



Highlights...

2011 Illinois Farmland Values & Lease Trends

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General Chairman, Land Values & Lease Trends Project



The 2011 Project:

Report on farmland values and lease trends throughout Illinois for the year of 2010.



The 2011 People:

More than 60 professionals, bringing together their expertise and “boots on the ground” experience throughout Illinois, compiling in aggregate thousands of hours of specialized work to compile results.



The 2011 Professionals:

**Professional Farm Managers
Certified & Accredited Rural Appraisers
Licensed Farmland Brokers**



Contributing Organizations:

**ISPFMRA – Illinois Society of Professional
Farm Managers and Rural Appraisers**

**RLI – Illinois Farm & Land Chapter of the
REALTORS® Land Institute**

U of I – University of Illinois College of ACES



Farmland Classifications & Definitions:

Productivity Index (Bulletin 811) Ranges...

- **“Excellent”... 133 to 147 (Highest)**
- **“Good”..... 117 to 132**
- **“Average”..... 100 to 116**
- **“Fair”..... Less than 100**

Two main take-aways...

1. Illinois crop agriculture is financially strong and Farmland Values & Lease Trends are on the rise.
2. More variations than past years, between regions, and within regions from higher to lower productivity soils, location, size, shape, etc.

Comparisons...

	<u>March 2010</u>	<u>March 2011</u>	<u>Change</u>
Cash Corn	\$3.30/bu	\$7.00/bu	Up 112%
Cash Soybeans	\$9.20/bu	\$13.40/bu	Up 46%
	<u>March 2010</u>	<u>March 2011</u>	<u>Change</u>
New Crop Corn	\$3.50/bu	\$5.70/bu	Up 63%
New Crop Soybeans	\$8.90/bu	\$12.80/bu	Up 44%

Illinois Land Values 2010

	<u>Excellent</u>	<u>Good</u>	<u>Average/Fair</u>
Northern Illinois (Regions 1 & 2)	+ 4% to +14% \$6,500 to \$8,500/ac	+ 4% to +18% \$6,000 to 7,200/ac	- 9% to +5% \$3,200 to \$5,750
Central Illinois (Regions 3 - 7)	+ 10% to +17% \$6,500 to \$9,000/ac	+10% to +22% \$4,500 to \$8,000/ac	steady to +15% \$3,000 to \$6,400/ac
Southern Illinois (Regions 8, 9, 10)	NA	+10% to +33% \$6,400 to \$8,000/ac	+20 to +38% \$4,500 to \$6,500/ac

Illinois Land Values 2010

1. Driven up by expectations of higher farm income as the year progressed & commodity prices rose.
2. Will continue higher into 2011.
3. Supported by investment capital seeking alternatives to other financial investment assets.

Illinois Land Values 2010

4. Less demand for non-farm alternative land uses like conversion to commercial and residential.
5. Smaller increases, still some declines, in markets finding new value in areas previously trading at multiples of agricultural value.

Illinois Land Values 2010

6. Some areas with wind energy projects reflect higher prices from new revenue.
7. Some larger percentage increases for lower productivity land noted.
8. Recreational land – demand is soft, few sales measure. Still some spotty “close-in” effect.

Land Price Per Productivity Index Point...

	<u>Excellent</u>	<u>Good</u>	<u>Average</u>	<u>Fair</u>
Price/Ac Per PI	\$50 to \$75	\$45 to \$65	\$40 to \$50	\$40 to \$45
Avg PI X Avg Price	\$7,800/acre	\$6,500/ac	\$4,800/ac	\$4,200/ac

Illinois 2010 Lease Trends

	<u>Excellent</u>	<u>Good</u>	<u>Average/Fair</u>
Northern Illinois (Regions 1 & 2)	\$250 to \$340/ac +3% to +15%	\$225 to \$285/ac +5% to +15%	\$160 to \$250/ac +5% to +15%
Central Illinois (Regions 3 - 7)	\$150 to \$450/ac steady to +15%	\$130 to \$350/ac steady to +10%	\$100 to \$250/ac steady to +5%
Southern Illinois (Regions 8, 9, 10)	NA	\$150 to \$200/ac +5% to +10%	\$80 to \$180/ac +5% to +10%

Illinois 2010 Lease Trends

1. Rental returns increased for 2010 based on increasing net returns to crop operations, primarily from increasing crop prices.
2. Fixed cash rent rates tend to lag commodity market, some rent levels vary depending on when lease negotiation occurs.
3. Past trend away from crop share to cash rent slows, assuming some crop and price risk pays.

