



Spring 2006



*by Bob Swires, AFM
President
Illinois Society of Professional
Farm Managers and Rural Appraisers*

What a packed newsletter!

The Illinois Chapter just completed a very successful Illinois Land Values Conference in Morris. We had many people from the Chapter along with some new faces in a very dynamic two-day meeting. The press releases that went out prior to the meeting as well as after have generated lots of publicity and raised public awareness of our organization, and the skill and professionalism of its members. I hope you take this opportunity to contact your local press, supply them with a copy of the Farmland Values and Lease Trends Report and discuss the results with them. They are always glad to get material to publish and it would certainly be a great public relations opportunity, not only for you and the Chapter, but for our profession as well.

At the Land Values Conference, Bob Easter, Dean of the U of I College of ACES, announced the formation of the Land Economics Chair. Your board of directors made an **investment** in behalf of the chapter. There are more details on the inside of the newsletter, but I simply wanted to reinforce that this chair will develop tools and information that will not only benefit our clients, but also our businesses. This chair has the potential to provide the kind of information in both scope and depth that we cannot find anywhere else. I am hopeful that each of our members will find a way to help support this exciting endeavor.



I have the summer tour and October annual meeting on my calendar. The committees have been working hard and have some very exciting programs lined up for the membership. Please contact me with any questions, contacts or concerns.

Bob Swires

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participating on the Board of
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Bob Swires at
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CHAPTER NEEDS VOLUNTEERS TO WORK WITH C-FAR

Illinois Council on Food and Agricultural Research (C-FAR) members, representing a broad range of Illinois' food and agricultural sectors, dedicated significant time and effort early this year to identify the state's top priority research needs. Through a "working group" design, C-FAR members play a key role in determining the direction of C-FAR-funded research and provide valuable input so that maximum benefit from the C-FAR investment is achieved.

C-FAR's five working groups – focused on expanding agricultural markets, rural economic development, agricultural production systems, human nutrition and food safety, and natural resources and the environment – met on several occasions from January to March to re-establish their directives to researchers to provide clear instructions on what research is needed to strengthen Illinois' food and agricultural systems. These directives will steer the state's publicly-funded food and agricultural research program, guided via C-FAR, for the next four years. The new research focus areas can be viewed at www.ilcfar.org/research/priorities.html.

The C-FAR appropriation, a State of Illinois investment enabled through the Food and Agriculture Research Act, reached \$15 million annually from FY00 to FY02. Due to State of Illinois budget concerns, C-FAR's appropriation was reduced the following fiscal years, with the current FY06 appropriation being set at \$3.5 million. Industry stakeholders are working with state officials to increase the appropriation to adequately support Illinois' food and agricultural sectors.

C-FAR is a statewide partnership organized to support relevant, stakeholder-driven research and related outreach programs for Illinois' food, agricultural, and related systems. The C-FAR membership includes 61 statewide organizations, 36 governmental agencies and university entities, and a host of individuals dedicated to the C-FAR mission. The Illinois Society of Professional Farm Managers and Rural Appraisers has been an Organizational Member of C-FAR since its inception and continues to play an active role in the organization.

The Chapter needs member volunteers to be part of these working groups!

For more information about C-FAR and its research programs, visit www.ilcfar.org, send e-mail to cfar@aces.uiuc.edu, or call 217.244.4232.

Please give involvement with C-FAR some serious consideration and call Bob Swires (217-443-8980) to volunteer and get involved in dynamic research opportunities.

Got A New E-Mail Address?

Did you think to tell us?

Your chapter uses e-mail extensively in its communications with its members. Not only is it a quick way of communicating, it is also extremely cost-effective.

For that reason, it is important to keep the Chapter up-to-date regarding your e-mail address. If you have had a recent change, make sure we know. Send a note with your new address to:

ispfmra@country-side-marketing.com

We'll make sure the records get updated.

