

Farmland Barometer



A steady price trend - - describes prime Central Illinois farmland values which remained at the \$10,500 per acre mark (on average) this year. Hopefully - - these values complete a five-year downtrend that began at Christmas 2012 at just under \$13,000 per acre. A 20% correction feels normal from a land market that was on fire from 2009 to 2012 (gaining nearly 65% in value).

At Heartland Ag Group Ltd. - - we are actively involved in the Central Illinois farm real estate market. From that everyday experience - - we offer some observations on the current farmland market. Call us if you need farm management, appraisals, sales or acquisitions of Illinois farmland.

▼ **What are Farms Selling For?** – Our prime farmland value chart in this report shows year ending values stable at \$10,500 per acre. Here’s how that compares to the last nine years of activity. Yes it’s been up and down:

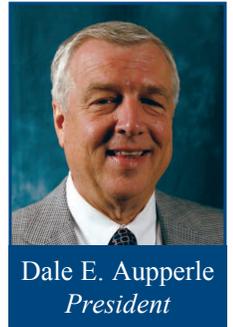
- 2017 - \$10,500 per acre (*unchanged*)
- 2016 - \$10,500 per acre (-7%)
- 2015 - \$11,250 per acre (-8%)
- 2014 - \$12,250 per acre (-2%)
- 2013 - \$12,500 per acre (-2%)
- 2012 - \$12,750 per acre (+21%)
- 2011 - \$10,500 per acre (+31%)
- 2010 - \$8,000 per acre (+14%)
- 2009 - \$7,000 per acre (*unchanged*)

▼ **Volume of Farm Sales** – Only a small percentage of land becomes available to purchase each year and the sellers are primarily estates offering land for sale. The supply of farmland on the market remained constant and reasonable in volume. Many times there are only one or two potential buyers, but the tracts did get sold.

▼ **Alternate Investments** – The stock market had an incredible year in 2017. Farmland competes for those investment dollars. Yes - - we took a back seat to that financial world. However - - if the stock market makes a correction - - a lot of money will come agriculture’s way to buy farmland.

▼ **Net Farm Income**

– Our 2017 profit margins tightened up this year as operating expenses stayed high and grain income dwindled from lower corn and soybean prices. The earnings outlook is a diminishing one. That’s gone on for several years - - ouch. Remember - - *farmland is what it earns.*



▼ **Who is Buying?** – Approximately two-thirds of the farmland sold in 2017 was purchased by the local farming community (*farmers or their families or friends*). This number has remained constant over many years. The farming community believes in what they are doing - - and are willing to reinvest to grow their operations.

Interestingly - - we are getting more inquiries from the investment community (*both individuals and large funds*). There is a pent up demand that will come at us when the timing is right. These dollars don’t generally care about location - -they’re looking for a good deal and a long term entry point. The bottom will be in the market when these funds begin buying in a large fashion.

In summary - Yes - - it feels like the farm real estate market has reached a turning point. Big picture factors are moving in a positive direction. Stay tuned - - good luck to all of us!

