

# Farmland Barometer



**Agriculture is a bright spot** - in our unstable world! One of our favorite sayings is - - “if you eat - - then you are a part of agriculture!” Yes, our food and fiber touches everyone. Our planet needs to return to our roots - - the basics of decency, hard work, and service to others. Hopefully we will get on that path again - - and Agriculture will lead the parade!

*A brief history* - - Central Illinois farmland is one of the best long-term investments on the planet. It’s easy to overlook the reasons why all types of people enjoy investing in farmland. Many long-term investors “set it and forget it”. Here’s why:

**Cash Return** - The cash return to farmland (*it’s dividend*) ranges from 3% to 4% per year. This return is stable over time and is comparable to other investments.

**Appreciation Value** - Over the last 50 years farmland has averaged approximately 6% appreciation in value. That is a significant contribution to the total return.

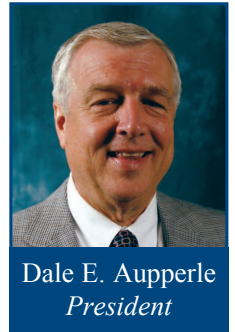
Yes - - over many decades farmland has produced a consistent approximate 10% return. We need to remind ourselves of that excellent performance.

▼ **What are Farms Selling For?** – Here is the good news - - year-end 2020 saw a 7% increase in farmland values over a year ago. Prime farmland (*on average*) is now at \$11,250 per acre. This positive uptrend comes after a stable start to year 2020 that was assisted by all of the government program payments. Here is a quick look at the last ten years of price activity:

- 2020 - \$11,250 per acre (+7%)
- 2019 - \$10,500 per acre (*unchanged*)
- 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%)

▼ **Who is Buying?**

– In today’s market there is an excellent mix of money trying to purchase farmland. Farming families have enjoyed positive financial results from government support programs. They are attempting to buy neighborhood farms. Local investors are frustrated with the alternate financial returns and are stepping up to buy farmland as it begins to rise. And - - outside investment funds from around the United States are beginning to focus on agricultural land once again. These folks are cash buyers and bring large volumes of money to the table. It’s important to note there are more buyers than sellers at this time.

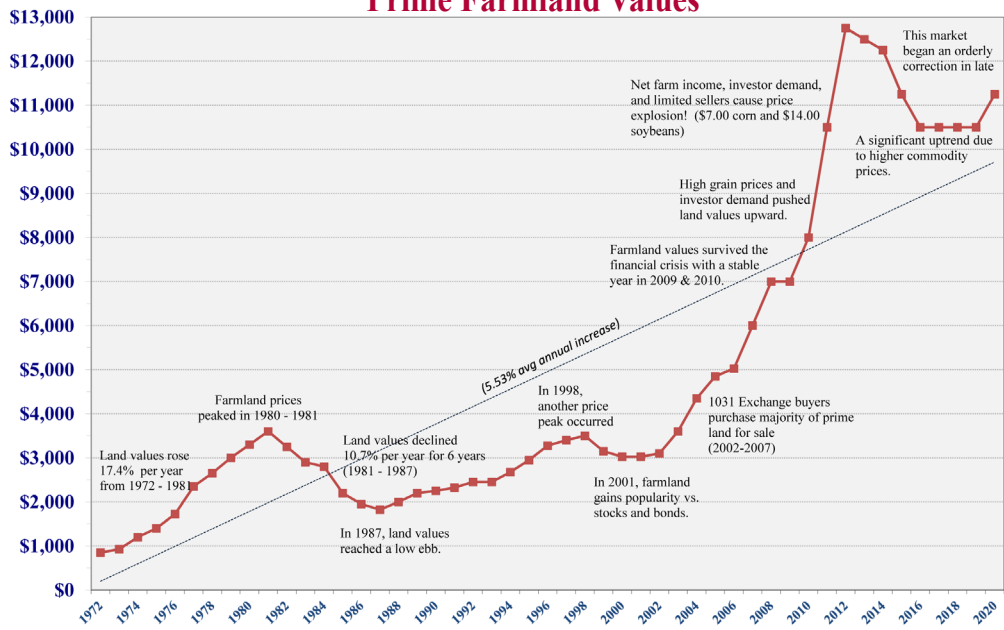


▼ **Volume of Farm Sales** – As commodity prices rose the pressure to buy farmland became apparent. Sellers saw the jump in prices and became reluctant to sell thinking the uptrend would continue. There is definitely less land available on the market at this time - - as sellers remain reluctant to sell until the uptrend becomes more defined.