CHAPTER OFFERING APPRAISER, MANAGER CE COURSES

by Norbert Soltwedel, RPRA

The Illinois Society will again offer a series of educational courses and seminars. **ONE OF THESE SHOULD ATTRACT FARM MANAGERS AS WELL AS APPRAISERS.** Please consider using these to meet your annual Continuing Education requirements but that is not the primary reason to attend. We have some very good offerings of a timely nature. Current schedule includes:

- **Uniform Agricultural Appraisal Report** course in Champaign, August 3-4, offers 14 hours of Credit.
- **Yellow Book** Seminar in Springfield, September 25, offers 7 hours CE credit
- **Minerals and Subsurface Rights -- The Unseen Bundle of Rights that has Value!** This seminar in Springfield, September 26, offers 7 hours CE. This is a one-day seminar designed to provide timely information concerning coal, oil, and other minerals that may lie beneath the surface. The increase in energy values has generated new interest in developing coal as well as oil/gas resources that are found throughout Illinois. (GREAT FOR REAL ESTATE BROKERS). See the complete course description on the right.
- **National USPAP Update** seminar in Bloomington, October 25, offering 7 hours CE (this is in connection with Annual Meeting)
- In addition we are working on offering a 1-day seminar on **Scope of Work and USPAP Standard 2 Report Writing** requirements. The revised USPAP becomes effective July 1 and eliminates Limited reports, Departure, and emphasizes importance of Scope of Work. We will attempt to offer this seminar in June.

We appreciate all those who patronize the Illinois Society and remind everyone that if you appraise farms your membership requires that the report comply with USPAP.

New Course Description

Minerals and Subsurface Rights – The Unseen Bundle of Rights that has Value!

This seminar will include legal counsel to discuss the issues of ownership, leasing, and mineral extraction to include subsidence issues. A geologist from the Illinois State Geological Survey will explain the location of mineral deposits in Illinois and resources available to evaluate these deposits. Officials from the IL Department of Natural Resources will discuss means they use to monitor mining operations and reclaim the surface. A land agent who works in the area of leases will be invited to participate as will representatives from the IL Department of Mines and Minerals, Chicago Title Insurance Fund, and IL Mine Subsidence Insurance Fund to explain their services.

More detail on the scheduling of this course is to come. Watch at www.ispfmra.org for details.



A Gathering of Leadership

Leaders from the Realtors Land Institute and ASFMRA came together at the 2006 Illinois Land Values Conference held March 15, 16 in Morris.

From left are: Randall Hertz, AFM, ALC, National President of the REALTORS Land Institute; Steve Wirth, AFM, AAC, President of the Illinois Farm and Land Chapter of the REALTORS Land Institute; Ray Brownfield, AFM, ARA, ALC, President-elect, American Society of Farm Managers and Rural Appraisers; and, Bob Swires, President, Illinois Society of Professional Farm Managers and Rural Appraisers.

DEAN CHARLES OLSON PRESENTED WITH CHAPTER'S "SERVICE TO AGRICULTURE AWARD"



Charles E. Olson, Ph. D.

The Illinois Society of Professional Farm Managers and Rural Appraisers presented the Service to Agriculture Award, one of its highest awards, to Charles E. Olson, Ph.D., Assistant Dean at the University of Illinois' College of ACES, during the organization's annual meeting held in Springfield. The award has been given annually since 1940 to an individual who has distinguished themselves with service to agriculture in Illinois.

In making the presentation, Honorary Awards Chairman Don McCabe, AFM, reviewed Olson's contributions to the state, noting that he received his bachelors, masters and doctoral degrees from the University of Illinois.

Over the past 26 years he has assumed a variety of Academic/Student Affairs responsibilities within the College of Agriculture/ACES, including student recruitment, academic advising, scholarship administration, career services, alumni affairs, and student leadership development. In 2005 he received the Chancellor's Academic Professional Excellence Award.

2006 ANNUAL MEETING VERSION 2.2

by Steve Myers, AFM

You asked for it, YOU GOT IT!

