

Farmland Barometer



Illinois farmland values exploded in 2011 -- rising 31% for the year! Yes, that is the largest annual increase in farmland values in the last 40 years. Our chart of prime farmland value (in this report) tells the story -- ending the year with an average value of \$10,500 per acre!

At Heartland Ag Group Ltd., we appreciate the opportunities that we have to assist farmland owners with their management, acquisition, and sales of individual tracts of farmland. To share our insight into the current land market, we are highlighting the most often asked questions (*and our responses*) -- wonderful conversations:



▼ **What are Farms Selling For?** – At Christmas 2010 prime farmland was at \$8,000 per acre. We ended this year at \$10,500 per acre. That is a 31% increase in 12 months -- much of it occurred in the first half of 2011. All types of farmland rose in value -- a rising tide floats all boats!



▼ **What's Driving Farmland Values?** – Farmland is what it earns -- the number one driver is \$7.00 corn and \$13.00 beans. Farmers and investors have money that they are willing to spend on farmland. The demand is up and safety of your investment weighs heavily on everyone's conscience. Farmland becomes high on many of our list of investments.

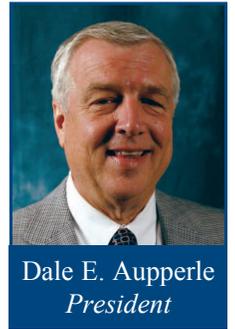


▼ **Are We in a Bubble?** – No! The factors pushing farmland are solid. We don't see a lot of speculative buying, leverage, unstable commodity prices, high interest rates, or fickle land buyers who will turn around and re-sell the tracts. Many of the farmland purchases are cash transactions and very stable buyers.

▼ **Is Inflation a Threat?** – Deficit spending and global sovereign debt issue make us realize that inflation is in our future. Governments are signaling that they refuse to reduce spending -- leaving inflation as the only pathway out. Inflation involves the velocity of money -- to date we have not seen large sums of money chasing goods and services general economy (*only in agriculture land*). There is lots of money parked on the side lines so inflation could become prevalent a few years out.

▼ **What are Interest Rates Doing?** –

These are historically and incredibly low interest rates for farm mortgages. 15 year locked in rates are around 4.5% -- unbelievable! This is an excellent time to lock in your long-term interest rates. Someday interest rates will rise to combat inflation. In the short term, our government officials do not want to raise interest rates -- it would harm the economy. Enjoy!



▼ **Who is Buying the Land?** – Approximately 50% of the land is purchased by local farmers and their families. That is the traditional slice of the market. The rest of the land is purchased by non-farm owners and investors of all types. We are seeing local investors, pension funds, foreign investors, and lots of money wanting to be our new best friend!

▼ **What about Mother Nature (Weather)?** – Yes -- we have just experienced two of the most undesirable production seasons in recent memory. History tells us a third year of extremes (*back to back*) is not likely. If Mother Nature cooperates, our corn and soybean yields should jump dramatically. We have the potential of 225 bushel corn and 65 bushel beans on a lot of our farms -- thanks to good farmers and great seed genetics. Look for rising yields in our immediate and long-term future.

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Heartland Ag Group Ltd.

1401 Koester Drive, Suite 100
Forsyth, IL 62535
Office: 217-876-7700
Fax: 217-876-7724

E-mail: corp@heartlandaggroup.com
Web: www.heartlandaggroup.com



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▼ Compare Farmland to Other Investments

– Farmland has the best long-term investment return of anything on the planet - - averaging a combined return of 10.25% over the last 40 years. The stock market has put in a similar performance of 6.42% return. On an average farmland has increased 6.5% in value each year and produces a 4% dividend. Investors world-wide find that to be attractive. And it is very stable - - not a lot of volatile price movements.

Comparing Farmland to other Financial Assets

Here is a quick comparison of how farmland compares in its overall return over the past 40 years - - it's the best!

