

# THE FARMLAND Barometer



TIMELY INFORMATION AND INSIGHT ON CENTRAL ILLINOIS FARMLAND

July 2011

## A look at the **FUTURE**



by **Dale E. Aupperle**  
PRESIDENT

**At Heartland Ag Group Ltd.,** - - we love telling the ongoing farmland story - - it is one of the true successes in our national and global economy. The last title to our recent Heartland presentation was “*Farmland Values - - An Amazing Performance!*” Now there is a better one from my Argentinean friend - - “*Farmland is Truly the Worlds Currency!*”

**In the News** – Agriculture is in the spot light these days. Take a quick look at what the general public is talking about and you get a good focus on our world!

- ▼ *Corn and Soybean Digest* – Are higher commodity prices the new normal?
- ▼ *Landowner* – Fed Bank worries over potential collapse in land values.
- ▼ *The Economist* – Sowing Bubbles - - regulators grow increasingly worried about steep cropland prices.
- ▼ *The Main Street Economist* – What are the risks in today’s farmland market?
- ▼ *The National Inflation Association* – America’s oil price inflation crisis is yet to come.
- ▼ *Voice of America* – Australia urged to protect key farmland from foreign buyers.
- ▼ *Farmgate Blog* – What happens to corn if ethanol subsidies disappear?
- ▼ *New York Times* – In battle over farm subsidies - - some farmers say no.
- ▼ *Globe Gazette* – Rising land prices are attracting increased sale listings.

- ▼ *Grain - - Pension Funds* – Are they key players in the global farmland grab.
- ▼ *Progressive Farmer* – Bubbles rare for farm real estate.
- ▼ *Chicago Tribune* – Rising food prices? Can’t blame ethanol.

**Current Illinois Farmland Sales** - - here are 10 sales that have occurred since March 2011 across the central part of Illinois:

<u>Sale Date</u>	<u>County</u>	<u>Acres</u>	<u>Price Per Acre</u>
April 2011	Macoupin	78.00	\$10,075
April 2011	Ford	74.04	\$10,000
May 2011	Champaign	80.00	\$11,700
May 2011	Morgan	102.27	\$10,800
May 2011	Macon	818.99	\$10,073
May 2011	Piatt	195.65	\$10,000
May 2011	Shelby	73.13	\$10,150
June 2011	Christian	81.30	\$10,300
June 2011	Douglas	120.00	\$9,980
July 2011	DeWitt	166.06	\$9,945

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## Understanding the Big Picture!

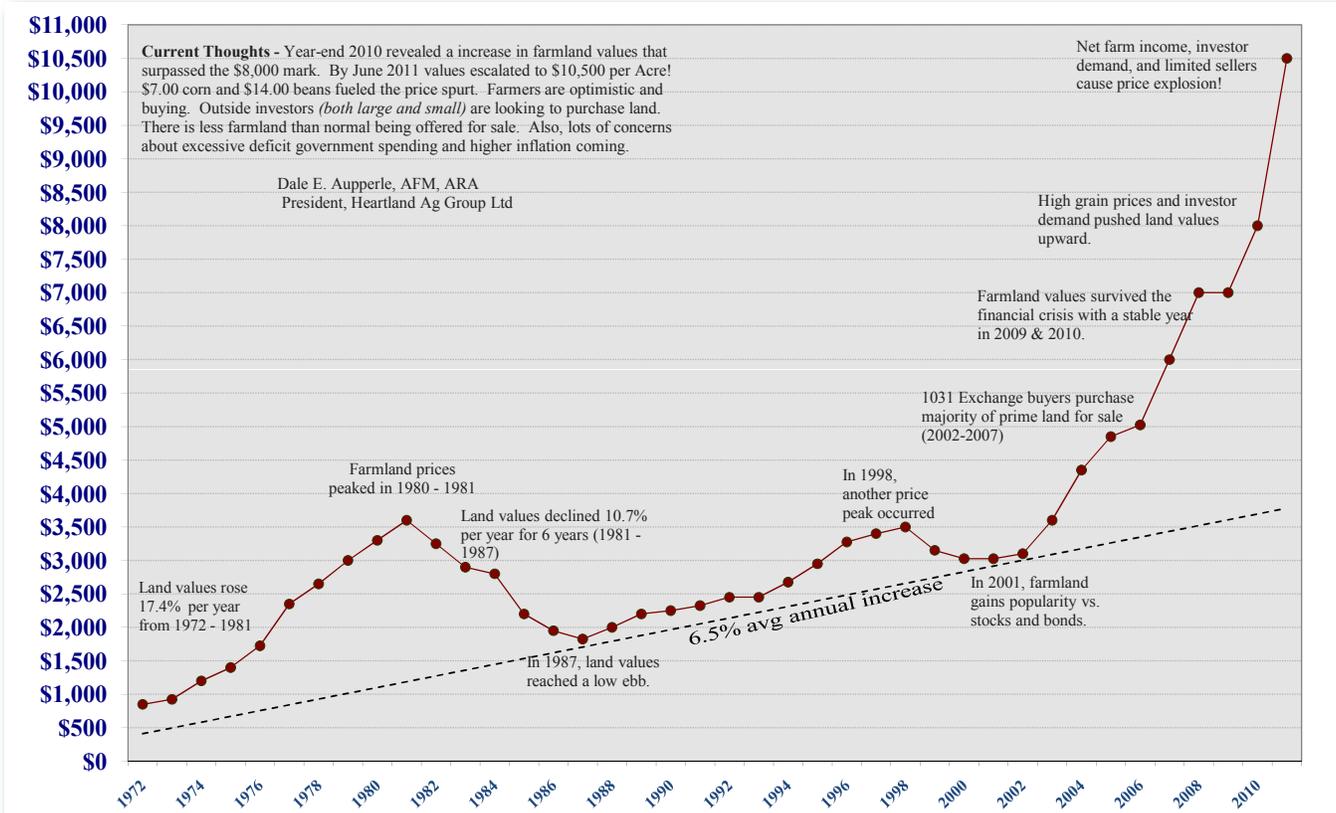
If you don't know where you are going - - any road will get you there. That's why it is important to know what is going on globally. Here's some of those activities:

- ▼ *U.S. Dollar* – Most economist predict a declining dollar for the foreseeable future.
- ▼ *Worldwide Economic Growth* – Middle class growth in developing nations will lead to more food imports.
- ▼ *Trade Policies* – Trade liberalization will increase as will trade worldwide.
- ▼ *Energy Costs* – Agriculture is energy intensive so our cost of production will be rising.
- ▼ *Biotechnology* – The sound science behind biotechnology research will lead to higher yields and wider global acceptance.
- ▼ *Global Farmland* – Drought tolerant corn could lead to significant acreage increases. Watch Africa, Latin America and other spots on the globe.
- ▼ *Supply and Demand* – We have a very tight balance between world crop production and overall usage. Crop production problems could cause serious problems.

- ▼ *The China Factor* – An enormous and growing food and feed demand will continue for the expanding population.
- ▼ *Soviet Union Countries* – Have rising grain production and export capabilities.
- ▼ *Water Availability* – Agricultural production worldwide will be threatened as population pressures reduce water availability.
- ▼ *Fertilizer* – The United States is growing more dependent on fertilizer imports.
- ▼ *Meat Consumption* – World meat consumption is rising rapidly driving rising export demand for feed grain and protein meal.
- ▼ *Soybean Protein Consumption* – Is up 70% worldwide in the last decade.
- ▼ *Poultry Demand* – Up 40% globally and rising more quickly than beef and pork.
- ▼ *Corn and Soybean Consumption* – Worldwide soybean consumption is up 48% versus 37% for corn and only 14% for rice in the past decade.