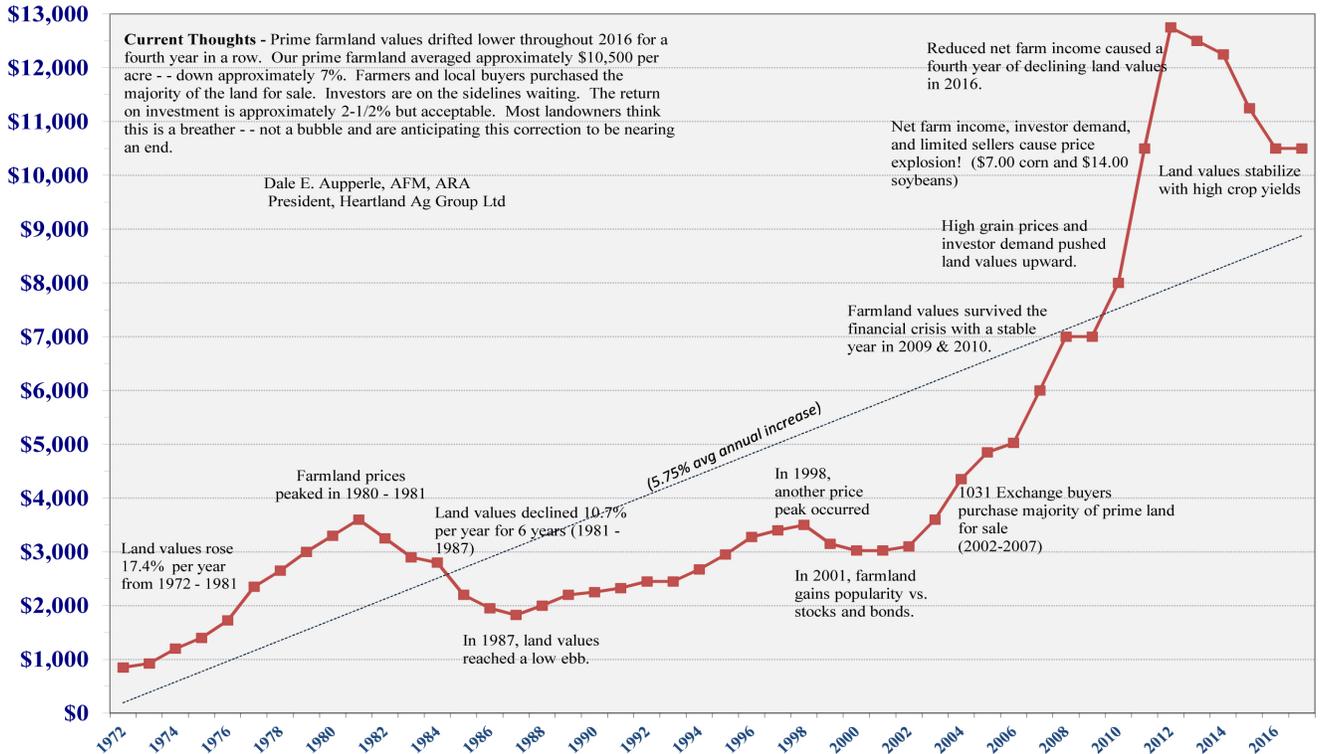
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PRIME FARMLAND VALUES

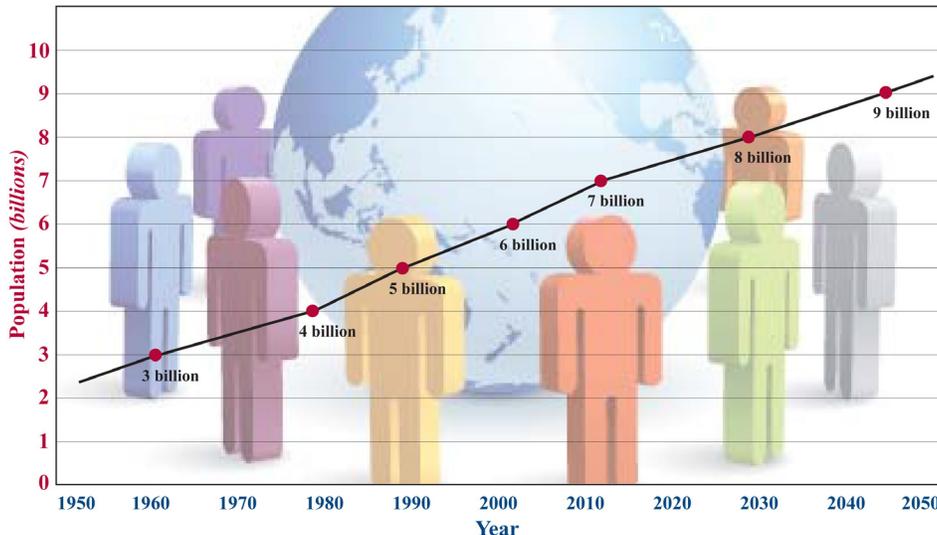
Central Illinois - December 2017

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).



World Population: 1950 - 2050

This world population chart tells a significant story -- about the need for food and fiber on our planet. From 1950 through 2050 is a relatively small measurement of time -- but an incredible growth in the number of people on the planet. This simple driving force is a major influence on our American farmland values (especially in Illinois). Remember the famous quote -- "If you eat then you are a part of Agriculture! Our future is bright."



Illinois is a full disclosure state -- every real estate transaction that occurs is recorded. At Heartland Ag Group Ltd. we maintain an active database of all of the sales that occur in nearly 50 counties across Central Illinois. Here is a sampling of farm sale transactions from our extensive database!

