

Farmland Barometer



For the second year in a row - - prime Illinois farmland values were steady - - at the \$12,500 per acre mark. These prices cap an 11 year uptrend that began in year 2001. Our chart of Prime Farmland Values (in this report) tells the whole story!

At Heartland Ag Group Ltd., we feel like the luckiest people on the planet - - to be involved with Agriculture. Thanks to all of you - - we are very active in the management, appraisal, sale, and acquisition of farmland throughout Illinois, Indiana and Missouri. Here are our thoughts on the current land market:

▼ **What's Driving Farmland Values?** – In a presentation to landowners and farmers in December - - riding the agricultural super cycle! Here are some of the factors that we believe are influencing land values. In the final analysis, we believe that land values have taken a breather - - and it's not a bubble!

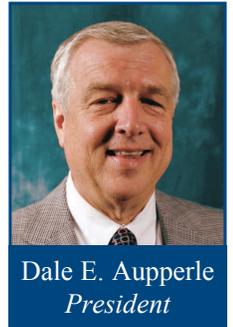
- Declining grain prices
- Expensive farm inputs
- Volatile weather patterns
- Low interest rates
- Declining oil prices
- Global financial quagmire
- Crop insurance safety net
- Sensitivity to farming risk
- Fear of the future

We could talk about these individual factors in lots of detail. Each one of them is important. Together they are pushing farmland values sideways - - instead of higher. Let's watch 2015 unfold to see which forces dominate.

▼ **What are Farms Selling For?** – Each year we put a year-end dot on our Prime Farmland Values chart - - this year it is at \$12,500 per acre. Here is what has happened in the last six years:

- 2014 - \$12,500 per acre (unchanged)
- 2013 - \$12,500 per acre (-2%)
- 2012 - \$12,750 per acre (+21%)
- 2011 - \$10,500 per acre (+31%)
- 2010 - \$8,000 per acre (+14%)
- 2009 - \$7,000 per acre (unchanged)

In the last 6 years we have seen farmland increase an amazing 78% - - well above the 6.5% average annual increase over the past 42 years.



Dale E. Aupperle
President

▼ **Who's Buying the Land?** – The farming community continues to actively reinvest their larger than normal profits from the agricultural super cycle! This year 75% of the land was purchased by farmers or their extended families in the community (up from a 50% normal volume). We are glad they believe in our future.

Outside investors are taking a breather but they have not gone away. Give them an opportunity and they will be back in competing with the farming community for purchases.

▼ **Commodity Prices Have Dropped!** – Remember - - farmland is what it earns - - and we are concerned that net farm incomes are scheduled to drop by 20% in 2015. That will put pressure on the farmland market to decline. It makes farmland values dependent on saved money to make the land purchases. Most landowners and farmers believe the net farm income dip will only last a couple of years and will be back on a stable footing. Let's hope they are right.

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▼ **Comparing Farmland with Other Investments!** – Dr. Bruce Sherrick at the University of Illinois has done an excellent comparison of farmland as an investment - - to a basket of alternative investments in the United States. Yes - - farmland has averaged a combined return of 11.73% - - over the last 43 years. The stock market's performance has been at 6.89%. We won that competition.

In reality - - we need to be careful. With interest rates starting to rise and global finances becoming more healthy - - farmland investments could see more competition on the horizon. At Heartland Ag Group Ltd., we are watching carefully to see if any money flows out of farmland (*back to where it came from*). We don't see that happening in 2015 but it would be a warning signal.