Where can you go to get great continuing education, see nationally-known, high powered speakers, and enjoy the fellowship of your fellow professionals?

THE 2006 ISPFMRA ANNUAL MEETING VERSION 2.2 IN BLOOMINGTON, OCTOBER 26-27

Think this is a come on? With the NCAA tournament fresh in our minds we have divided the program into the following:

PRE-GAME SHOW. How about pre-meeting appraisal CEU's combined with a host of in meeting hours? We've got 'em!

THE BIG GAME. Management topics will include renewable fuels, biotechnology, personal technology, agriculture law, and grain marketing. We've got em'!

We then will feature two powerhouse keynote addresses on Friday from **Dr. David Kohl of Virginia Tech**, a nationally known speaker in agriculture, and we will close with the **University of Illinois Basketball Coach Bruce Weber**.

Too good to be true? We plan on following that up with real estate licensee continuing education in a Friday afternoon session we'll call the **POST GAME SHOW**.

The committee has been working very hard the last few months to bring you a great lineup that we feel will be worthy of your time. We think you will enjoy this program that will help the Society shift to our NEW fall meeting format, hence the version 2.2. We offer this as an invitation and hope to see you in Bloomington!

Watch your mail (electronic and otherwise) for more information.

2006 Summer Tour

Combined Illinois / Indiana ASFMRA Chapters

June 29, 30

Quality Inn & Suites

Bradley, IL

Thursday, June 29

Fair Oaks Farms, Fair Oaks, IN -- View this massive dairy with over 25,000 milking cattle. Fair Oaks produces the equivalent of 4 million glasses of milk EVERY DAY!! (www.fairoaksdairy.com)

~ PLUS ~

Kankakee Nursery Company, Kankakee, IL -- A wholesale nursery producing materials for contractors and retail nursery companies in the eastern 2/3 of the United States. Their operation has over 2,500 acres of growing plants. (www.kankakeenursery.com)

~ PLUS ~

A special presentation on **Kankakee River Sedimentation**.

All of this followed by an evening cookout and social.

Friday, June 30

Midewin National Tallgrass Prairie -- In 1996, the first nationally designated tallgrass prairie was created on the site of the former Joliet Arsenal. The Midewin National Tallgrass Prairie offers the opportunity to preserve a disappearing piece of our nation's natural and cultural heritage -- the now rare native Tallgrass prairie. The site has seed production fields, established wetlands, established prairie, farmed area, bike and hiking paths, and wildlife viewing sites. (www.fs.fed.us/mntp/)

~ PLUS ~

Land Values in NE Illinois -- Andy Brorsen, ARA, will provide a briefing on land values and comps as we drive to and from the Midewin area. This includes the area with the proposed Peotone airport.

Registration -- \$100.00 per person. Includes full breakfast both days, luncheon and cook-out on Thursday, all admissions and tours, transportation, and refreshments on the buses. There will be additional charges for cancellations or registrations made after June 14. **Payment must accompany registration.**

Lodging -- **Quality Inn & Suites, Bradley** -- \$75 for standard room, \$85 Executive Suite (all prices plus taxes) 815--939-3505 -- **Room block is held until June 5** under *Illinois/Indiana Society of Farm Managers*.

Visit the Chapter Web site at www.ispfmra.org for a registration form.

Executive Summary

FARMLAND VALUES STILL RISING AT DOUBLE DIGIT RATE



Prime farmland values statewide rose between 8 percent and 12 percent during 2005 according to the latest report issued by the Illinois Society of Professional Farm Managers and Rural Appraisers at the 2006 Illinois Land Values Conference held in Morris March 15-16. This follows a 20 percent increase in land values during 2004 and is a continuation of a 19-year uptrend that began in 1986, according to Dale E. Aupperle, AFM, ARA, of Heartland Ag Group, Ltd., and general chair of the project.