▼ **Farmland Earnings** – Farmland is what it earns and those earnings are influenced heavily by commodity prices. Both corn and soybean prices have exploded in the last three months with corn topping \$5 per bushel and soybeans approaching \$14 per bushel. It appears we are in a major breakout from the generally low commodity price levels that have plagued us for the last eight years. The current perception is that we are moving to a higher grain price level and that farmland earnings will rise!



## Prime Farmland Values



▼ **A picture is worth a thousand words!** Our chart of prime farmland values shows the year-ending price per acre of farmland since 1972. It gives us the long-term uptrend nature of our farmland investments. You can see the general long term uptrend is slightly under 6% per year. The Central Illinois farmland market peaked at Christmas 2012 and experienced an approximate 20% decline. It has gone sideways for the last four years. The positive 7% uptrend that has begun at year-end 2020 is encouraging. At Heartland Ag Group Ltd., we think farmland values will quickly challenge the old highs established in 2012.

## ▼ PRIME FARMLAND SALES

County	Sale Date	Total Acres	% Tillable	Productivity Index	\$/Acre
Christian	Dec. 2020	95.19	100.0%	142.1	\$12,400 - Auction
DeWitt	Dec. 2020	246.55	99.7%	140.3	\$10,925
DeWitt	Oct. 2020	101.05	96.9%	141.0	\$10,900
Macon	Dec. 2020	106.00	99.3%	142.8	\$11,250
Macon	Oct. 2020	80.00	99.3%	141.7	\$11,000
Moultrie	Dec. 2020	340.00	98.9%	138.0	\$12,224
Piatt	Nov. 2020	108.00	98.8%	139.1	\$12,600 - Auction
Piatt	Dec. 2020	106.22	99.3%	143.7	\$10,950
Piatt	Dec. 2020	197.79	97.0%	142.0	\$10,750
Piatt	Nov. 2020	24.34	94.5%	144.0	\$10,750
<b>Average</b>		<b>140.51</b>	<b>98.4%</b>	<b>141.5</b>	<b>\$11,375</b>

## Heartland Ag Group Ltd. - Outlook

Our multi-year sideways trending farmland values have turned - **positive!** We have seen a significant upward push headed into year-end (*approximately 7%*) to the \$11,250 per acre range. Multiple sales in January 2021 indicate an explosive upward force behind farmland values. It looks like we will quickly challenge the 2012 peak of just under \$13,000 per acre. Here are the factors that will be driving land values higher in the next six months:

▼ **Grain Prices** – The potential exists for substantially higher corn and soybean prices due to increased demand around the globe. A multi-year higher price trend for commodities translates into significantly higher farmland values.

▼ **U. S. Dollar** – The global financial forces on our U. S. dollar are substantial and are expected to push it down as much as 20%. A declining dollar is very helpful to the agricultural economy and farmland values.

▼ **Crop Yields** – We have had wonderful production results worldwide and now seem to be entering a period of weather and production volatility. Basically we're using every bushel produced. Jiggle that and we have trouble.

▼ **Inflation** – A 30-trillion dollar federal deficit is inflationary. Farmland is an excellent hedge against inflation. We must be watchful - - inflation might be in our upcoming future. This threat will bring more investment dollars on board.

▼ **Alternative Investments** – The mere money flow into agriculture tells us that the returns and volatility in other financial sectors is challenging. Money is starting to flow back into agriculture investments in a bigger way. That will drive land values higher.

**In Summary** – At Heartland Ag Group Ltd., we see a multi-year positive trend coming from farmland earnings. We have just begun that uptrend. It will have an explosive effect on farmland values. Stay tuned.