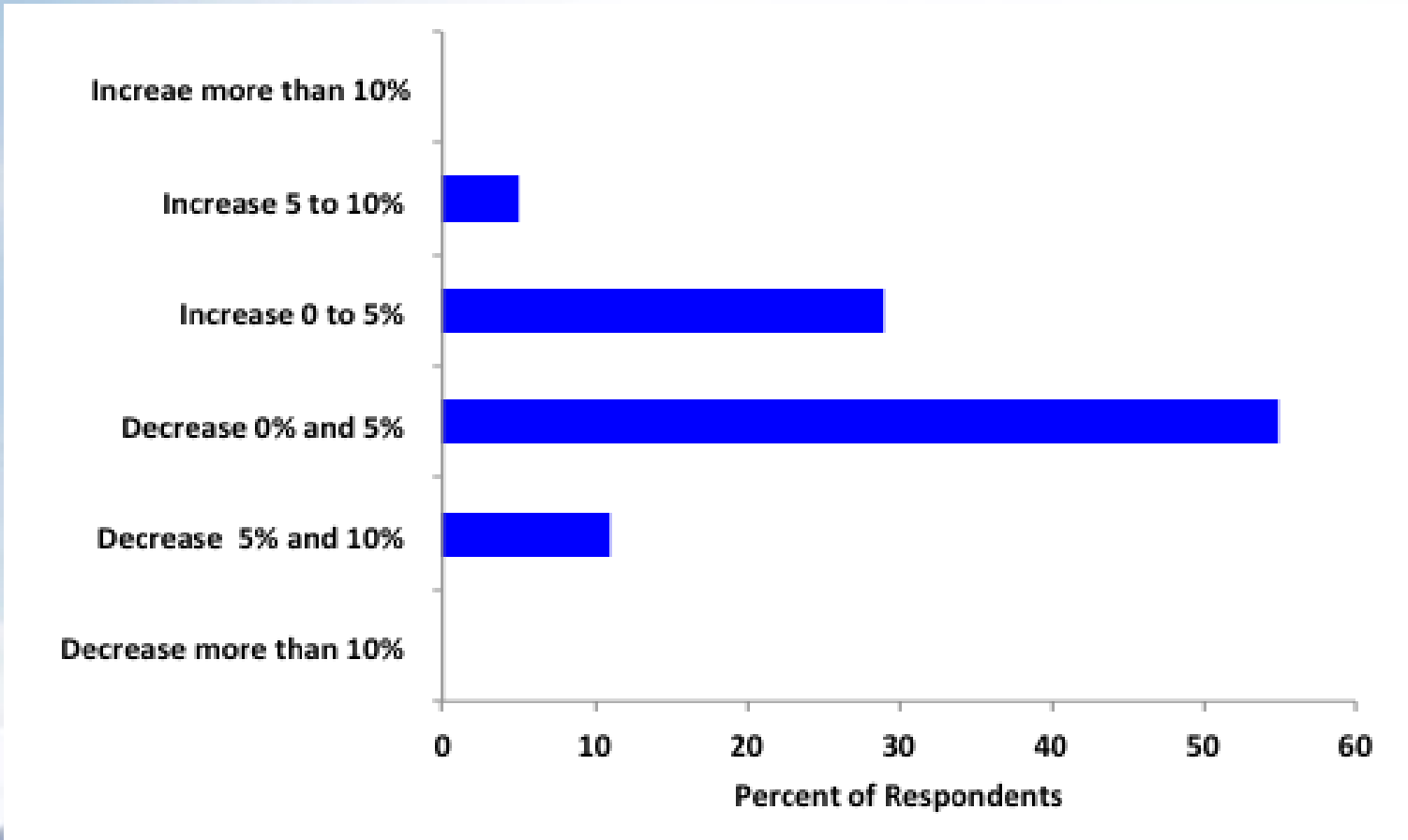
What will Happen to Farmland Prices in 2015?