According to Bob Swires, AFM, Swires Land and Management, Danville, IL, and president of the organization, there are a number of factors that are involved with the price increases, the most prevalent being so-called 1031 tax-deferred exchanges of property. He notes that suburban sales ranging from \$20,000 to \$100,000 per acre resulting in 1031 tax-free exchanges have contributed to the upward pressure on Illinois farmland values. The Chicagoland area alone reports approximately 30,000 new residential building permits each year. Swires says owners of farmland in what is called ‘path of progress’ are great sources of 1031 potential buyers.



Under Internal Revenue Service regulations, sellers of property can be exempted from paying capital gains taxes on property if they reinvest the income from property sold into like-property within certain restrictive guidelines and timeframes. Gary Schnitkey, Ph.D., a University of Illinois professor, notes that the organization’s survey found that 56 percent of the Illinois farmland buyers were completing a 1031 exchange. Fifty seven percent were from the Chicagoland area and 24 percent from the respective local areas.

Recreational Land Sales

The appetite for recreational land is growing rapidly, especially those tracts located within convenient driving distance from the metropolitan area, according to Jerry Hicks, AFM, immediate past president of the ISPFMRA. Non-tillable acreage that can be used for hunting, fishing, walking, and trail riding are bringing prices ranging from \$1,500 to \$3,500 per acre. In many cases, the prices paid for recreational land rival the values for productive cropland.



“Don’t forget the local community which supports farmland values year in and year out,” says Swires. He notes that according to the survey results, local farmers purchased 31 percent and local investors an additional 10 percent of the farmland offered for sale in 2005. Net farm income has been stable, providing the profits needed for expansion, he explains. “These folks are an important part of the land market.”

Methods of Sale

The majority of the farmland sales reported in Illinois were negotiated

by private treaty, according to the survey, says Mac Boyd, ARA, of Boyd Real Estate in Arcola. "Private negotiations allow both parties to achieve a fair price and that is important in today's land market for an investor." He notes that Illinois Society members, as well as members of the Realtors® Land Institute, reported record levels of interest in purchasing and selling farmland, real estate appraisals, and consulting during 2005.

Estate sales account for 42 percent of the land being sold according to Schnitkey. However, the ISPFMRA survey reveals that 37 percent of the land being offered for sale was because of the relatively high prices. Schnitkey also noted that 62 percent of the land is being purchased with cash. Only 30 percent of the buyers require debt financing.

2006 Land Value Projections

Aupperle notes that 61 percent of the survey respondents indicated they thought the uptrend in prices will continue in 2006. "Their responses tell us that pace will slow to approximately a 5 percent increase rate in the upcoming twelve months," Aupperle states. "This will be the twentieth year of expanding values in the state."

Farm Lease Changes

According to Schnitkey, the traditional crop share lease continues to be under pressure to change. Cash rent and custom farm leases both provided higher net returns in 2005. Professional farm managers noted that more than 48 percent of all leases will be (*modified*) or crop share with 45 percent now being cash rent.

Keeping a Watchful Eye

Aupperle says professional farm managers are keeping a watchful eye on the uptrend on land values and is looking for the driving factors that might suggest a trend change. For example, he knows that discussions concerning cuts in 2007 USDA Farm Bill benefits could reduce overall farm income, and that concerns investors. Slowly rising interest rates have made operating and mortgage loans more expensive, which is also a concern to potential buyers.

Aupperle also notes that since a majority of the farmland purchases involve 1031 exchanges spurred by development, real estate professionals are keeping a watchful eye on continued activity in the residential housing sector. "Last, but not least, is the net farm income generated by corn and soybean yields," he notes. "Farm managers report record breaking yields from new biotechnology seeds which helps them keep the bottom line healthy. Yes, there are some warning signs on the radar screen, but nothing yet that is trend changing."

In designing the annual survey the state is divided into 10 geographic regions. ISPFMRA members then submit information and observations regarding land sales in their particular areas of the state. Collection and tabulation of the information is done through the University of Illinois' College of Agriculture, Consumer and Environmental Sciences.