Comparing Farmland to other Financial Assets

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

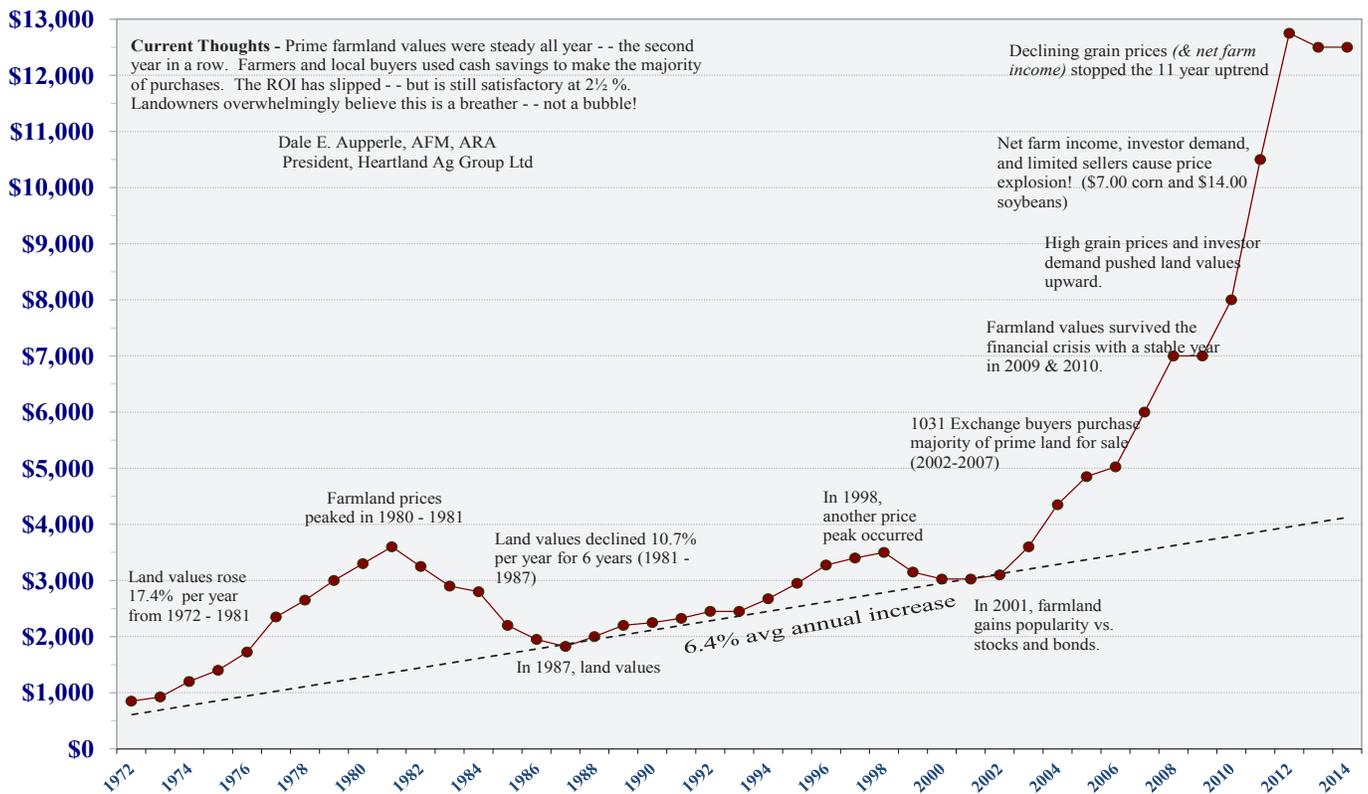
<u>Asset/Index</u>	<u>1970 - 2013 Average Annual Return</u>	<u>1990 - 2013 Average Annual Return</u>
Farmland	11.73%	10.87%
Equity/REITS	10.96%	10.08%
Aaa (Bonds)	7.96%	6.44%
10 yr. Treasury	6.87%	5.06%
Dow Jones	6.89%	7.48%
Gold	8.03%	4.61%
CPI	4.14%	2.56%

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

PRIME FARMLAND VALUES

Central Illinois - December 2014

At Heartland Ag Group Ltd., we maintain an extensive database of farm real estate transactions throughout Central Illinois. Each sale is an important part of the dynamic farmland market. This chart reflects the historical trends on our best quality farmland each year (since 1972).