Asset/Index	1970 - 2009 Average Annual Return	1990 - 2009 Average Annual Return
Farmland	10.25%	10.40%
Mtg./REITS	9.00%	10.43%
Aaa (Bonds)	8.32%	6.85%
10 yr. Treasury	7.30%	5.56%
Dow Jones	6.42%	6.66%
S & P 500	6.24%	5.75%
CPI	4.36%	3.69%
PPI	3.98%	2.27%
CRB Spot Index	3.25%	2.40%

Note: From Bruce J. Sherrick, PhD at the University of Illinois.

Heartland Outlook

Agriculture is experiencing incredible forces from every angle - - and they are global as well. At Heartland Ag Group Ltd., we are optimistic about our future and are watching the following key areas:

▼ **Commodity Prices** - Let's use \$5.50 corn and \$11.50 soybeans as a focal point for our future income projections.

▼ **Bushels Per Acre** - Farmers will produce positive yield increases as weather conditions return to normal cycles.

▼ **Interest Rates** - The historically low farm mortgage rates are attractive - - but be careful of rising rates in our future.

▼ **National Politics** - 2011 is a presidential election year - - be careful. Deficit spending and our Federal Reserve monetary policy will be very inflationary long term.

▼ **World Population** - Don't forget there will be 9 billion people to feed by year 2050 - - hungry customers for our farmers.

▼ **United States Economy** - This big guy can either help us out or take us down. Our national lack of financial discipline is alarming - - and threatening.

▼ **Sovereign Debt Crisis** - Apparently on the planet is spending more than they take in - - a huge problem brewing.

▼ **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 become burdensome.

▼ **Inflation** - Farmland is a wonderful hedge against inflation and our rapid rise is signaling more inflation coming. China has raised interest rates five times this year to offset inflation.

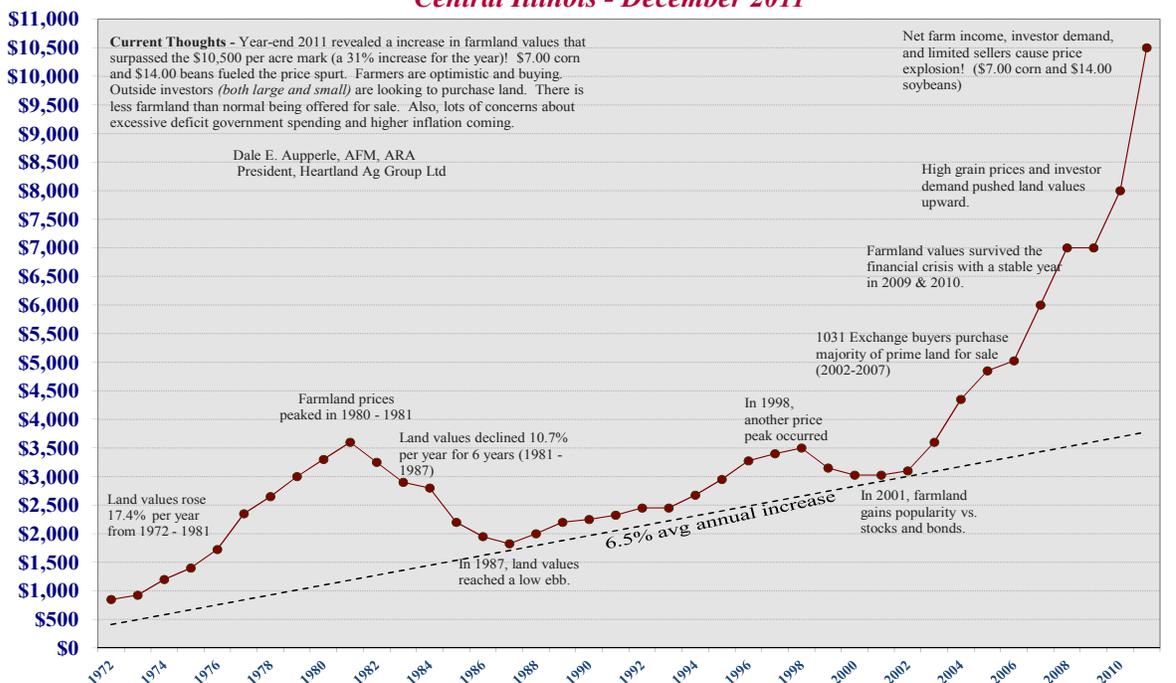
▼ **Net Farm Income** - We see a solid future for net profits from farmland that will drive farmland values upward into our extended future.

