

Farmland Barometer



For year 2015 - - prime Illinois farmland values slid to the \$11,500 per acre mark (down approximately 6%). These prices cap a 14 year uptrend that began in year 2001 from \$3,000 per acre! Our chart of Prime Farmland Values (in this report) paints that picture!

At **Heartland Ag Group Ltd.** - - we are very active in the management, appraisal, sale, and acquisition of farmland throughout Illinois. It is from that widespread experience that we offer some observations on the current farmland market:

▼ **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 2016. 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.

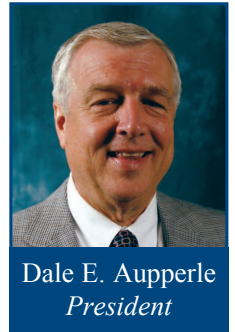
▼ **Alternate Investments** – As farmland’s performance levels off - - the competition from other financial assets is enhanced. A rising U.S. dollar and potentially rising interest rates signal that the game is changing. Hopefully money does not start to leave agriculture. We are seen as an extremely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

▼ **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!

▼ **Agriculture’s Profits**

– There was a large amount of cash in the agricultural economy from multiple years of prosperity. That money gets redirected into land purchases and aggressive cash rents. That pool of money has dwindled!



Dale E. Aupperle
President

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

▼ **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.

▼ **What are Farms Selling For?** – Each year we put a year-end dot on our Prime Farmland Values chart - - this year it is at \$11,500 per acre. Here is what has happened in the last seven years:

- 2015 - \$11,500 per acre (-6%)
- 2014 - \$12,250 per acre (-2%)
- 2013 - \$12,500 per acre (-2%)
- 2012 - \$12,750 per acre (+21%)
- 2011 - \$10,500 per acre (+31%)
- 2010 - \$8,000 per acre (+14%)
- 2009 - \$7,000 per acre (unchanged)

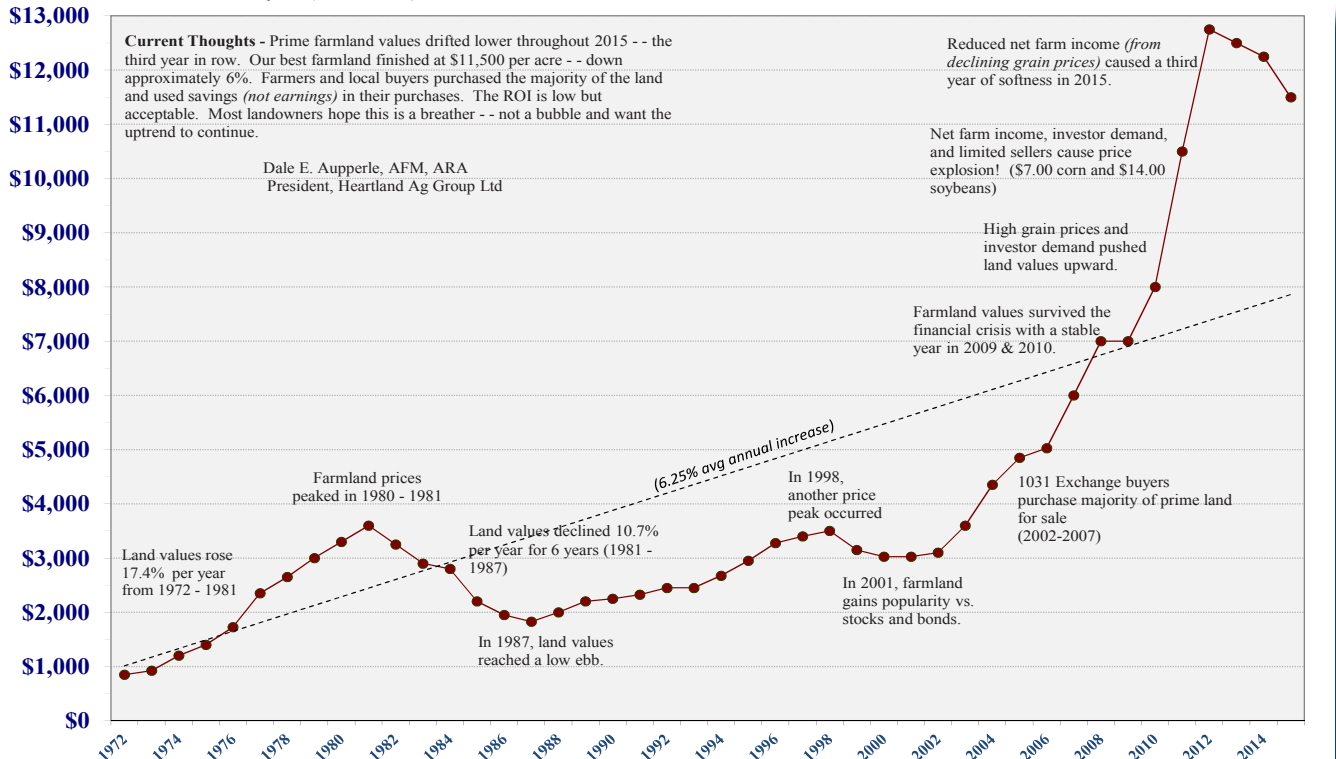
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PRIME FARMLAND VALUES

