

# THE FARMLAND Barometer



TIMELY INFORMATION AND INSIGHT ON CENTRAL ILLINOIS FARMLAND

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## A look at the Future



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PRESIDENT

At Heartland Ag Group Ltd., we get many opportunities to tell the farmland story - - and what a success agriculture has been for several decades. The title to numerous recent Heartland presentations has been “*What’s Driving Farmland Values.*” That is a good way to update you on an incredible surge in the market.

**Farmland Value Trend** – As a benchmark - - I’ll use prime farmland as an example - - and you can correlate the trend to the type of farmland you own. Here is what has happened in the past nine months across Illinois:

<u>Time Frame</u>	<u>Price Range</u>
4th of July 2010	\$7,000 per acre
Thanksgiving 2010	\$7,500 per acre
Christmas 2010	\$8,500 per acre
March 2011	\$9,000 - \$10,000 per acre

*(Note – Yes - - a tremendous price surge is underway. There are no signs of this movement letting up. The driving factors are in place.)*

**Recent Sales** - - There is nothing like live ammunition - - and we monitor every land sale transaction in several counties around Central Illinois. (Illinois is a full disclosure state so all the data is available.) Take a look at these general prime farmland values:

<u>Sale Date</u>	<u>County</u>	<u>Town</u>	<u>Acres</u>	<u>Price</u>
2/25/2011	Moultrie	Bethany	60.00	\$9,000
2/15/2011	McLean	Hudson	134.00	\$10,150
4/1/2011	Macoupin	Carlinville	78.00	\$10,075
2/3/2011	Christian	Mt. Auburn	79.20	\$9,100
3/2011	Morgan	New Berlin	40.00	\$10,000
2/2011	Macon	Oreana	36.50	\$8,950

**Types of Buyers** – There are a lot of different shapes and sizes of people wanting to buy farmland. Active farmers have cash. Retired farmers are loving their investment. Extended agricultural families are involved. Local professionals, investor groups, and international buyers are all in the market. Everyone focuses on farmland as an investment.

**About Sellers** – Almost magically - - the \$10,000 price level has brought out more sellers to the market. These landowners have been quiet as the market rose rapidly from \$7,000 an acre. Now the current level appears to be making people decide to sell. Land is available.

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## What's Driving Farmland Values?

Let's go back to our original premise. Here are some of the factors that we believe are behind the price surge. The upcoming year has some special bright spots in it for all.

- ▼ High corn and soybean prices
- ▼ Farmers have cash
- ▼ Low interest rates
- ▼ Declining value of the dollar
- ▼ High oil prices
- ▼ Excellent ethanol demand
- ▼ Threat of inflation
- ▼ Lots of investor demand
- ▼ Stable returns to farmland

We could talk about these individual factors in lots of detail. I'm sure that you understand each of them. Together they are pushing farmland prices rapidly higher. And - - they are solidly in place - - we expect the land value trend to continue upward.

*Are we in a Bubble?* – There has been a lot of discussion about the rapidly rising farmland prices. Have we gone up too quickly and are in a bubble like other commercial and residential real estate? **Probably not** - - because the factors driving farmland values are solid. There is not much speculation or unusual influences that created other bubbles in our financial mess. Could agricultural land turn downward - - yes it could. Commodity prices would have to decline rapidly and interest rates and the dollar would have to go up dramatically - - or the government could interfere with ethanol. That would bring a change in our land price direction.

*Where do we go from here* - - Turn your hat sideways and hang on tight. The volatility in agriculture is at high levels because of a number of folks involved in our market. When big money enters a room - - look out - - it can produce lots of unsuspected price directions.

## In Summary

*At Heartland Ag Group Ltd. - - we think farmland values have risen a little quickly. However - - farm earnings have followed. Most landowners will earn between 3% and 4% on their investment - - the traditional range. That fact alone tells us we are not in a bubble and farmland is secure. In reality we have just seen three years of land value increases condensed into a shorter time frame.*

*Watch the 2011 crop yields, commodity prices, the value of the dollar, and our ethanol prospects. If those continue as noted - - farmland prices will move higher. More later as the trend unfolds.*

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## Your Heartland Ag Team

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.