

Illinois Farmland Values Continue Upward Spiral

(Bloomington, IL, March 16, 2011) High commodity prices and lack of good farmland for sale have kept prices paid for Illinois farmland on its continued upward trek, according to the report issued at the 2011 Illinois Farmland Values Conference held here today. The annual report is sponsored by the Illinois Society of Professional Farm Managers and Rural Appraisers. The survey was conducted among Society members and assembled by the University of Illinois and reflects farmland sales activity and lease trends during 2010.

In an executive summary, Don McCabe, AFM, Soy Capital Agricultural Services, Bourbonnais, IL., and general chairman of the event said, "There are two major points coming out of this year's survey. The most striking is that this crop agriculture is financially strong and Illinois farmland values and lease trends are on the rise.

"The second is that there is more variation between regions, and within regions from higher to lower productivity soils. Economic forces that are pushing the current broad rise in crop returns, rents, and land values are not uniformly affecting categories of farms or areas. Even from farm to farm in similar neighborhoods there can be differences based on lease type, farm operation, and management," he says.

He noted increases of 14 percent to 18 percent across northern Illinois for Excellent Productivity and Good Productivity land, respectively. "Values went up between 10 percent to 22 percent for the same types of land across the central part of the state, with even higher increases for lower productivity land across the southern part of the state

"In general, Illinois farmland values were driven higher by increasing expectations of farm income as the 2010 year progressed and commodity prices increased," McCabe reports. "There is every expectation that this trend will continue in 2011." He notes that farmland values have been supported by investment capital seeking alternatives to other financial assets. "Values are less impacted by demand for alternative real estate uses such as conversion to commercial and residential. These were driving factors in the period 2003 through 2009."

He went on to note that in many areas larger percentage increases for lower productivity land was noted, based on expectations of improving crop returns and absolute increases on lower values resulting in larger percentage growth.

Demand for recreational land is generally soft-to-declining with few sales to support, only showing stability or some strengths in areas very close to population centers. "Aside from the 'close-in' effect, comments gathered from all the regions regarding recreational land include descriptions such as declining, or fallen significantly, with the most positive markets being just 'stable,'" he explains.

Estate sales still account for the majority (57 percent) of reasons land is being sold. Local farmers account for the majority (56 percent) of the buyers.

When asked if they believed that farmland prices would fall more than 20 percent in the next year, none of the respondents believed that the chances were greater than 10 percent while a full 58 percent believed the chance was very small.

Lease Trends

McCabe notes that rental returns for 2010 rose from 'modestly' to 'significantly' based on increasing net returns to farm operations from increasing crop prices. "Fixed cash rents have a tendency to lag the commodity market, with rent levels varying depending on when lease negotiation occurs," McCabe explains. "Harvest in 2010 finished early, leading to re-setting some 2011 rents sooner than in previous years. The brisk and steady com-

modity market move through the last three months of the year made some farm owners regret negotiating leases early, and some farm operators glad they did.

“With the high 2010 year-ending crop prices, rental returns of all types are expected to be higher in 2011,” he continues. “Many rental arrangements are moving from fixed cash rents to a variety of flexible or variable cash leases due to farm owners wanting to share in increasing operating returns and farm operators willing to pay more when they have it.”

Copies of the complete 84-page report can be ordered online at www.ispfmra.org/land-values.html.

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