Illinois 2010 Lease Trends

4. 2010 harvest finished early, led to re-setting some 2011 rents earlier than previous years. Markets in the last months of 2010 pushed cash rents up.
5. Rental returns from all types and structures of leases expected to be higher in 2011.
6. Move from fixed cash rents to flex or variable.

Notes from around the State...

- Metro-region transitional property about 50% to 70% market drop from 5 years ago (2002-2004).
- Recall the 2010 year began by finishing some 2009 crop harvest, behind in tillage, huge costs to dry a wet crop with low test weight, farm operator working capital lower, lower corn and soybean prices. Optimism was not high.

Notes from around the State...

- Pasture rents \$45/ac to \$65/ac depending on location, water supply, condition of fencing, fertility, and if mowed. Driving forces are higher feed costs for grain and hay.
- Last 3 months of 2010 saw spike up in number of sales (20% to 30% more in some regions), with higher prices. Some couldn't believe it.

Notes from around the State...

- Tight supply met strong demand at many auction sales, which led to higher prices for privately negotiated deals.
- Recreational land down 50% in turnover; down 10% in price. Statewide trend described as slow, thin. Dependent on non-ag economy, struggling to recover and uncertain throughout 2010.

Notes from around the State...

- Wind energy an important influence in local areas. A turbine can add \$7,500± a year income.
- Almost every county had a farm sale that hit an all time record high for their area.
- Top end of the 2011 rental market hitting \$3 per productivity index point for negotiation in 2010.

Notes from around the State...

- Motivations and knowledge of buyers and sellers, and owners and renters, can vary greatly. Emotions, relationships, competition, desire to control, financial position, risk appetite, advisor involvement – all can have an impact.
- In the strong market, some auction sales near year end brought \$800/ac more than previous private sales.

Notes from around the State...

- USDA Farm Program(s) appear to have little or no effect on land values – slight impact on leases.
- Some areas benefit from grain markets on navigable rivers, rail and container terminals, local area end users (specialty food product processors, ethanol plants, etc.), coal, wind, underground storage facilities.

Notes from around the State...

- Well drained, tiled land will sell for a premium, especially if well-documented & accurate maps.
- Noticeable increase in inquiries/purchases from “outside” investors:
 - Investment & “Hedge” Funds
 - Outside U.S. Investors
 - Private Equity
 - Institutional Investors

