

Outlook for Farmland Prices and Rents: Results of an Illinois Society Survey

ILLINOIS
Agricultural &
Consumer Economics

COLLEGE OF AGRICULTURAL, CONSUMER & ENVIRONMENTAL SCIENCES

farmdoc



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Gary Schnitkey

Soybean Industry Chair in Agricultural Strategy

Luke Worrell, ALC

Worrell Land Services

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What do you think Farmland Prices will do in the last-half of 2020?

- O Decrease more than 3%
- O Decrease less than 3%
- Stay the same
- O Increase less than 3%
- O Increase more than 3%







Topics

- Expectations for 2020 Farmland prices and 2021 cash rents
- 2. Five-years from now
- 3. Leasing arrangements
- 4. Farmland prices



Expectations for 2020 Farmland Prices and 2021 Cash Rents



Illinois Society of Professional Farm Managers and Rural Appraisers

The ISPFMRA is an organization of professional men and women engaged in the management of farms and the appraisal of rural property. The Society was founded in 1928 and has grown to a membership of over 350 active members and "friends."

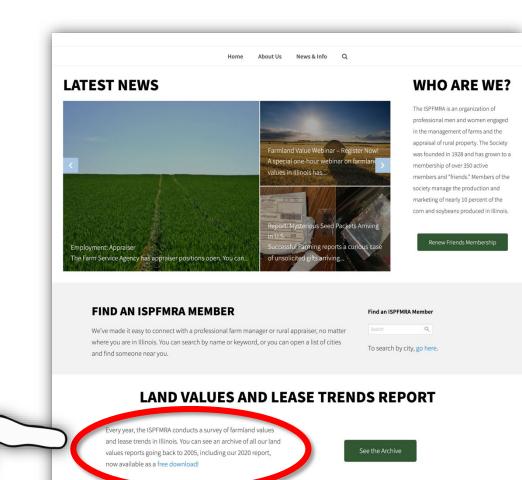


Illinois Society of **Professional** Farm Managers and Rural **Appraisers**

ISPFMRA.org

2020 **Illinois Farmland Values** and Lease Trends Illinois Society of Professional Farm Managers and Rural Appraisers

2020 Illinois Farmland Values and Lease Trends Report may be downloaded at http://ispfmra.org/



OPTIMAL PRODUCTIVITY INDEX LEGEND - Soil PL (Productivity Index) 1-87 88-106 107-126 127-147

2020 Illinois Farmland Values & Lease Trends

Understanding Our Farmland Categories

Using the Productivity Index from the University of Illinois (Bulletin 811)

Excellent Productivity 147 to 133

Good Productivity 132 to 117

Average Productivity 116 to 100

Fair Productivity Less than 100

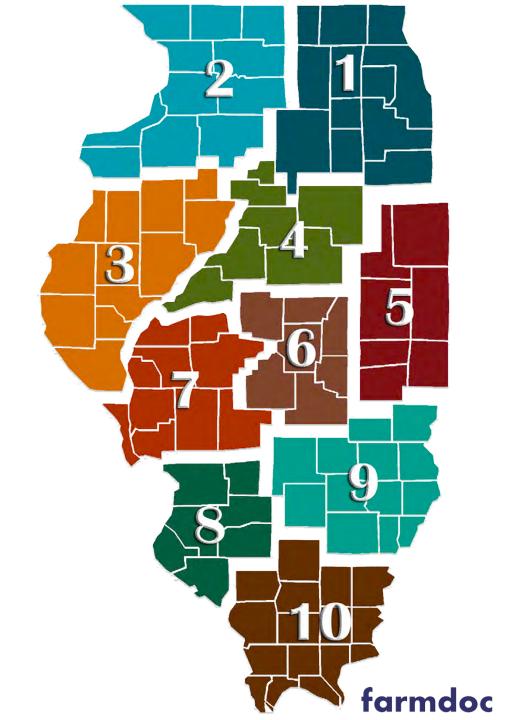
Recreational Tracts

Transitional Tracts



Excellent Quality Farmland

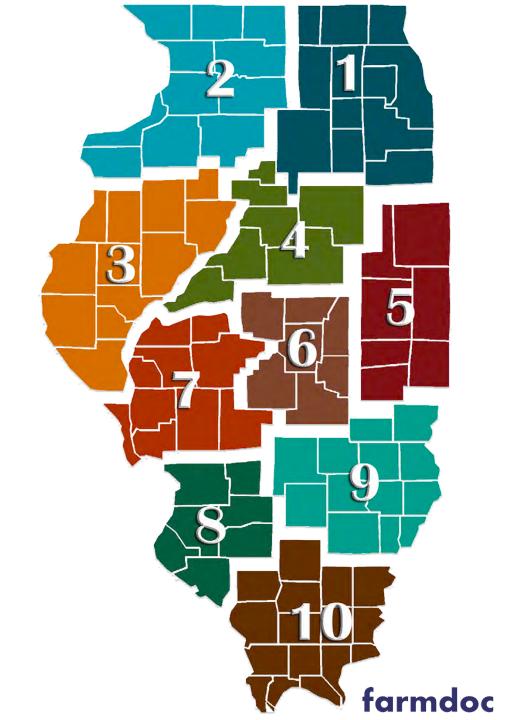
	Farmland Price Jan 1, 2020	Mid-Year % change
Region 1	\$9,600	+3.0%
Region 2	\$10,250	+1.4%
Region 3	\$10,810	+2.5%
Region 4	\$10,409	+1.0%
Region 5	\$9,992	+0.9%
Region 6	\$10,500	-0.6%
Region 7	\$11,250	0.0%
Region 8		
Region 9		
Region 10		
All Regions	\$10,313	





