

2019 Illinois Society of Professional Farm Managers and Rural Appraisers Mid-Year Survey

Key points

Note: In the following, reference is made to different qualities of farmland. In a normal year, excellent quality farmland averages over 190 bushels of corn per acre with a soil productivity index of 133 or higher, good quality farmland averages between 170 and 190 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.

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.

Farmland Prices and Volume

1. Our survey respondents indicated that Higher productivity farmland classes have experienced very little to no change in price from January 1, 2019 till the middle of the year while lower productivity farmland decreased.
 - 0.9% increase in excellent productivity farmland to \$10,497
 - 0.0% change in good productivity farmland to \$8,240
 - 0.2% change in average productivity farmland to \$6,081
 - 4.6% decrease in fair productivity farmland to \$4,898

2. 60% of respondents expected the volumes of sales to remain the same in the last six-months of 2018 relative to recent years, with 24% expecting sales to increase and 12% expecting sales to decrease.

3. Sales of farmland came from the following groups in the first part of 2019:
 - 63% were estate sales
 - 14% were farmers
 - 8% were local investors
 - 8% were non-local investors
 - 5% were institutions

4. Purchasers of farmland were:

64% were farmers

17% were local individual investors

10% were institutional investors

8% were non-local individual investors

1% were others.

Farmland Price Expectations

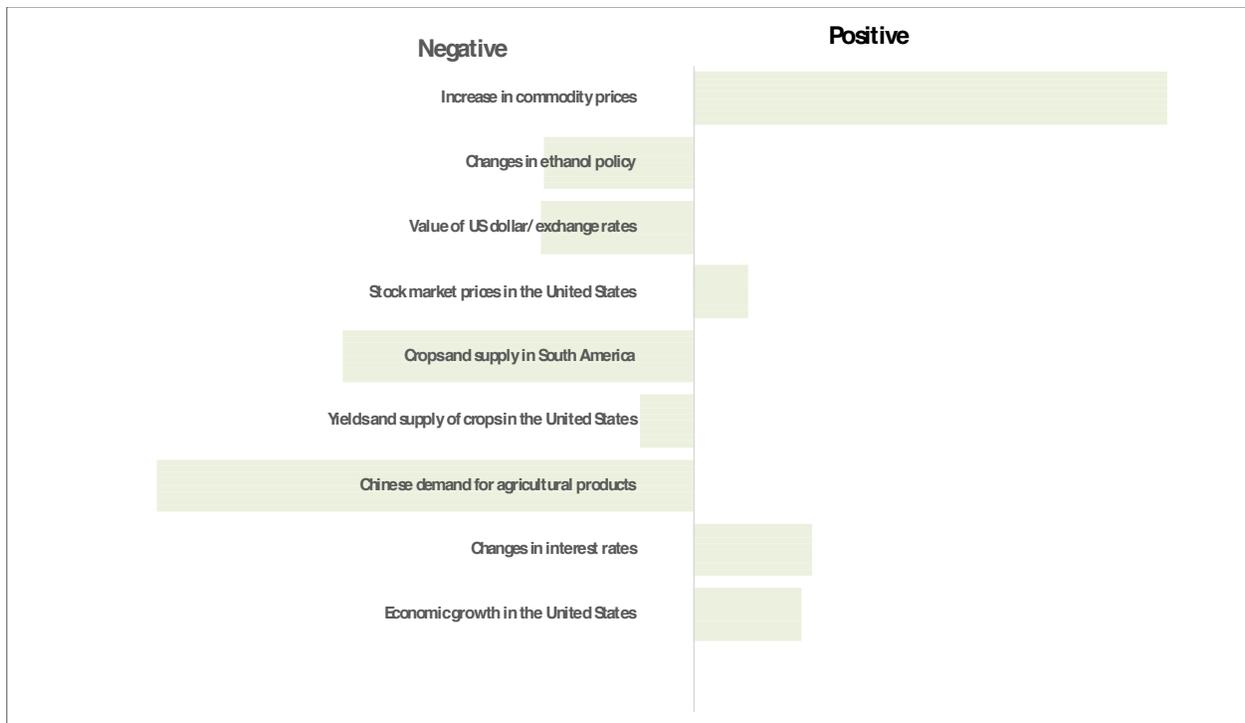
5. During the last half of 2019, most respondents expect farmland prices to experience a decrease:

- 2% expect farmland prices to increase between 0 and 3%
- 44% expect farmland prices to remain the same
- 50% expect farmland prices to decrease by less than 3%
- 4% expect farmland prices to decrease more than 3%

6. Interest rates are expected to fall over the last half of 2019:

- 14% expect interest rates to decrease by $\frac{1}{2}$ percent
- 39% by interest rates to decrease by $\frac{1}{4}$ percent
- 37% expect stable interest rates
- 6% expect interest rate increase of $\frac{1}{4}$ percent
- 4% expect increases of $\frac{1}{2}$ percent

7. Factors that could have a positive impact on farmland prices during the last half of 2019 are increases in commodity prices, changes in interest rates, and economic growth in the United States, stock market prices in the United States. Negative factors include Chinese demand for agricultural product, crops and supply in South America, value of U.S. Dollar, changes in ethanol policy, and yields and supply of crops in the United States.