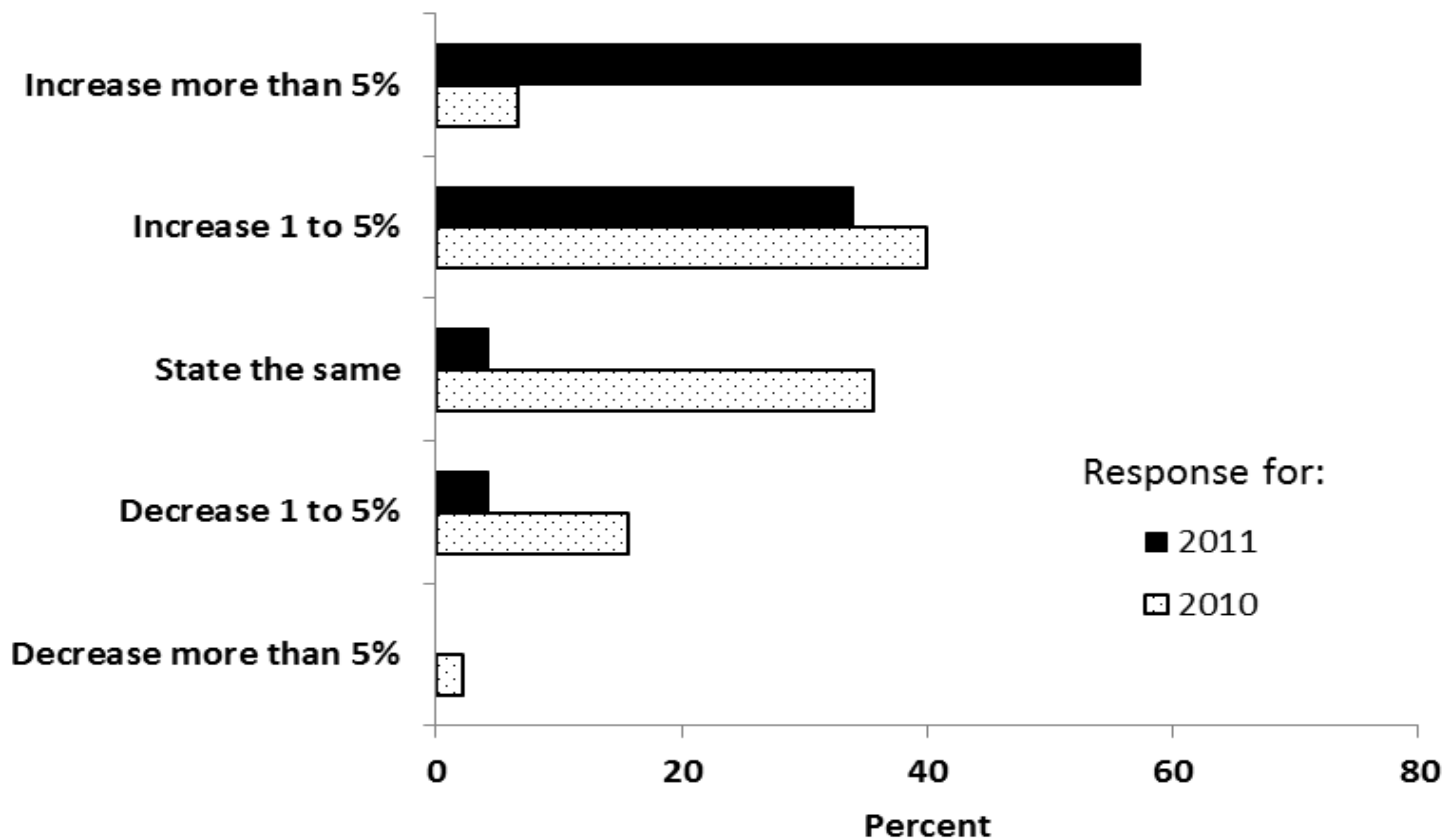
Land and Lease Survey

- Surveys of individuals knowledgeable about the farmland and farmland rental markets
- Land Survey
 - Expected growth rates – optimistic
 - Bubbles – do not believe one is eminent
- Lease Survey
 - Cash rents and returns – higher
 - Leasing arrangements – more use of variable leases

Farmland Prices

Land Quality	<u>Jan 1, 2010</u>	<u>Dec 31, 2010</u>	<u>Change</u>
Excellent	\$7,050	\$8,310	15%
Good	\$6,200	\$7,220	17%
Fair	\$5,420	\$6,230	15%
Poor	\$4,310	\$4,930	14%