▼ **Investor Demand** - Agriculture is enjoying the movement of money from soft assets (*financial investments*) to hard asset (*farm real estate*).

Save your Money - - Buy a Farm!

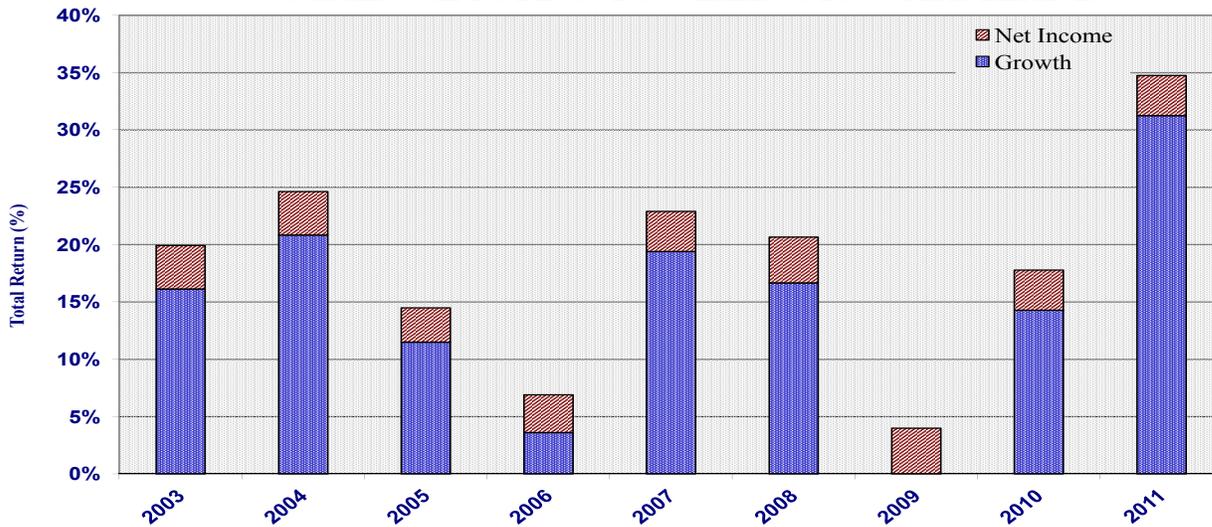
PRIME FARMLAND VALUES

Central Illinois - December 2011



At Heartland Ag Group Ltd., we maintain a detailed database of farm real estate transactions throughout Central Illinois. Each sale is an important part of the dynamic farmland market we operate in. Note the historical changes (since 1972) and trends shown. The long term uptrend line since the 1970's is intact! Note - - Farmland has averaged a 6.5% annual increase over 40 years.

