

Farmland Barometer



Illinois farmland values rose sharply during the second half of 2012 -- and completed the year up 21%! That continued the uptrend in the last 11 years and represents one of the largest annual increases in farmland values in the past 40 years. Our chart of Prime Farmland Values (in this report) tells the whole story -- ending the year with an average price of \$12,750 per acre!



At **Heartland Ag Group Ltd.**, we assist farmland owners with their management, acquisition and sale of farmland, and valuation needs. Thanks to all of you for that opportunity. Here is our insight into the current land market -- highlighted by the most often asked questions by today's participants:

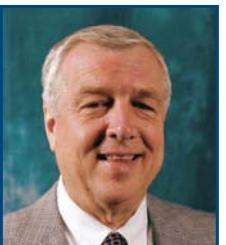
▼ **What are Farms Selling For?** – In 2010 farmland was at \$8,000 per acre. Last year ended at \$10,500 per acre. This year it's \$12,750 per acre -- up 21%. This is an amazing 66% increase since 2008 financial crisis began. All types of farmland are rising in value across the Midwest.

▼ **Who's Buying the Land?** – Agriculture is enjoying prosperity and farming families put their money where their mouth is. In 2012, farmers purchased over 50% of the land that came on the market. The rest of the farmland was purchased by non-farm owners and investors of all types. We are seeing lots of local investors who are interested in smaller tracts of land (*can you believe an 80.0 acre tract is a million dollars!*).

▼ **What about the 2012 Drought?** – The driest and hottest temperatures in decades (*practically since record keeping began in 1895*). Unbelievably -- this is the third sub-par growing season back to back. Or -- have we gone into extreme weather conditions and global warming? Crop insurance saved the day for many farmers and landowners as it protected significant profits with the season ending high corn and soybean prices. Crop insurance payouts are record large and more than filled in the yield deficits. Plenty of money flowing.

▼ What are Interest Rates Doing? –

Both farm mortgage and operating loans are at historically low levels. You can borrow 15 year farm mortgage money for less than 4½% -- unbelievable! Many



Dale E. Aupperle
President

people are locking in their long-term interest rates understanding they are extremely low. Someday interest rates will rise to combat upcoming inflation. The outlook is for several more years of these low levels -- otherwise the economy would be harmed.

▼ Talk about the Fiscal Cliff! –

Agriculture normally is treated well by Washington politics -- but all of us are sick of the gridlock, deficit spending, and the general level of bickering. The United States financial situation is precarious. Fortunately some concerns about dairy prices caused Senators and Congressmen to extend the farm bill through September 30th. We have one more year without major changes -- but the timing is terrible. And in September -- the Congress will be in a horrible budget battle -- just in time for implementing a long term farm bill!

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Farmland Barometer

▼ Compare Farmland with Other Investments!

– You have all seen our comparison of farmland - - to a basket of other investments in the United States. We averaged a combined return of 10.77% over the last 40 years. The stock market's performance has been 6.42%. Investors worldwide find that to be attractive. In reality - - *farmland is the new world currency*. With a stable dividend and a long-term record of appreciation - - lots of people are finding farmland to be an incredible investment. At some point money could flow out of farmland into the stock market and other investments again - - but we don't see that happening in 2013.