Chance of a Large Price Decline



Expected Yearly Increase in Land Prices, Next Five Years



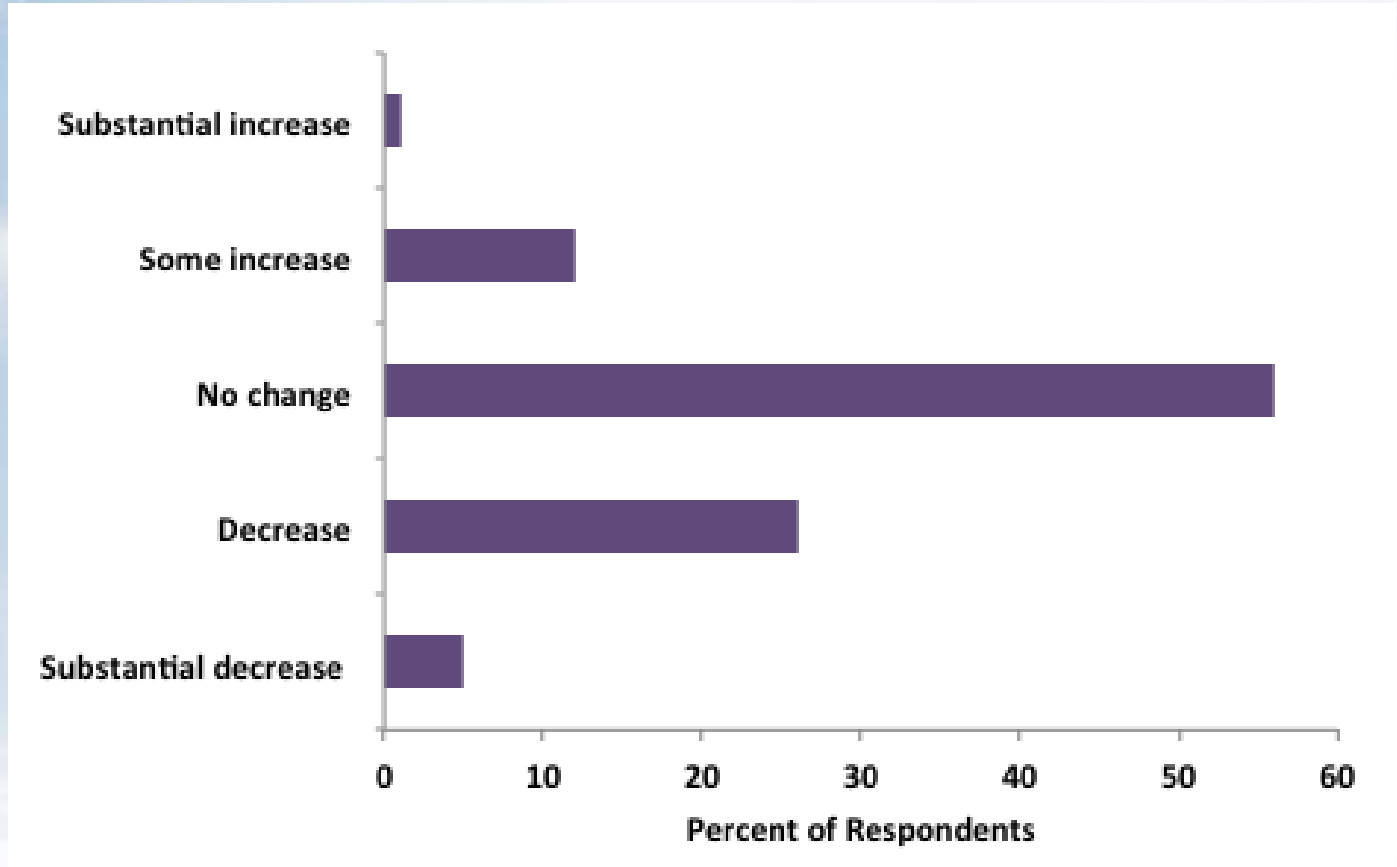
Buyers and Sellers

- Buyers: Local farmers 66%, Local investors 13%, Non-local investors 5%
- Sellers: Estate sales 49%, Individual investors, 12%, Retired farmers 12%
- Reasons for Selling: Settle estates 48%, Received a good price 17%