2014 PRIME FARMLAND SALES

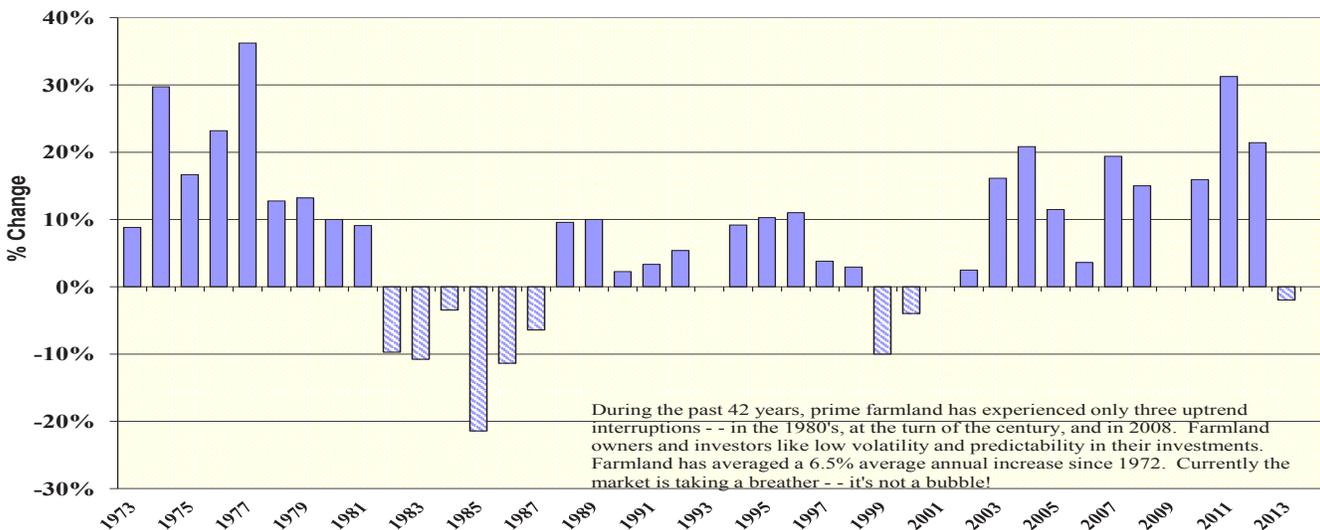
Here are several representative top quality land sales that have occurred throughout the central part of the state during year 2014:

County	Sale Date	Total Acres	% Tillable	Productivity Index	\$/Acre
Christian	Nov. 2014	40.00	99.5%	141.5	\$12,400
Macon	Oct. 2014	120.13	96.5%	142.7	\$12,750
Moultrie	Oct. 2014	62.15	96.9%	139.2	\$12,100
Coles	Nov. 2014	73.60	97.7%	139.5	\$13,300
Shelby	Nov. 2014	52.00	100%	144.0	\$11,100
Piatt	Aug. 2014	80.00	99.0%	135.2	\$12,550
Logan	Oct. 2014	103.37	97.2%	139.2	\$12,500
Sangamon	Oct. 2014	40.00	90.3%	137.0	\$13,500

Central Illinois FARMLAND PRICE VOLATILITY

Thru December 2014

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. Each bar on our graph - - reflects the % change in value for the year (up or down from the baseline). Our data begins in 1972 and goes through the current date



This chart reflects 42 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** – My friend Richard Brock calls this the biggest bear market in history. Let's hope we can average \$4.00 for corn and \$10.00 for soybeans as minimum prices in our future!

▼ **Bushels Per Acre** – Rain makes grain - - and our 2014 El Niño season is forecast to repeat itself next year! Trend line yields should increase going forward.

▼ **Weather Trends** – Worldwide weather is crucial - - it has minimized our global stocks. But it looks like we will rebuild them quickly with good global weather.

▼ **Interest Rates** – We are at historic lows - - attractive for farmland mortgages. Slowly rising long term interest rates are suggesting a change is coming.

▼ **Alternative Investments** – Agriculture is always competing with other financial opportunities. As farmland's performance levels off - - the competition from other financial assets is enhanced. Money could leave agriculture.

▼ **Investor Demand** – Our current farm earnings outlook is discouraging some investors who are now on the sidelines. That is a significant but temporary change.

▼ **Farm Demand** – Our neighbors are spending their high commodity prices and crop insurance proceeds. When that dries up - - look out.

▼ **Net Farm Income** – is the primary driver of farmland values - - and projections are dropping 20%! Don't forget - - farmland is what it earns!



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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 three daughters, Taylor, Morgan and Delaney.



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 two grandsons: Jake and Brody.



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

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



Kara Morey
ADMINISTRATIVE ASST.

Kara provides support for appraisal services, real estate and farm management company segments. Kara joined the company in April 2014. She and Brian have two children: Kassidy and Eliza.