Comparing Farmland to other Financial Assets

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

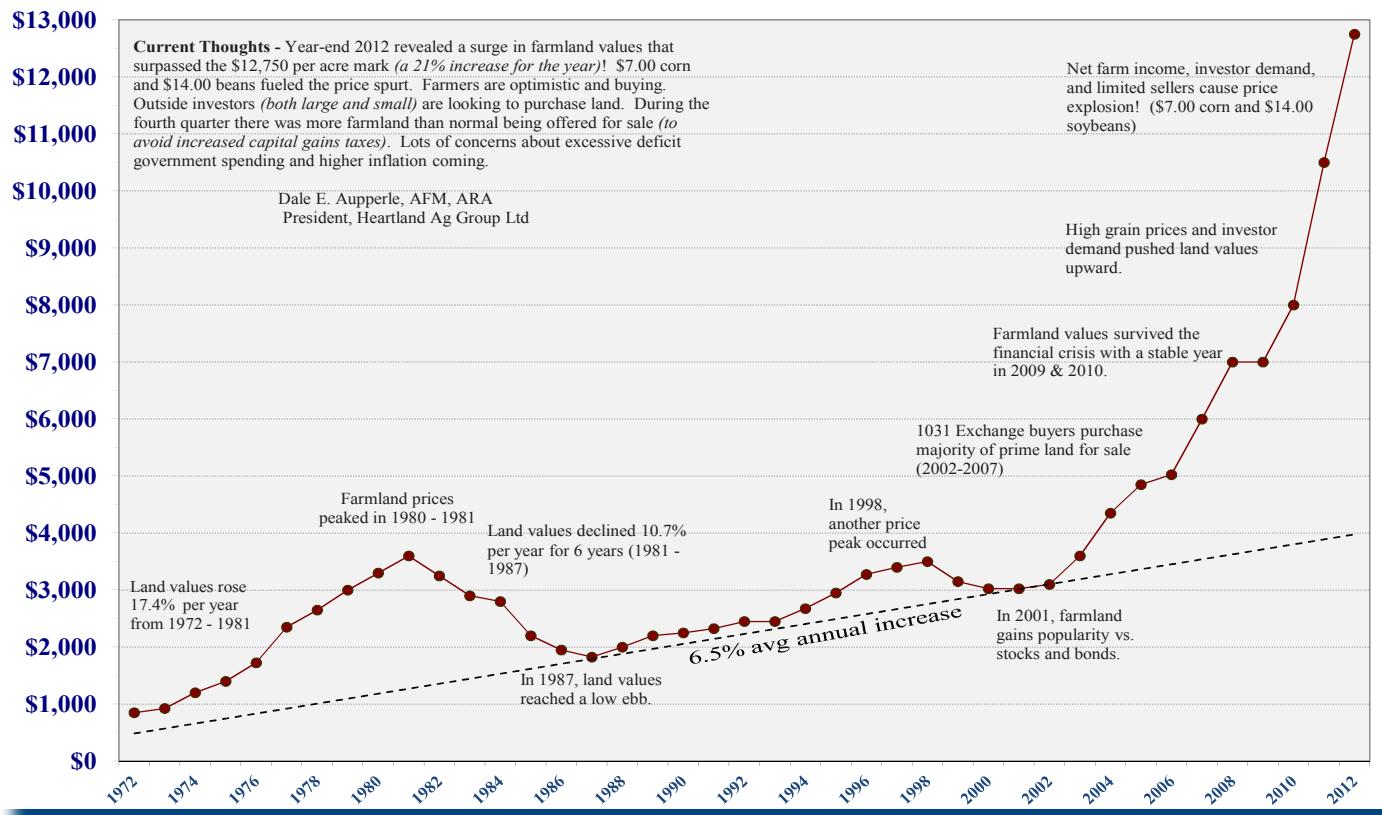
Asset/Index	1970 - 2010 Average Annual Return	1990 - 2010 Average Annual Return
Farmland	10.77%	10.80%
Mtg./REITS	9.09%	9.49%
Aaa (Bonds)	8.24%	6.85%
10 yr. Treasury	7.20%	5.45%
Dow Jones	6.52%	6.84%
S & P 500	6.24%	5.75%
CPI	4.29%	2.63%
PPI	4.03%	2.47%
CRB Spot Index	3.25%	2.40%

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

PRIME FARMLAND VALUES

Central Illinois - December 2012

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.