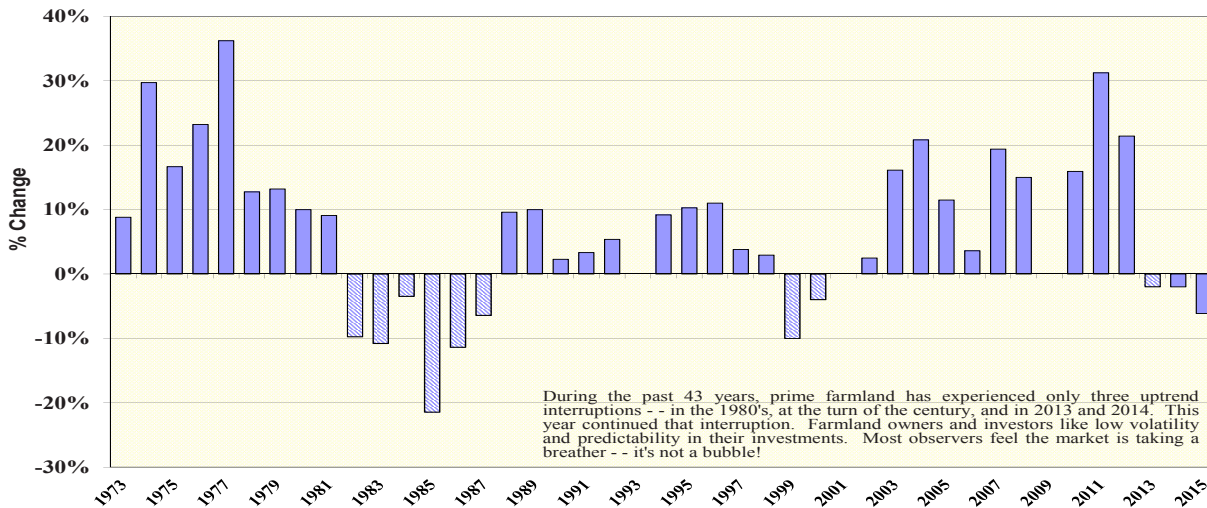
Central Illinois - December 2015

At Heartland Ag Group Ltd., we maintain an extensive database of farm real estate transactions throughout Central Illinois. Each sale is an important part of the dynamic farmland market. This chart reflects the historical trends on our best quality farmland each year (since 1972).