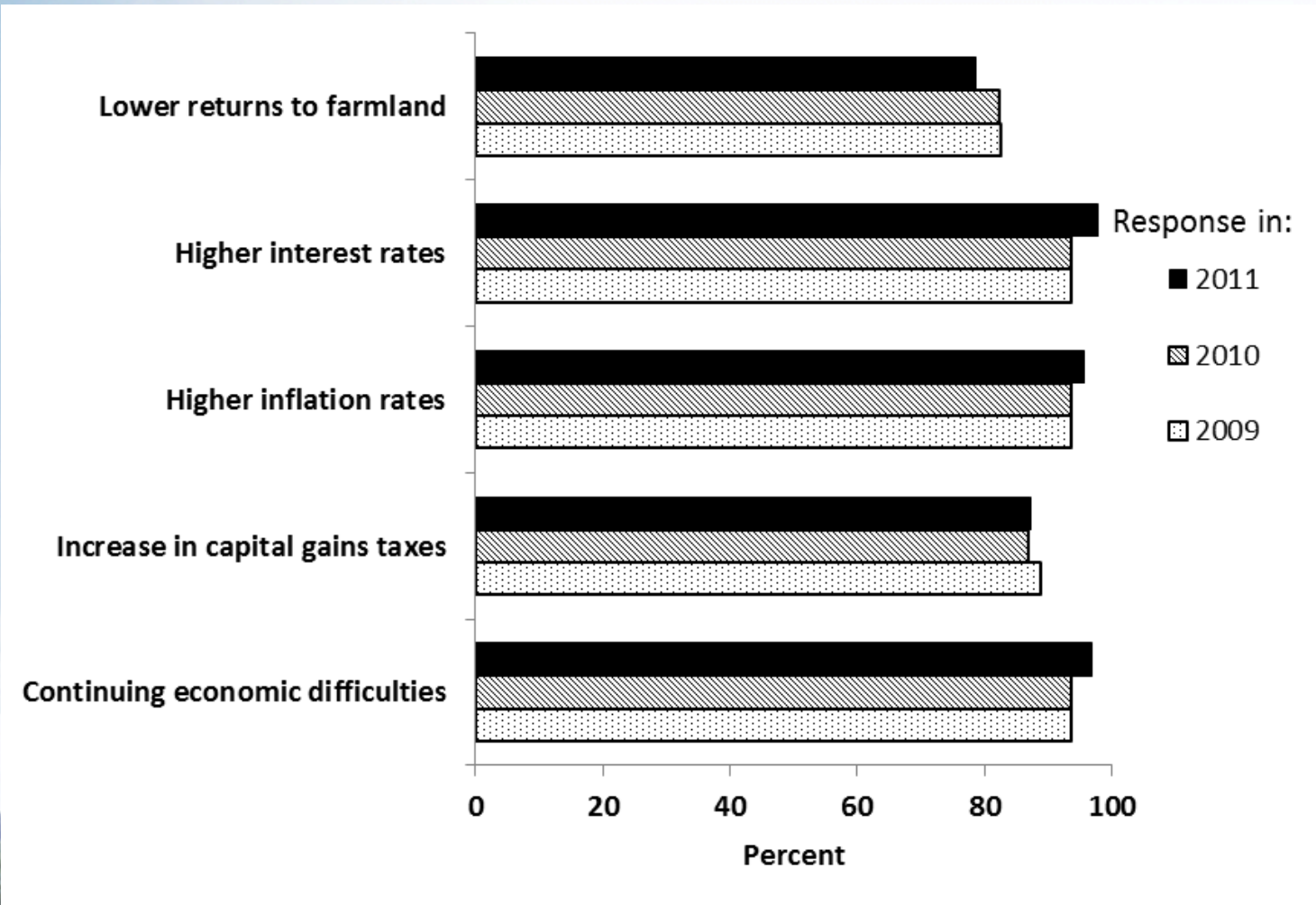
Percent of Members Expecting Farmland Price Increases in the Next Year



