

Farmland Barometer



Central Illinois farmland values are a bellwether of the underlying agricultural industry. Investors purchase farmland for its earnings stream which reflects crop yields, commodity prices, and other factors! Prime Central Illinois farmland values ended year 2018 at the \$10,500 per acre mark - - steady from a year earlier. The 6-year correction that began in 2012 has stabilized.

At Heartland Ag Group Ltd. - - we are a farm management and real estate brokerage company. Our expertise is in the leasing, management, appraisal, sales and/or acquisition of prime Illinois farmland. Call us when you need help!

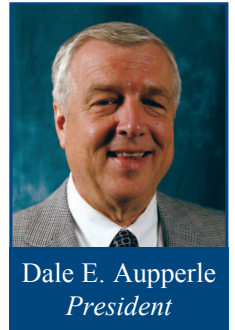
▼ **What are Farms Selling For?** – Lets start at the top - - our prime farmland value chart (*in this report*) show a year ending value stable at \$10,500 per acre. Here’s a quick look at the last 10 years of activity.

- 2018 - \$10,500 per acre (*unchanged*)
- 2017 - \$10,500 per acre (*unchanged*)
- 2016 - \$10,500 per acre (-7%)
- 2015 - \$11,250 per acre (-8%)
- 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%)

▼ **Volume of Farm Sales** – Normally there is a scarcity factor involving farmland - - less than 3% of the land market becomes available to purchase each year. In the past - - the major reason for selling farmland was families settling estates. As we look back - - the supply of farmland on the market in 2018 was normal.

▼ **Net Farm Income** –

Annual profits come from your yields (*bushels per acre*) and commodity prices. Thankfully - - the 2018 production season was one of the best ever. That helped offset commodity prices that were down significantly. The Market Facilitation Program filled the downside gap (*caused by tariffs and trade*) in this silly political season. Net farm income was volatile but stable, *Remember - - farmland is what it earns.*



▼ **Who is Buying?** – Once again - - the majority of farmland sold in 2018 was purchased by local farming community or their contacts. They believe in their agricultural operations and add to it whenever possible. On the positive front - - we’re seeing the investment community showing interest in buying farmland. That’s an indication that a downtrend is about to end.

In summary - At Heartland Ag Group Ltd. - - for the last six years we noted that the market was just taking a breather (*it’s not a bubble*)! With this correction of an overheated land market ending - - we are hopeful that a normal uptrend will once again resume giving us a 5% to 6% average annual increase! Stay tuned - - and good luck to all of us!