Central Illinois FARMLAND PRICE VOLATILITY Thru December 2015

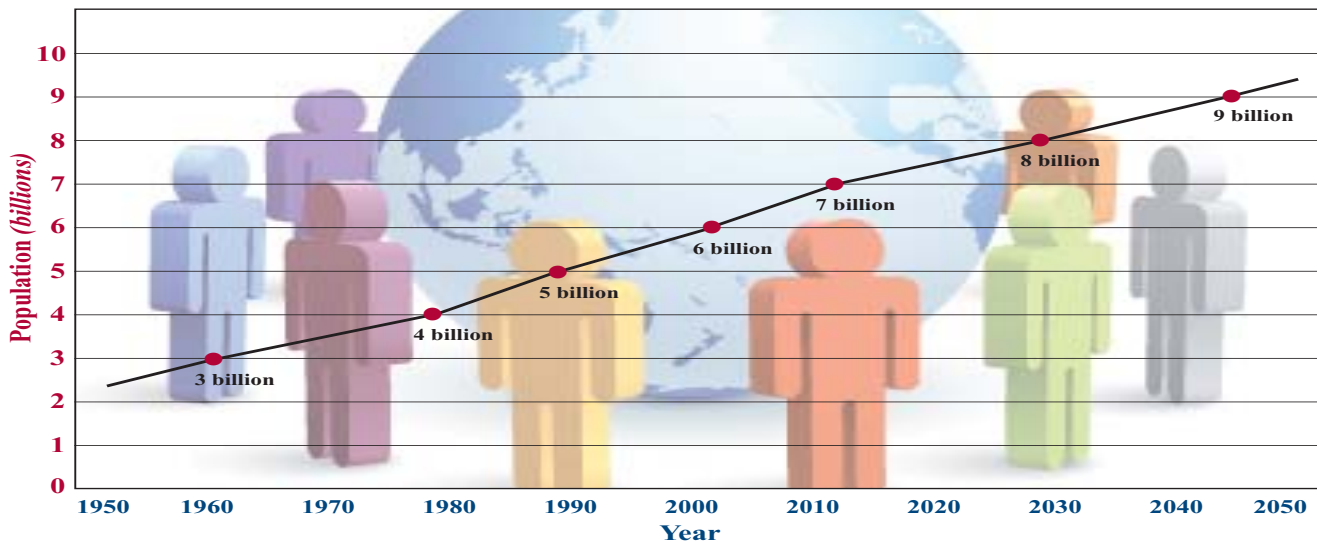
Changes in value (*over time*) are important to investors and landowners. This **Farmland Price Volatility** chart reflects the percentage change in farmland values at the end of each year -- volatility. Each bar on our graph -- reflects the % change in value for the year (*up or down from the baseline*). Our data begins in 1972 and goes through the current date



This chart reflects 42 years of annual changes in farmland values (80% are positive). Farmland Price volatility is low.

WORLD POPULATION: 1950 - 2050

This world population chart tells a significant story - - about the need for food and fiber on our plant. From 1950 through 2050 is a relatively small measurement of time - - but an incredible growth in the number of people on the planet. This simple driving force is a major influence on our American farmland values (*especially in Illinois*). Remember the famous quote - - "If you eat then you are a part of Agriculture! Our future is bright."



2015 PRIME FARMLAND SALES

Here are eight representative sales of top quality land that occurred at the year 2015 across Central Illinois. They demonstrate a slowly dropping overall prime farmland value to approximately \$11,500 per acre (on average):

County	Sale Date	Total Acres	% Tillable	Productivity Index	\$/Acre
Christian	Nov. 2015	40.00	97.5%	142.9	\$12,500
Macon	Nov. 2015	82.40	98.8%	140.0	\$11,000
Moultrie	Dec. 2015	80.00	91.9%	138.5	\$11,300
Coles	Nov. 2015	154.60	99.6%	140.1	\$12,100
Shelby	Nov. 2015	40.00	100.0%	134.2	\$11,500
McLean	Nov. 2015	158.45	99.0%	135.9	\$11,621
Logan	Dec. 2015	444.59	97.6%	140.2	\$11,000
Woodford	Dec. 2015	87.83	99.0%	139.7	\$11,299

Heartland Outlook

Agriculture is the most basic (*but extremely complex*) industry in this great United States of America. Remember my quote - - "If you eat then you are a part of Agriculture!" Agriculture will always have a significant influence over all of our lives. So - - let's take a short term look at where we might be going in 2016:

▼ **Farmland is What it Earns** – Our profits are under extreme pressure by low commodity prices. That translates into a lower rate of return on farmland investments and puts downward pressure on all land values.