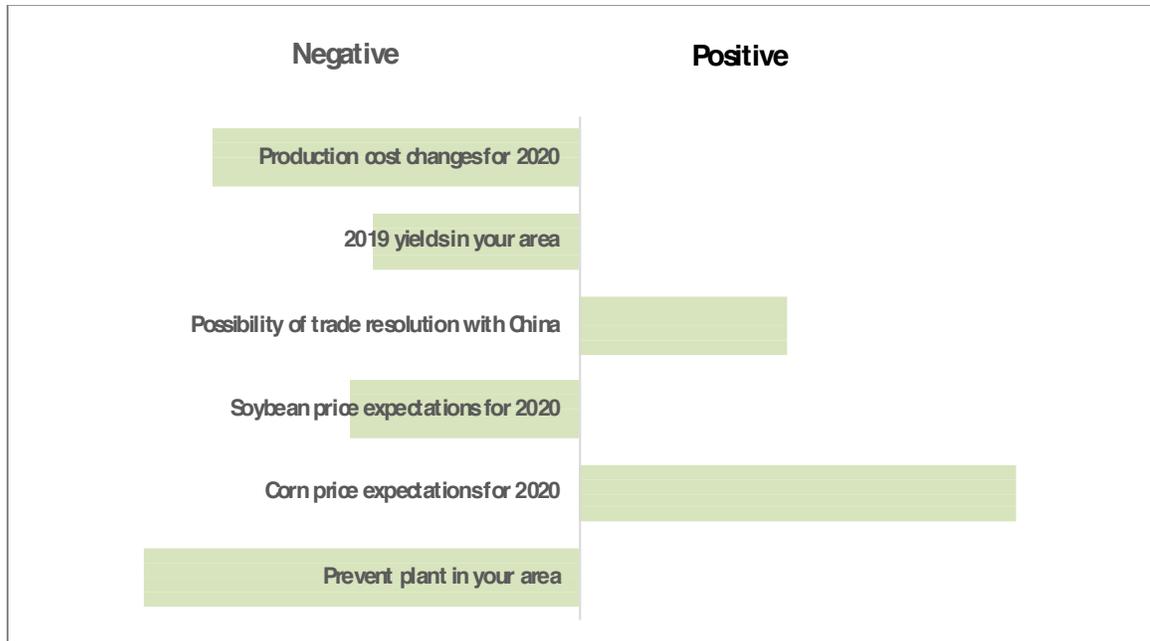
2019 Cash Rents and Expected 2020 Cash Rents

8. Cash rents likely will be stable between 2019 and 2020

2019 Actual and 2020 Expected Cash Rents

Land Productivity	2019 Rent	Expected 2020 Rent
	\$/acre	\$/acre
Excellent	302	298
Good	261	254
Average	212	205
Fair	170	167

9. Respondents expect corn prices on the 2019 corn crop to average \$4.05 per bushel.
10. Respondents were asked to indicate the impact of various factors will have on 2020 cash rents. Positive factors were corn price expectations for 2020, and the possibility of trade resolution with China. Negative factors were prevent plant in 2019, production cost changes for 2020, soybean price expectations for 2020, and 2019 yields.



Prevent plant

11. 31% of the farm managers indicated that there was some prevent plant on the farms that they manage.
12. For those farm managers with prevent plant, 15% of the corn acres were prevent plant and 5% of the soybean acres were prevent plant.
13. The major reasons for taking prevent plant were that the farmland was never fit to plant and prevent plant had higher expected returns than planting. Lowering of APH yield was indicated as important in 35% of the cases.

Rental Arrangements

14. Respondents indicate the following use of alternative leases:

- 26% are share rent leases
- 11% are modified share rent leases
- 33% are cash rent leases
- 22% are variable cash rent leases

7% are custom farming

15. Mostly, respondents indicated that rental arrangements will be mostly stable moving into 2020. A decrease in share rents is expected. An increase in the percentage of cash rent and variable cash rent leases is expected.

16. The average supplemental rent on a share rent lease is \$18 per acre.

Variable Cash Rent Arrangements

17. 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

71% have a payment if revenue exceeds specified levels

3% have a payment based on a revenue where the revenue begins at \$0

29% have a payment based on price

25% have a payment based on yield

10% have costs of production enter into the calculations of rent

18. When yields enter into rent calculations, farm yields are used in 93% of the cases. County yields are used in the other cases.

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

58% of leases use multiple prices at a local delivery point

32% use futures prices

6% use actual marketing

3% use one price at a delivery point

20. Crop insurance payments and/or government payments are used in calculating rent payments in 41% of the leases.

21. 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.

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

32% indicate they were very satisfied

52% indicate they were satisfied

10% indicate are neutral

6% indicated that they were dissatisfied

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

12% indicate that negotiations were much easier

64% indicate that negotiations were somewhat easier

18% indicate that negotiations were about the same

6% indicate that negotiations were harder

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

9% indicate that every year some terms of the lease change

6% indicate that changes occur every other year

59% indicate changes occur periodically

26% indicated that lease terms change seldom

Solar farms

25. Of farm managers, 47% indicated that they had discussion on solar farm installations on property they manage. None of those farm managers indicated that those projections had any installations or development occurring other than option signatures.