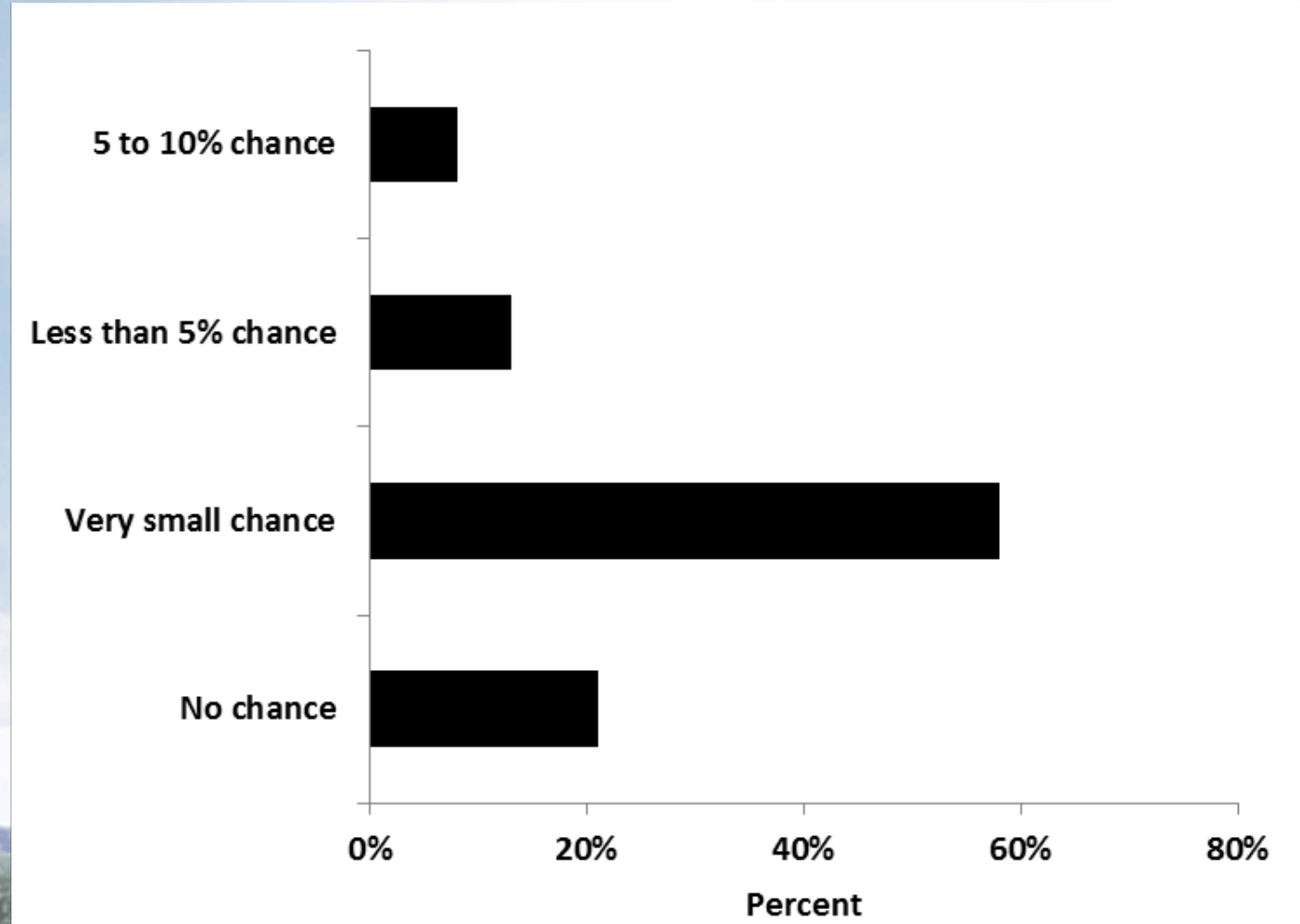
Percent Respondents Bullish/Bearish on Five Year Outlook

	Question Asked In:		
	2009	2010	2011
	Percent		
Very Bullish	0	0	2
Bullish	30	46	52
Neutral	47	38	21
Bearish	30	16	11
Very Bearish	3	0	4

Percent Respondents Expect the Following:



Chance of a 20% Decline in Land Price, Percent of Respondents



Buyers and Sellers

- Buyers: Local farmers, 56%, Non-local investors 15%, Local investors 13%
- Sellers: Estate sales, 56%, Individual investors, 15%, Retired farmers, 14%
- Reasons for Selling: Settle estates, 53%, Received a good price, 22%

Land Survey

- Method of sale: Private treaty, 41%; Public auction, 37%,
- Low volume of farmland sales

Incomes from Alternative Lease Types, 2010

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
Traditional crop	230	197	159	124
Cash rent	268	218	174	140
Custom farming	322	273	213	154

