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Illinois Farmland Prices Increase Slightly, Less Land for Sale

Note: In the following, reference is made to different qualities of farmland. Excellent quality farmland averages over 190 bushels of corn per acre, good quality farmland averages between 170 and 190 bushels per acre, average quality farmland averages between 150 and 170 bushels per acre, and fair quality farmland averages below 150 bushels per acre. Note that these divisions differ from last year's survey. Hence, results may not be comparable between the 2009 and 2010 surveys.

(Boone, IA, Sept. 1, 2010) -- The price of farmland across the state of Illinois increased only slightly in the first half of 2010 according to a mid-year 'snapshot' survey by the Illinois Society of Professional Farm Managers and Rural Appraisers. The results of the survey were released today at the Farm Progress Show.

ISPFMRA conducts a survey half way through the year to obtain general directions on farmland prices and cash rents. This information supplements the Society's larger efforts at year-end to document farmland prices and cash rents across Illinois. The 2010 mid-year survey also focused on use of variable cash rental arrangements to gain information on this lease type that is growing in use.

Below are the key points from the survey.

Farmland Prices

1. Respondents indicated that higher quality land values increased slightly during the first half of 2010. For excellent quality farmland, land prices increased by \$131 per acre, or 1.7 percent increase. For fair quality farmland, respondents indicated that land values were stable.
2. On July 1, 2010, farmland prices averaged \$7,665 for excellent quality farmland, \$6,639 for good quality farmland, \$5,724 for average quality farmland, and \$4,646 for fair quality farmland.
3. Volume of sales was less during the first half of 2010 compared to the first half of 2009. Sixty-five percent of respondents indicated that the volume of sales was less than during the first half of 2009.
4. Most respondents expect the volume of sales to be the same or less during the last half of 2010 as compared to the last half of 2009. Forty-nine percent expect the same volume, 35 percent expect less while 16 percent expect more volume.
5. Most respondents expect farmland prices to increase during the next 12 months: 16 percent expect farmland prices to increase over 5 percent and 64 percent expect increases between 0 and 5 percent, meaning that 69 percent expect price increases. Fourteen percent of the respondents expect stable prices while 17 percent expect price declines.
6. Most respondents expect corn prices to average between \$3.50 and \$4.00 for the 2010 crop. Seventy-one percent expect prices between \$3.50 and \$4.00 while 27 percent expected average prices between \$4.00 and \$4.50.

2011 Cash Rents

7. Respondents expect 2011 rents to average slightly higher than 2010 levels:
 - a. Excellent quality farmland: Respondents indicated that average cash rent in 2009 was \$272 per acre and expect 2011 rents to average \$279 per acre, a \$7 per acre increase.
 - b. Good quality farmland: Respondents indicated that average cash rent in 2009 was \$230 per acre and expect

2011 rents to average \$237 per acre, a \$7 per acre increase.

c. Average quality farmland: Respondents indicated that average cash rent in 2009 was \$193 per acre and expect 2011 rents to average \$199 per acre, a \$6 per acre increase.

d. Fair quality farmland: Respondents indicated that average cash rent in 2009 was \$157 per acre and expect 2011 rents to average \$162 per acre, a \$5 per acre increase.

8. Respondents' expectations of the selling price of 2011 center in the \$3.50 to \$4.00 per bushel range: 9 percent expect prices over \$5.00 per bushel, 5 percent between \$4.50 and \$5.00 per bushel, 32 percent between \$4.00 and \$4.50, 41 percent between \$3.50 and \$4.00, and 13 percent below \$3.50 per bushel.

9. Most respondents expect production costs to increase slightly in 2011 over 2010 levels. Three percent production costs to increase a great deal, 72 percent expect costs to increase slightly, and 25 percent expect costs to remain the same. None of the respondents expect costs to decline.

Leasing Arrangements

10. For 2010, survey respondents indicate that the following leasing arrangements were used as a percent of rented acres:

- a. Share rent – 25 percent,
- b. Share rent with modifications – 18 percent,
- c. Fixed cash rent – 33 percent,
- d. Variable cash rent – 16 percent,
- e. Custom farming – 8 percent.

11. Variable cash rental arrangements are expected to increase in use in 2011 by 65 percent of the respondents. Percent of respondents expecting decreasing, the same, and increase use of different lease types are:

- a. Share rent (Decrease – 42 percent, The same – 58 percent, Increase – 0 percent)
- b. Modified share rent (Decrease – 19 percent, The same – 55 percent, Increase – 26 percent)
- c. Cash rent (Decrease – 13 percent, The same – 50 percent, Increase – 37 percent)
- d. Variable cash rent (Decrease – 7 percent, The same – 26 percent, Increase – 67 percent)
- e. Custom farming (Decrease – 14 percent, The same – 69 percent, Increase – 17 percent)

Type of Variable Cash Rent Arrangements

12. Variable cash rents are becoming more prevalent as a lease type. There is a great deal of variability in variable cash rent arrangements. Survey respondents indicated that variable lease arrangement fell in the following broad categories:

- a. 11 percent of variable cash rents had cash rent payments tied to gross revenue with no minimum cash rent specified.
- b. 59 percent of variable cash rent arrangements had minimum cash rents with chance of bonuses.
- c. 26 percent of variable cash rent arrangements had cash rents tied to production only.
- d. 4 percent of variable cash rent arrangements had the owner receiving grain.

Bonus Cash Rent Arrangements

(The following points deal with the 59 percent of the variable cash rent arrangements that had minimum cash rents with chances of bonuses.)

13. Bonus cash rents generally had minimum cash rents that were below the average rent in a fixed cash rent arrangement: 35 percent indicated that the minimum cash rent was \$0 to \$25 per acre below the average fixed cash rent, 50 percent indicated that the minimum was \$25 to \$50 below the average fixed cash rent, and 7 percent indicated that the minimum was more than \$50 below the average cash rent. Seven percent or respondents indicated that the minimum cash rent was above the average cash rent.

14. Costs of production do not enter in the calculation of the bonus on most of these leases. Costs or production only entered into the calculation on 7 percent of the leases.

15. The bonus is usually based on gross revenue: 62 percent of the leases had the bonus based on gross revenue, 31 percent on prices only, and 7 percent on yield only.

16. Farm yields are used in calculating gross revenue. Respondents indicated that county and other yields were not used in gross revenue calculation.

17. Price at a delivery point was used in 78 percent of the leases to determine the price used in gross revenue calculation. Future prices were used in 11 percent of the leases and actual marketing in 11 percent of the leases.

18. The average percentage on corn gross revenue used in calculating the bonus was 27 percent. The average percentage on soybean gross revenue was 33 percent.

Miscellaneous

19. The average charge for grain bin storage was \$.132 per bushel.

20. The average charge for pasture was \$45 per acre.

The larger, annual Land Values and Lease Trends survey done by the ISPFMRA will be conducted at the end of this year. The results of that survey will be announced at the 2011 Illinois Land Values Conference which will be held March 15, 16 in Bloomington, IL.