## PRIME FARMLAND VALUES

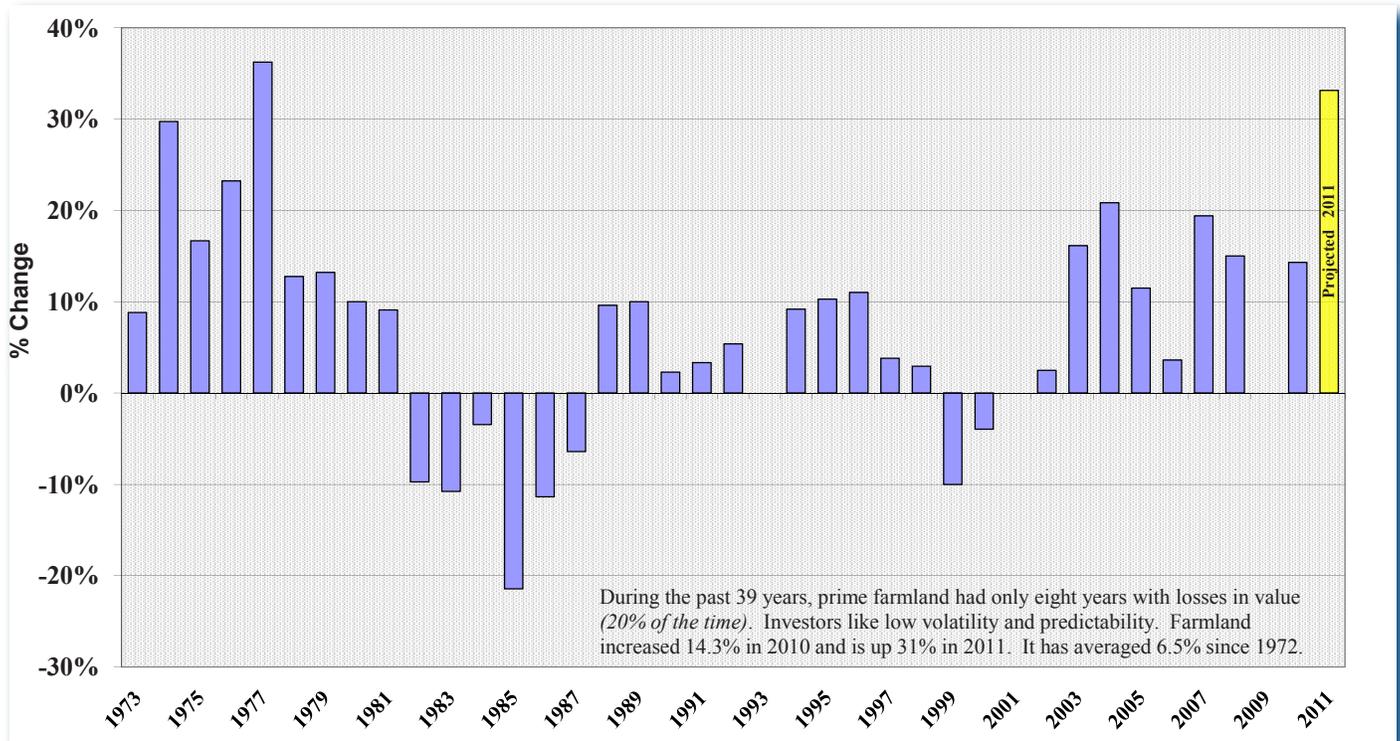
Central Illinois - July 2011



## FARMLAND PRICE VOLATILITY

Thru June 2011

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. It begins in 1972.



### In Summary

Agriculture is experiencing incredible forces from every angle. At **Heartland Ag Group Ltd.** we are watching the following key areas:

- ▼ **Commodity Prices** – We are using \$6.00 corn and \$12.00 soybeans as a focal point for our 2011 income projections. We will have volatile trading ranges.
- ▼ **Interest Rates** – Are at historic lows - - attractive for farmland mortgages. Farmland returns are attractive to alternate investments. However - - interest rates will rise to combat inflation in future years.
- ▼ **National Politics** – A presidential election year is coming up - - be careful. The stimulus package, deficit spending, and Federal Reserve monetary policy will be **very** inflationary long term.
- ▼ **World Population** – There are a lot of mouths to feed. The growth trend is slowing but global numbers will pass the 9 billion people mark by 2050 (*up from 6 billion today*).
- ▼ **Sovereign Debt Crisis** – Apparently everyone on the planet is spending more than they are taking in. How do you stop this nonsense?
- ▼ **U.S. Tax Policy** – There will be a giant sucking sound from Washington D.C. as politicians search for money to fill deficits. Income, capital gains, and estate taxes will be threatening.
- ▼ **Ethanol** – Our Wall Street darling status has turned to political pigs at the trough. The boom might be over.
- ▼ **Inflation** – Farmland is a wonderful hedge against inflation and perhaps our rapid rise is signaling inflation coming. China has raised interest rates five times this year to offset inflation.
- ▼ **Investor Demand** – Agriculture is experiencing an acceleration of money moving from soft assets (*financial investments*) to hard assets (*farm real estate*). That will become global in scope.
- ▼ **Net Farm Income** – We see a solid future for net profits from farmland that will drive farmland values upward into the future.

***So - - Save Your Money And Buy A Farm!***

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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.



**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 two daughters, Taylor and Morgan.



**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 one grandson: Jake.



**Rhonda Hutchens**  
**FINANCIAL ACCOUNTING/  
SECRETARY**

Rhonda handles the financial accounting for our company and our clients. She also provides secretarial support for both farm management and appraisal services. Rhonda joined the team in August 2003. She and Gary have two children, Laramie and Shelby, and live in Decatur.



**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.



**Jean Davison**  
**GRAPHIC DESIGN / SECRETARY**

Jean provides support for our real estate, farm management, and appraisal services and designs the company media materials. Jean joined the company in September 2009. She and Dennis have five children: Nicole, Candice, Derrick, Joshua and Jeffrey. They live in Decatur.