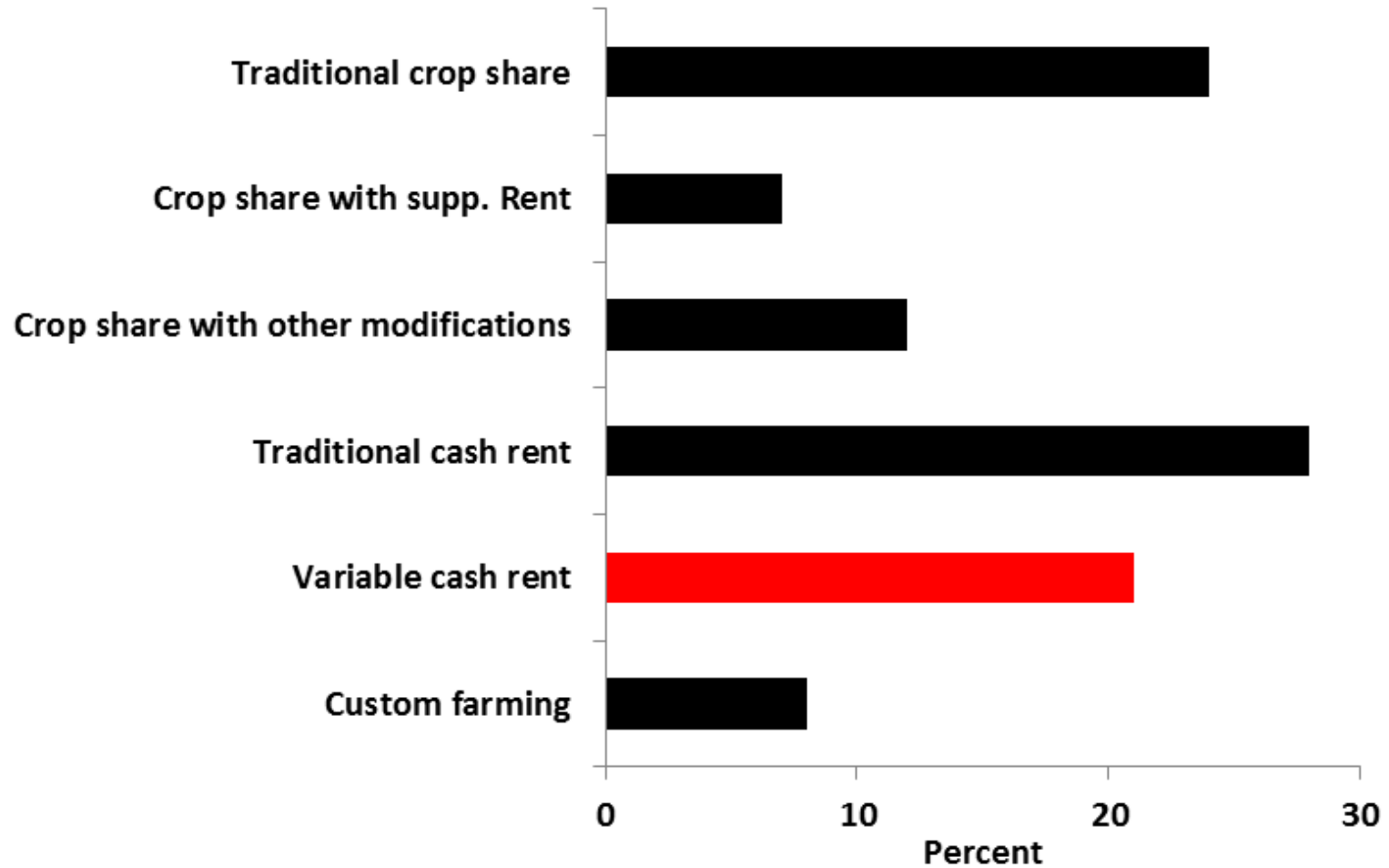
2011 Cash Rents, Professional Farm Managers

Category	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
High 1/3	357	299	251	202
Mid 1/3	319	271	220	183
Low 1/3	243	204	169	132