▼ **Bushels Per Acre (Yield)** – Thankfully we have enjoyed some excellent production years from Mother Nature which helps offset commodity prices. Look for that to continue and be helpful to profits.

▼ **Commodity Prices** – Our current grain price levels should encourage demand (*eventually*) and pull us out of these generally low levels. That's what it is going to take to get farmland moving upward again.

▼ **Uptrend Interruptions** – In the last four decades, the Illinois farmland uptrend was only interrupted on three occasions. In 2008-2009 it went sideways for a year. In 1998-2001 there was a 15% correction. From 1980-1987 we saw a 50% correction after a 500% increase. That's minimal volatility for farmland prices!

At Heartland Ag Group Ltd. - - we think the farmland market is taking a breather - - it's not a bubble! Downward pressure will continue throughout 2016 on farmland values because of shrinking net farm income. However, strong interest in farmland as a safe-haven asset will keep the market from experiencing sharp declines.



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At Heartland Ag Group Ltd., each member of our team plays an important role in meeting your farm management, real estate, and consulting needs. Working together, they use their invaluable experience to help you get the most out of your farmland investment. It's that sense of teamwork that has made **Heartland Ag Group Ltd.** the premier source of information for farmland owners, operators, and investors.

YOUR HEARTLAND AG TEAM



Dale E. Aupperle, AFM, ARA
PRESIDENT

Dale, our Chief Executive, founded Heartland Ag Group Ltd. in July 1993 to serve a wide range of clients who seek agricultural expertise. He and Dyann have two children, Ryan and Jenny, and three neat grandchildren.



Ryan E. Aupperle, AFM
FARM MANAGER

Ryan handles the day-to-day operations of our company and is responsible for all of our farm management services. He joined the company in June 1998. He and Rachel have two children, Kate and John.



Jeremy L. Crouch
RURAL APPRAISER

Jeremy is responsible for our appraisal division and also actively manages a portfolio of farmland. He joined our team in May 2003. He and Cassie have three daughters, Taylor, Morgan and Delaney.



Shawn P. Kinkade
FARM MANAGER

Shawn is completing a master's degree at the University of Illinois and will join our company full time in August 2016. He currently works with us as his schedule permits.



Tammy Roberts
OFFICE MANAGER

Tammy provides wide-ranging support for our real estate, farm management, and appraisal services. Tammy joined the company in July 2000. She and David have four children: Amanda, Dustin, Matthew, Cole and two grandsons: Jake and Brody.



Jan Adcock
DATABASE MANAGER

Jan supports our entire team through development of databases and computer systems that deliver our expertise. Jan joined the company in December 1993. She and Jim have four children: Tamar, Taryn, and twins Del and Dean. They live in Assumption.



Rhonda Hutchens
FINANCIAL ACCOUNTING/SECRETARY

Rhonda handles the financial accounting for our company and our clients and provides secretarial support for farm management and appraisal services. Rhonda joined the team in August 2003. She and Gary have two children, Laramie and Shelby, and two grandchildren: Poppy and Gus.



Nicole Garrett
ADMINISTRATIVE ASST.

Nicole provides support for our appraisal services. Nicole joined the company in September 2012. She and Zach have one child: Rachel.



Kara Morey
ADMINISTRATIVE ASST.

Kara provides support for appraisal services, real estate and farm management company segments. Kara joined the company in April 2014. She and Brian have two children: Cassidy and Eliza.