

2018 Illinois Society of Professional Farm Managers and Rural Appraisers Mid-Year Survey

Key points

*Note: In the following release, reference is made to different qualities of farmland. In a normal year, **Excellent quality** farmland averages over 200 bushels of corn per acre with a soil productivity index of 133 or higher, **Good quality** farmland averages between 170 and 200 bushels per acre with a soil productivity index of 117-132, **Average quality** farmland averages between 150 and 170 bushels per acre with a soil productivity index of 100-116 and no irrigation, and **Fair quality** farmland averages below 150 bushels per acre with a soil productivity index under 100 without irrigation.*

The Illinois Society of Professional Farm Managers and Rural Appraisers conducts a survey half way through the year to evaluate trends in 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 survey was taken during the third week of July.

Farmland Prices and Volume

Prices paid for Illinois farmland continued the "slightly lower" trend according to the Mid-Year Snapshot Survey completed by the Illinois Society of Farm Managers and Rural Appraisers. The survey results were released today at the 2018 Farm Progress Show held here this week.

"In the first half of the year the value of Excellent quality farmland is down two percent and Average quality land is down one per cent ," says David Klein, AFM, ALC, Soy Capital Ag Services, Bloomington, IL., and overall chair of the Farmland Values program sponsored by the Society. "According to our member survey, prices being paid for Good and Fair quality land prices are very similar from the beginning of the year."

Klein notes that the survey results indicated the state-wide average price for Excellent quality land by mid-year dropped roughly \$200 per acre to \$10,522 from the beginning of 2018. Survey results indicated prices for other land classes were estimated to be down less than \$100 per acre respectively.

1. During the first half of 2018, 14% respondents indicated that the same volume of farmland was sold than the second half of 2017. 48% percent of respondents indicated that less farmland was sold and 38% indicated that more farmland was sold.
2. Participants expect about the same volume of farmland to be sold in the last half of 2018 as compared to the last half of 2017: 50% expect the same volume, 28% expect more, and 22 expect less.

3. Respondents indicate that buyers of farmland were:

- 65% were farmers,
- 17% were local investors,
- 9% were non-local investors,
- 8% were institutions, and
- 1% were other buyers.

Farmland Price Expectations

4. During the last half of 2018, most respondents expect farmland price decreases:

- 13% expect farmland prices to remain the same,
- 60% expect farmland prices to decrease between 1 and 5%, and
- 27% expect farmland prices to decrease between 6 and 10%.

5. Interest rates are rising, and respondents were asked at what level do mortgage rates have to reach before they negatively impact prices. Responses were:

- 17% indicate higher interest rates have already negatively impacted farmland prices
- 38% indicate that interest rates must be over 6%
- 21% indicate that interest rates must be over 7%
- 23% indicate that interest rates must be over 8%

6. China has implemented tariffs on U.S. agricultural products. 59% of respondents indicated that this action has already negatively impacted prices while 41% indicated that it has not.

7. A continuation of soybean tariffs on U.S. soybean exports would likely cause soybean prices to average below \$9 per bushel. If tariffs continue, all respondents believe that farmland prices would fall:

- 20% expect decreases to be less than 5%
- 61% expect price declines between 5 and 10%
- 19% expect price declines over 10%

8. Respondents were asked what average price for a year would cause a decrease in farmland prices.

2% indicated that farmland prices would not fall from lower soybean prices

22% indicate that a soybean price below \$8.00 would cause a farmland price decline

14% indicate that a soybean price below \$8.25 would cause a farmland price decline

27% indicate that a soybean price below \$8.50 would cause a farmland price decline

35% indicate that a soybean price below \$9.00 would cause a farmland price decline

2018 Cash Rents and Expected 2019 Cash Rents

9. Respondents expect decreases in cash rents between 2018 and 2019. Table 1 shows 2018 cash rents and expected cash rents for 2019 by land productivity class.

Table 1. 2018 Actual and 2019 Expected Cash Rents

Land Productivity	2018 Rent	Expected 2019 Rent	
	\$/acre	\$/acre	
Excellent	305	290	-15
Good	265	250	-15
Average	220	210	-10
Fair	185	175	-10

10. Respondents expect corn prices on the 2018 corn crop to average \$3.55 per bushel.

11. Respondent expectations on production costs in 2018 were mixed:

- 31% expect production costs to decrease slightly
- 35% expect production costs to remain the same
- 29% expect production costs to increase slightly
- 5% expect production costs to increase a great deal

Rental Arrangements

12. Respondents indicate the following use of alternative leases:

- 31% are share rent leases
- 13% are modified share rent leases
- 30% are cash rent leases
- 21% are variable cash rent leases
- 5% are custom farming

13. Respondents indicate they expect little changes in leases into next year.

14. The average supplemental rent on a share rent lease is \$30 per acre.

Variable Cash Rent Arrangements

15. For variable cash rents, the most common cash rent has a base cash rent regardless of prices, yields, or incomes.

97% of variable cash rents have a base rent that is paid regardless of prices, yields, or incomes

- 61% have a payment if revenue exceeds specified levels
- 6% have a payment based on a revenue where the revenue begins at \$0
- 20% have a payment based on price
- 9% have a payment based on yield
- 15% have costs of production enter into the calculations of rent

16. When yields enter into rent calculations, farm yields are almost always used.

17. When price enters into rent calculations, multiple prices at delivery point is the most common method for arriving at the price.

49% of leases use multiple prices at a local delivery point

6% use one price at a delivery point

40% use futures prices

5% use actual marketing

18. Crop insurance payments are used in calculating rent payments in only 14% of the leases.

19. When gross revenue is used to calculate a bonus, the average percent used to calculate the bonus is 35% for corn and 41% for soybeans.

20. Most respondents are satisfied with the performance of variable cash leases.

26% indicate they were very satisfied

53% indicate they were satisfied

21% indicate are neutral

21. Most respondents indicate that variable cash rent arrangements make negotiations easier as compared to fixed cash rent arrangements.

18% indicate that negotiations were much easier

53% indicate that negotiations were somewhat easier

23% indicate that negotiations were about the same

6% indicate that negotiations were harder

22. Most respondents indicated that lease terms do not change every year.

18% indicate that every year some terms of the lease change

49% indicate changes occur periodically

33% indicated that lease terms change seldom

23. Solar farms are being considered in considered. 76% of farm managers indicate that they have had contract discussion on solar farms.