▼ PRIME FARMLAND SALES

<u>County</u>	<u>Sale Date</u>	<u>Total Acres</u>	<u>% Tillable</u>	<u>Productivity Index</u>	<u>\$/Acre</u>
Logan	Nov. 2017	96.00	98.1%	141.9	\$10,400
Logan	Nov. 2017	120.00	100.0%	141.2	\$10,700
Macon	Nov. 2017	159.94	98.5%	142.4	\$10,250
Macon	Nov. 2017	40.00	99.5%	142.5	\$10,500
Macon	Oct. 2017	110.00	96.7%	142.1	\$10,500
Macon	Nov. 2017	120.00	99.1%	138.6	\$10,900
Moultrie	Nov. 2017	135.00	100.0%	140.1	\$10,500
Moultrie	Dec. 2017	135.00	99.0%	140.3	\$10,500
Christian	Nov. 2017	80.34	98.5%	141.8	\$10,800
Piatt	Nov. 2017	159.00	100.0%	143.9	\$10,350
Piatt	Nov. 2017	200.00	99.3%	142.1	\$10,600
DeWitt	Oct. 2017	40.45	99.9%	139.9	\$10,350

Note: The above sales demonstrate a sideways trending land market throughout the year -- at approximately \$10,500 per acre. We note a slightly larger size of farmland tracts being sold this year. And -- it's amazing as to the percentage of tillable acres and productivity index!

▼ VOLATILE SALES TRANSACTIONS

<u>County</u>	<u>Sale Date</u>	<u>Total Acres</u>	<u>% Tillable</u>	<u>Productivity Index</u>	<u>\$/Acre</u>
Logan	Nov. 2017	306.87	98.0%	138.0	\$12,165
Woodford	Nov. 2017	76.80	100.0%	142.0	\$15,850
Woodford	Nov. 2017	379.82	97.8%	137.0	\$13,649
Shelby	Nov. 2017	80.00	96.4%	136.6	\$9,600 (no sale)
Christian	Nov. 2017	72.58	99.2%	135.7	\$9,300 (no sale)

Note: Throughout 2017 -- we would notice some unusual public auction results. The sales above demonstrated that highly productive and active farming community areas could achieve substantially above average prices. Likewise -- if there is modest community support there would be transactions that didn't sell. Look at the difference in price range.

▼ WIND TURBINES ON FARMLAND

<u>County</u>	<u>Sale Date</u>	<u>Total Acres</u>	<u>% Tillable</u>	<u>Productivity Index</u>	<u>\$/Acre</u>
Stark	Apr. 2017	78.44	94.3%	138.7	\$12,100 (Turbine)
Stark	Apr. 2017	76.16	94.0%	139.2	\$10,700
Logan	Aug. 2017	72.60	97.6%	140.9	\$12,200 (Turbine)
Logan	Aug. 2017	91.99	96.8%	138.0	\$10,600

Note: Electricity generated by wind turbines is becoming a common scene across Central Illinois. These wind farms have been in existence long enough for sales of farmland (with turbines) to occur. Our data shows that wind turbines do add value to a tract of land -- it's an additional income stream.

Heartland Ag Group Ltd. - Outlook

It's a breather - not a bubble! Anytime farmland values rise \$10,000 per acre (in ten years) -- you're going to have a correction! The 20% correction over the last 5 years has reset the underpinning of our market. With major changes occurring in our national economic system (and globally) the ingredients are surfacing for a renewed uptrend. Remember the following key points that we've always focused on here at Heartland Ag Group Ltd.:

▼ **Farmland is A Growth Stock** – One outstanding farmland characteristic - is its excellent dividend (*profits*) as well as its change in value which has generally been positive over decades. Our chart shows a 5.75% average annual increase in value over the last 50 years. These two components make it an extremely attractive long-term inflation proof investment!

▼ **Farmland is What it Earns** – Historically Central Illinois farmland earns a 3-4% cash return on its current value -- that's diminished to a 2.5% return currently with declining incomes. Watch commodity prices closely for signs of an uptrend which will increase profitability and drive farmland values higher in the upcoming years.

At Heartland Ag Group Ltd. -- we are optimists! Year 2018 should continue the turnaround (transition) that began last year. Positive global developments will help us begin an uptrend in our near future. Good luck to all of us.



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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 three grandchildren: Poppy, Gus, and Harper.



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: Cassidy and Eliza.