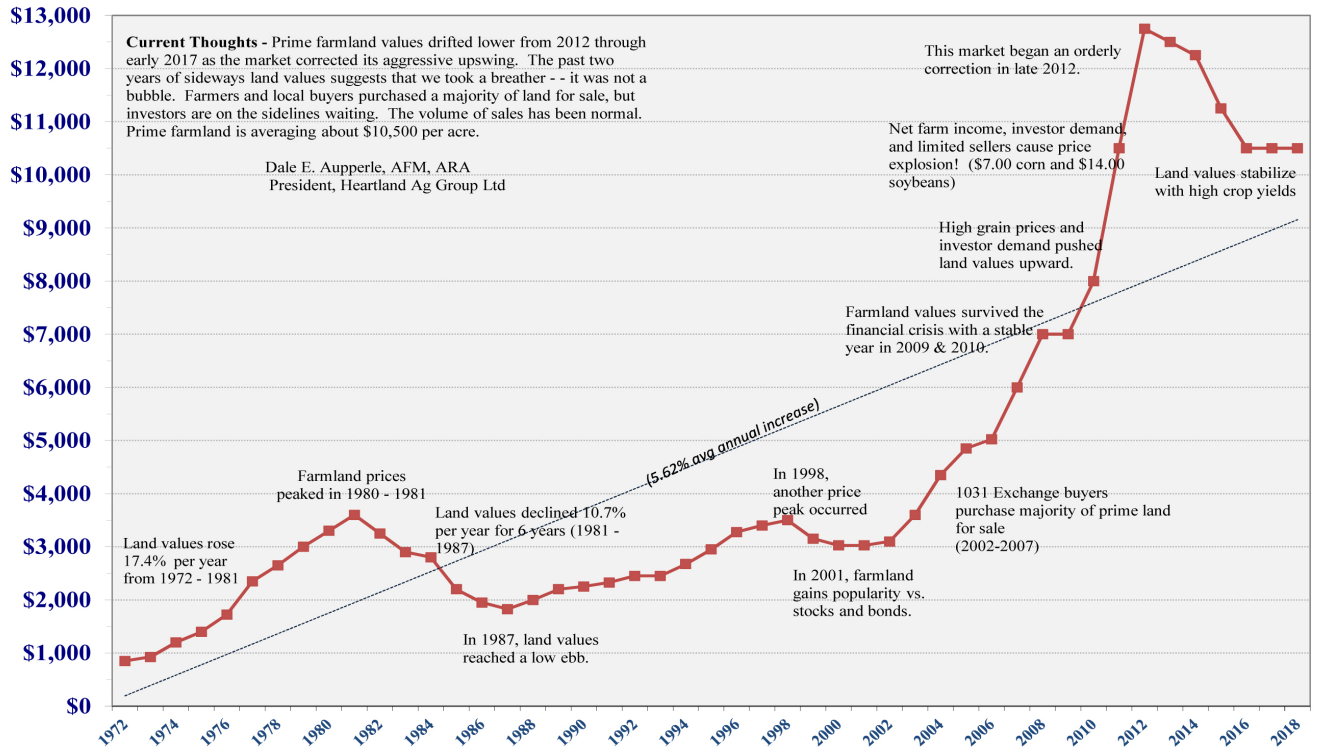
Continued on Page 2



PRIME FARMLAND VALUES

Central Illinois - December 2018

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).



▼ FARMLAND PRICE (VOLATILITY)

Farmland is in a unique class of long-term high-quality income producing investments. The production of food and fiber impacts everyone on the planet -- if you eat -- then you are a part of agriculture! Our chart above is an excellent opportunity to reflect on several key characteristics of farmland over multiple decades and through all types of influences:

▼ **Uptrend Line** – Our chart shows farmland beginning in 1972 at \$800 an acre and peaking at \$12,750 an acre in 2012. That is an overall 5.75% average annual increase. That is why we say farmland is a growth stock!

▼ **Uptrend Interruptions** – Although the general upward direction of land values is impressive -- landowners and investors truly like the low volatility that goes along with this type of investment. Changes in values are somewhat slow and stable as compared to other investments. There are only three interruptions to the uptrend in the past five decades:

– From 1980 - 1987 - Inflation was a factor and land went up 500% (from \$800 an acre to \$4,000 an acre) in a short period of time. There was a lot of speculation -- borrowed money -- and leverage. That came out of the system and resulted in a 60% decline in value over seven years. Yes -- that was a bubble.

– From 1998 to 2001 - This period encompassed the financial and terrorism crisis that we all call 9-11! As the financial world was crashing down around us -- farmland values held extremely level. Investors were looking for stability and found it in farmland returns.

– From 2012 to 2018 - For the ten-year period ending in 2012 -- farmland went up nearly 450% in value. That extreme rise in value was well above historical averages. Commodity prices peaked and farm incomes declined. As a result, farmland values have gone down approximately 20% in the past six years. They have been stable the last two years.

We hope you enjoyed the chart of farmland values and the story it tells. Our focus is to point out the long-term nature of the uptrend and the low volatility for investors looking for a safe return. Yes -- farmland is one of the best investments on the planet.