The ISPFMRA is planning on doing another midyear survey to see what trends have developed during the first half of 2006. The results of that survey are scheduled for release in late summer.



2006 Annual Meeting Springfield, IL





**HONOR
A DECEASED COLLEAGUE
WITH A
SCHOLARSHIP MEMORIAL**

Are you looking for a special way to remember a deceased colleague? Consider making a contribution to the ISPFMRA Memorial Scholarship Fund in his or her name.

This is a very unique way to offer tribute to those who have served in the management and appraisal of Illinois farmland. And, as evidenced by the ongoing scholarship program, it is a tribute that continues to give to the future of agriculture in the state. Year-end charitable gifts can be given to the scholarship fund.

For more information, contact Brian Waibel at 217-351-2757

MARK YOUR CALENDARS

June 29-30, 2006

2006 Summer Tour
Quality Inn, Bradley (Joint tour with Indiana Chapter)

September 17-19, 2006

ASFMRA Leadership Institute
Washington, D.C.

October 26-27, 2006

2006 Annual Meeting
Doubletree Conference Center, Bloomington/Normal

February 14-17, 2007

ASFMRA Annual Meeting
Atlanta, GA

March 14-15, 2007

2006 Illinois Land Values Conference
Morris, IL

June 26-28, 2007

2007 Summer Tour
Dubuque, IA (Joint tour with Iowa/Wisconsin Chapters)

WE THANK OUR COMMERCIAL SPONSORS

We would like to acknowledge our commercial sponsors whose support has greatly enriched the educational programs of the Illinois Society. The following companies provide support and make possible many of the activities of the Illinois Chapter.

Ooops!

Does your 2006 Membership Directory have some missing pages?

In the process of assembling the directories, there were some copies that had some wrong sections inserted.

If you received one of these directories, please let us know and we will send you a replacement copy.

Give a call to: 262-253-6902 or ispfmra@countyside-marketing.com

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LG Seeds
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Trisler Seed Farms

Bronze Level

Advanced Drainage Systems, Inc.
Agrotain International
Beck's Hybrids
Glenn Brothers
Illinois Corn Marketing Board

ASFMRA Leadership Institute -- An Opportunity of a Lifetime

By Jerry Hicks, AFM
Immediate Past-President

This is one of the most meaningful meetings I have ever attended." This quote from the 2005 Leadership Institute is very representative of how you will feel after you have attended this meeting. I can speak from personal experience and give the Institute a 100 percent endorsement.

The institute has something for both managers and appraisers. There are specific tours and speakers for both groups. Managers will go to Wilmington, Delaware to visit Dupont Headquarters as part of their program. Appraisers will hear from the Appraisal Foundation, the Appraisal Subcommittee and the Internal Revenue Service.

This is your chance to see Congress at work and meet the people responsible for writing and passing the laws. You will meet Senate and House Leadership and their staff members. On Wednesday, it may be possible to meet with the Senate Agriculture Chairman, Saxby Chambliss. Several lobbyists will also be available to provide an interesting insight into the workings of Congress and what it takes to make a bill a Law. There will also be time to visit with our home district Representatives and Senators. And, just for fun, there will be time to see some of the historic sites, monuments and museums of the area.

Don't pass of the chance to experience this meeting. It is worth the extra effort to arrange you schedule to accommodate this program. The Illinois Society Board has supported this Institute by offering three \$600 Scholarships for our members too attend. Make the commitment to attend!!! You won't be disappointed.

Scholarship Auction Sets Another Record!

by: Bryan Waibel, AFM

Thanks to many willing donors and bidders, a record \$6,801 was raised at the annual Memorial Scholarship auction held at the annual meeting in Springfield. It was the second consecutive record, topping last year's total by \$510.

The total proceeds were divided amongst four universities according to the wishes of the buyers, with the following breakdown:

University of Illinois - \$5,456
Illinois State University - \$755
Southern Illinois University - \$165
Western Illinois University - \$440

Welcome
New Members

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