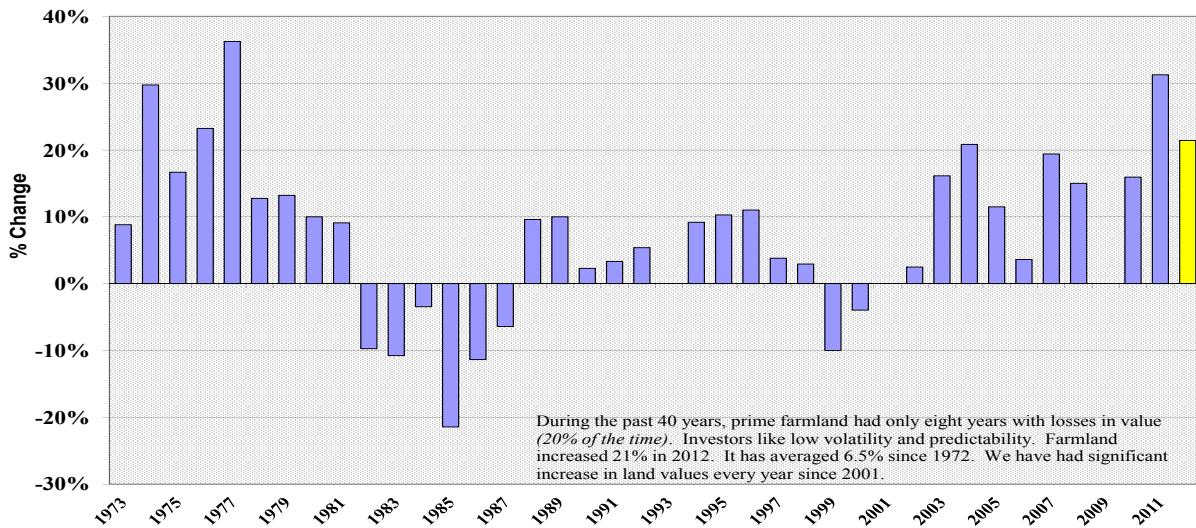


2012 PRIME FARMLAND SALES

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

<u>County</u>	<u>Township</u>	<u>Sale Date</u>	<u>Total Acres</u>	<u>Productivity Index</u>	<u>\$/Acre</u>	<u>Seller</u>
DeWitt	Texas	Dec. 2012	41.04	142.0	\$12,750	Shulke
Macon	Maroa	Nov. 2012	80.00	139.5	\$12,750	Milligan Trust
Macon	Whitmore	Dec. 2012	80.00	140.7	\$12,000	Cochran
Christian	Assumption	Aug. 2012	162.92	133.1	\$15,600	Rhodes Estate
Shelby	Windsor	Dec. 2012	115.61	144.0	\$13,415	University of Illinois
Logan	Mt. Pulaski	Dec. 2012	114.74	142.5	\$11,350	Schaffenacker Estate
Piatt	Bement	Nov. 2012	81.30	138.3	\$12,250	Schweitzer
Macon	S. Wheatland	Nov. 2012	123.90	137.7	\$14,400	Craycroft Estate
Macon	Whitmore	Dec. 2012	63.76	140.6	\$13,000	Decatur Enterprise Park

Central Illinois FARMLAND PRICE VOLATILITY



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

Heartland Outlook

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 \$5.75 corn and \$12.50 soybeans as a focal point for our 2013 income projections. We will have volatile trading ranges.
- ▼ **Bushels Per Acre** - Expect positive yield increases when weather conditions return to normal cycles.
- ▼ **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 has passed -- we survived! The 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*).
- ▼ **Weather Trends** - Weather has become crucial as we have minimal global stocks of grain available to all of us. Have we left the good weather behind?
- ▼ **United States Economy** - This big guy could either help us -- or take us down! Our national lack of financial discipline has been alarming -- it's threatening.
- ▼ **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 to fill our deficits. Income, capital gains, and estate taxes will be threatening.
- ▼ **Inflation** - Farmland is a wonderful hedge against inflation and perhaps our rapid rise is signaling inflation coming. Lots of stimulus money in the system is ultimately very inflationary.
- ▼ **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. Farmland is the new world currency!
- ▼ **Net Farm Income** - We see a solid future for net profits from farmland that will drive farmland values upward into the future.

Save your Money -- Buy a Farm!



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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 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.



**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 one granddaughter: Poppy.



**Jean Davison
GRAPHIC DESIGN / SECRETARY**

Jean provides support for our real estate, farm management, 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.



**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.



Abby Coers

GRAPHIC DESIGN / COMMUNICATIONS

Abby provides support for our real estate, farm management, appraisal services and designs the company media materials. Abby joined the company in November 2012.