Method of Selling Farmland

Sealed bid	9%
Multi-parcel auction	10%
Public auction	41%
Private treaty	40%

Change in Volume, Last Half 2013 to 2014



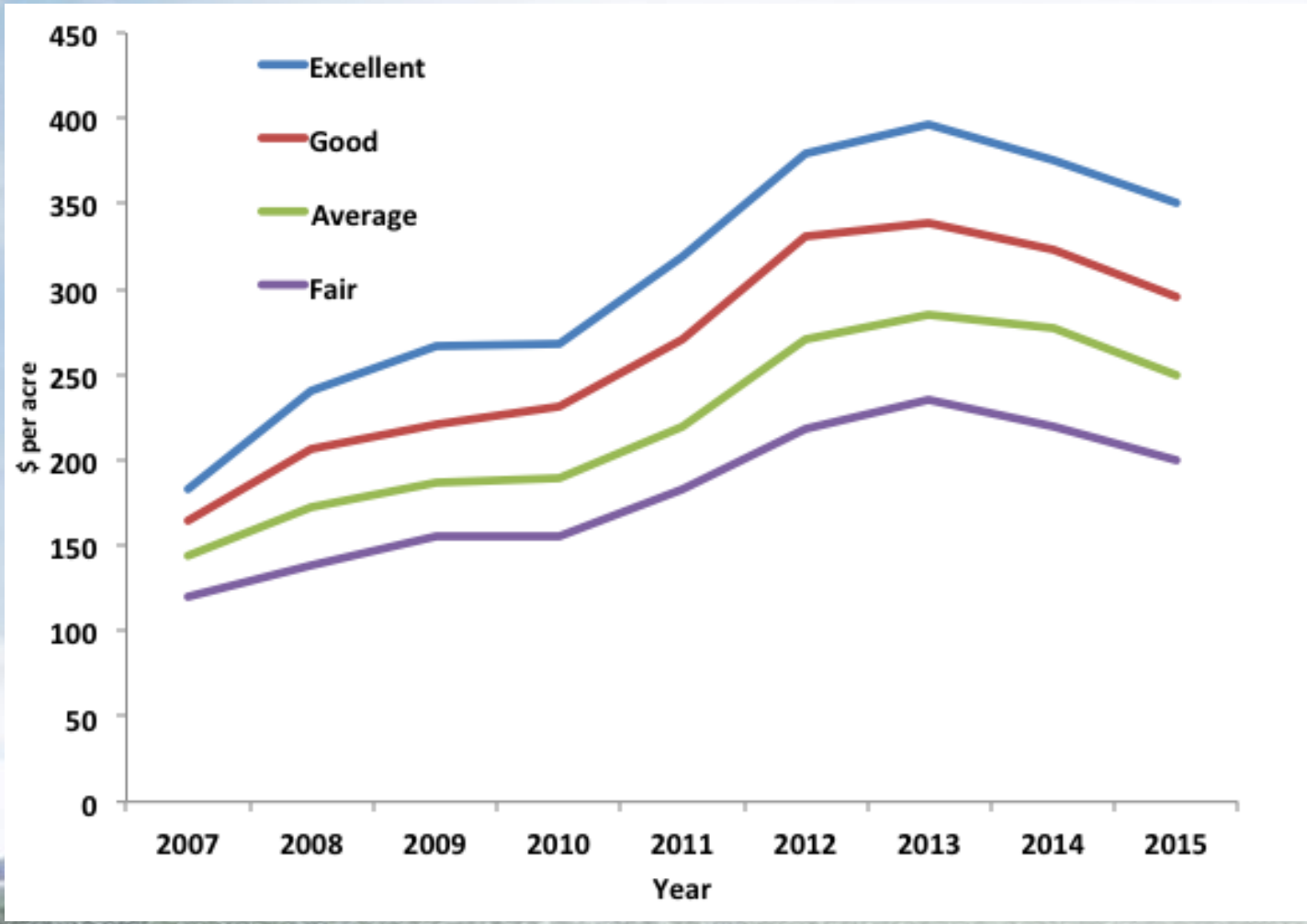
Incomes from Alternative Lease Types, 2015

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	---------- $ per acre ----------			
Traditional crop share	250	225	178	125
Cash rent	300	250	200	150
Custom farming	317	271	222	166