Illinois farm real estate transactions are transparent to the public. Every seller of farmland is required to file a P-TAX 203 form that discloses many details of the transaction. It is from that report that Heartland Ag Group Ltd. maintains an active database of all of the real estate transactions that occur in nearly 50 counties in Central Illinois. That data is a powerful display of the workings of the farmland market. The data makes the market.

▼ PRIME FARMLAND SALES

<i>County</i>	<i>Sale Date</i>	<i>Total Acres</i>	<i>% Tillable</i>	<i>Productivity Index</i>	<i>\$/Acre</i>
Christian	Nov. 2018	80.00	100.0%	140.1	\$10,900 - Auction
Christian	Nov. 2018	40.00	100.0%	133.4	\$10,250
DeWitt	Nov. 2018	30.62	94.0%	139.4	\$11,150 - Auction
DeWitt	Dec. 2018	40.00	96.3%	141.6	\$10,000 - Auction
Macon	Nov. 2018	68.23	99.0%	139.0	\$10,502
Macon	Nov. 2018	122.57	99.5%	139.0	\$10,500
Macon	Dec. 2018	416.65	98.3%	142.2	\$9,270 - Auction
Moultrie	Nov. 2018	73.75	96.2%	141.9	\$12,000 - Auction
Moultrie	Nov. 2018	37.00	97.0%	141.1	\$10,500
Moultrie	Nov. 2018	121.59	100.0%	140.7	\$8,300 - Auction
Piatt	Nov. 2018	240.00	97.2%	142.3	\$11,250
Piatt	Nov. 2018	80.00	98.8%	139.8	\$10,488
Piatt	Nov. 2018	120.00	99.5%	143.0	\$9,000 - Auction

Note: The above sales have demonstrated a sideways trending land market throughout year 2018 -- at approximately \$10,500 per acre. We note that there is a wider range in values (to both the upside and downside). Lower prices were caused by lack of buying interest -- while higher prices showed extremely competitive neighborhood bidding.

Heartland Ag Group Ltd. - Outlook

The past two years have produced a sideways pattern of farmland values! This has given the market time to think about and adjust to lots of influences. A consolidation after the 20% decline (from the 2012 peak) should result in another significant land market movement. Hopefully it is to the upside. Here's some of the things we are watching:

▼ **Crop Yields** – During the past six years we've had well above average corn and soybean yields which has helped offset the deflated commodity prices. Let's all be careful if these yields decline to more normal levels -- there won't be as much money moving through the system!

▼ **Grain Prices** – Commodity prices have traded sideways for the last five years! In similar situations -- the next movement was higher. If corn heads above \$4.00 per bushel and soybeans above \$10.00 per bushel -- we will see a renewed interest in purchasing farmland.

▼ **Auction Sales** – Approximately 25% of the farmland in Central Illinois is sold by public auction. Current auction sales are experiencing both success and failure. Auction is a process of price discovery -- showing what a community wide thought process is. Let's see if these type of sales will give us a clue as to the price directions.

▼ **Inflation** – Farmland is an excellent hedge against inflation. The value of our dollar and the extreme deficit spending will eventually lead to inflationary factors. Those could be a positive influence on land values.

▼ **New Investors** – It's always interesting when fresh money decides to invest in agriculture! That renewed demand is positive for sellers of farmland. We are starting to see renewed interest from larger buying groups.

▼ **U. S. Dollar** – The United States dollar has a tremendous impact on agriculture. A declining dollar is good for rising exports and a host of other factors affecting farmland values.

▼ **Interest Rates** – The whole world is focused on interest rates. Interest is a cost to owning farmland so higher rates are negative. They appear to be stable at this point. That's good for land values!

At Heartland Ag Group Ltd. -- we have become optimistic -- looking for a turnaround led by commodity prices and net farm income. Rising profit levels should begin to drive farmland values higher in the near future. Ride along with us -- and good luck!



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**Heartland Ag
 Group Ltd.**

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.



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 three grandchildren: Poppy, Gus, and Harper.



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.