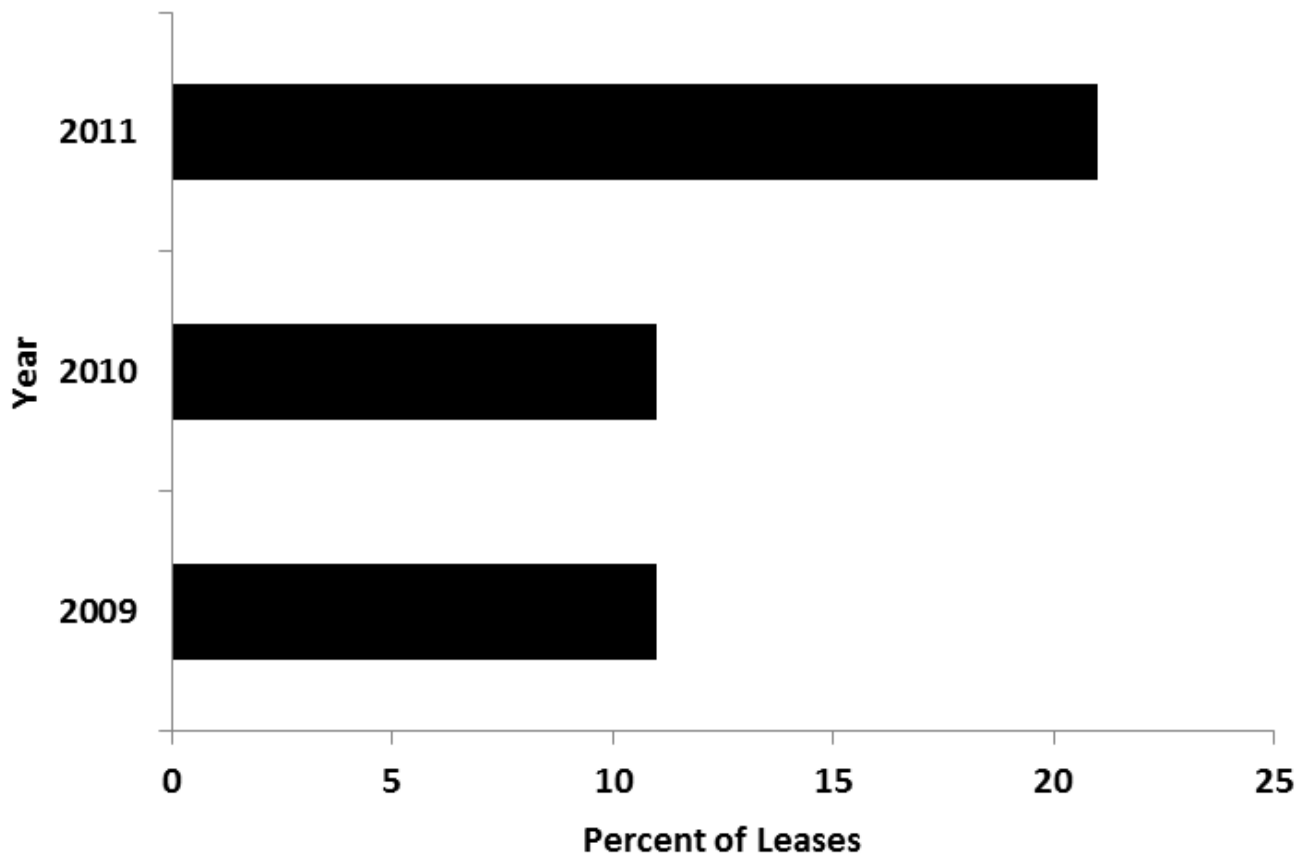
Historic Cash Rents, Midpoints

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

Lease Arrangement Use



Variable Lease Arrangements





ISPFMRA

Land Values & Lease Trends Conference

- **Winnie Stortzum, ARA, Co-Chairperson**
- **Brian Duke, AFM , Co-Chairperson**

- **Mike Morris, ARA, MAI**
- **Dwayne Anderson**

Thank You!!



ISPFMRA

Regional Data Group

- **Bruce Sherrick, PH.D., Co-Chairperson**
- **Chuck Knudson, ARA, RPRA, Co-Chairperson**
- **Don Cochran, ARA, Co-Chairperson**

- Region 1 - **Ray Brownfield, AFM, ARA, ALC**
- Region 2 - **David Dinderman, Todd Slock**
- Region 3 - **Herb Meyer, ARA**
- Region 4 - **David Klein, AFM, ALC**
- Region 5 - **Mac Boyd, ARA**
- Region 6 - **Dean Kyburz**
- Region 7 - **Gene Meurer, AFM, ARA**
- Region 8 - **Mark Weber, ARA**
- Region 9 - **David M. Ragan**
- Region 10 - **Douglas Healy, ARA**

Thank You!!



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- Gary Schnitkey, Ph.D., Chair
- Bob Swires, AFM

Advertising Group

- Scott Johnson, AFM, CCA, Chair
- Jonathon Norvell, AFM, Ph.D.

Thank You!!



Contact members of the ISPFMRA and RLI to participate in the Illinois farmland market – managing, valuing, buying, selling.

Let the farmland property professionals help you.

Thank you!