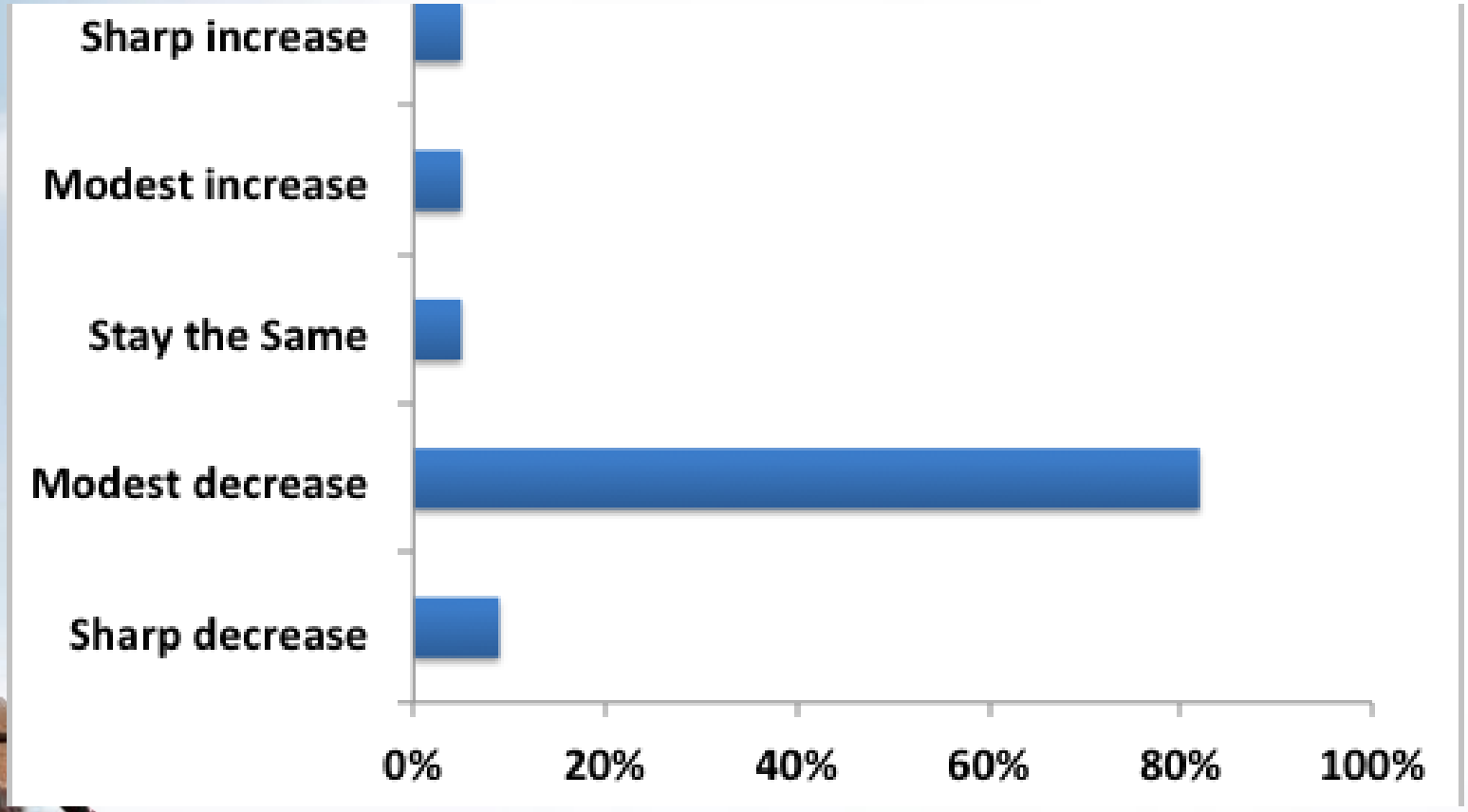
2015 Cash Rents, Professional Farm Managers

Category	Land Quality			
	Excellent	Good	Average	Fair
	---------- $ per acre ----------			
High 1/3	378	325	280	225
Mid 1/3	350	295	250	200
Low 1/3	275	225	180	150

Historic Cash Rents, Midpoints



Cash Rent Expectations for 2016



Thank You and Questions