TOTAL RETURNS TO ILLINOIS FARMLAND



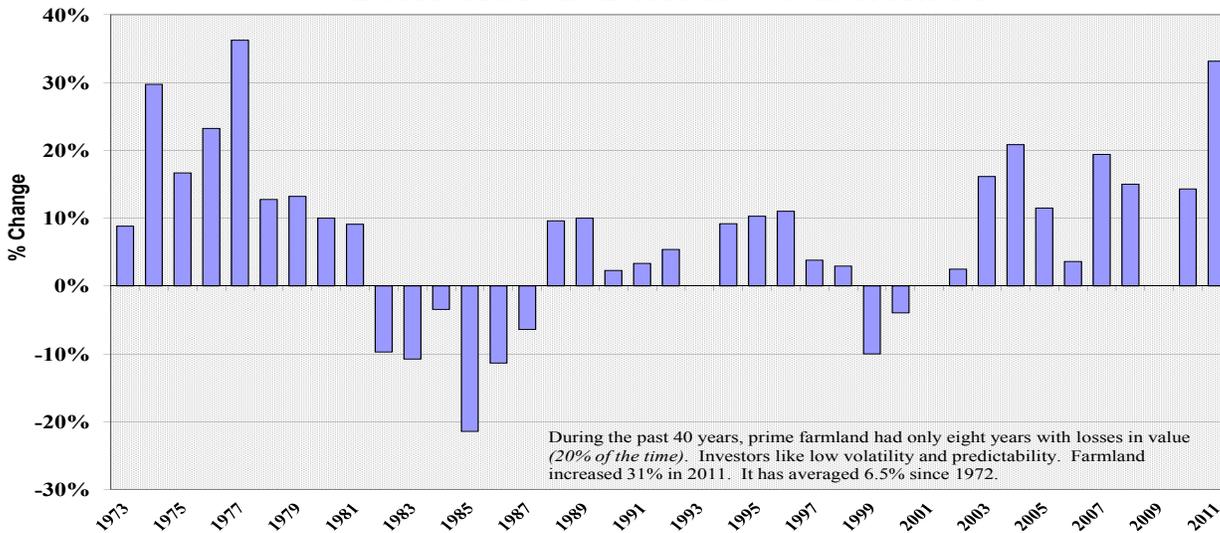
Farmland is a growth stock -- with a very stable earnings component over time. Our chart shows the returns to prime central Illinois farmland since 2003 -- averaging a combined 18% return for the 9 year period.

2011 PRIME FARMLAND SALES

The following examples represent prime farmland transactions across Central Illinois during the past twelve months:

<u>Date</u>	<u>County</u>	<u>Township</u>	<u>Acres</u>	<u>\$/Acre</u>	<u>Buyer</u>	<u>Seller</u>
11-11	Piatt	Barnett	120.00	\$ 9,750	G. Stade	D. Battistie
08-11	DeWitt	DeWitt	166.06	\$ 9,945	N. Mueth	D. Dawson
10-11	Christian	Mosquito	140.00	\$10,500	M. Koonce	M. Synder
07-11	Christian	Prairieton	81.29	\$10,300	D. Hall	C. Chapman
05-11	Macon	So. Macon	818.99	\$10,073	Sequoia Holdings	J. Baltz Trust
08-11	Macon	Whitmore	88.28	\$10,000	B. Kraft	D. Fombelle
11-11	Piatt	Bement	88.31	\$10,035	B 90 LLC	S. Fawcett
06-11	Piatt	Bement	100.00	\$11,300	I. Thompson	T. Rochford
10-11	Shelby	Pickaway	233.45	\$10,280	R.F. & C.G. LLC	G. Hunter
05-11	Shelby	Pickaway	73.13	\$10,150	G & W Ambuehl	MDS Farms
07-11	Logan	W. Lincoln	80.00	\$ 9,500	W. Paulus	L. Stewart
10-11	Logan	Hurlbut	155.95	\$11,300	DMJJ Farms	K. Schlicht

Central Illinois FARMLAND PRICE VOLATILITY



This chart reflects 40 years of annual changes in farmland values (80% are positive). Farmland price volatility is low.



1401 Koester Drive, Suite 100
Forsyth, Illinois 62535
(217) 876-7700
FAX (217) 876-7724
www.heartlandaggroup.com

**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 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
SECRETARY

Rhonda handles the financial transactions 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.