Good Quality Farmland

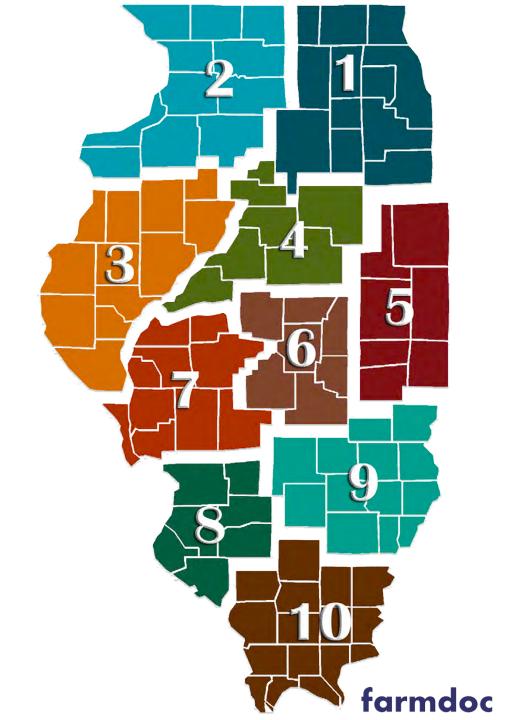
	Farmland Price Jan 1, 2020	Mid-Year % change
Region 1	\$7,921	+2.2%
Region 2	\$8,325	+2.2%
Region 3	\$8,395	+2.7%
Region 4	\$8,875	-1.5%
Region 5	\$7,611	+4.5%
Region 6	\$8,300	0.0%
Region 7	\$8,700	-2.1%
Region 8	\$10,227	-1.0%
Region 9	\$8,500	+2.1%
Region 10	\$7,861	
All Regions	\$8,233	





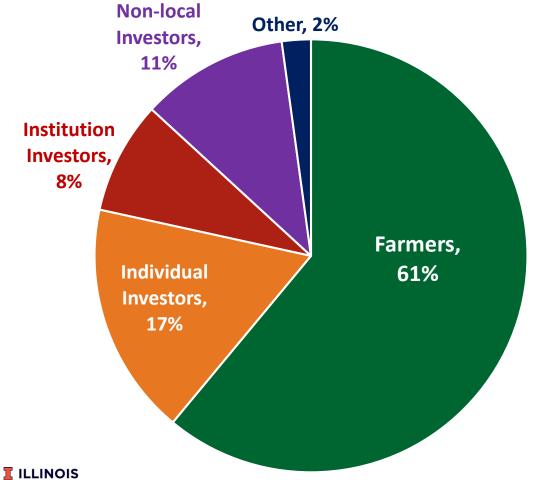
Average Quality Farmland

	Farmland Price Jan 1, 2020	Mid-Year % change
Region 1	\$6,525	+1.8%
Region 2	\$6,668	+1.0%
Region 3	\$5,175	+1.0%
Region 4	\$7,125	-1.5%
Region 5	\$6,200	-1.5%
Region 6	\$6,550	-1.2%
Region 7	\$5,000	-1.1%
Region 8	\$7,277	-1.0%
Region 9	\$6,746	+1.1%
Region 10	\$5,400	
All Regions	\$6,350	

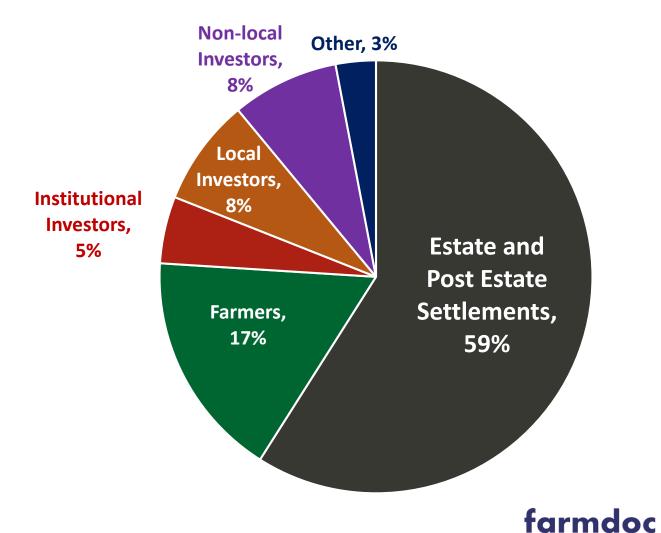




Buyers of Farmland

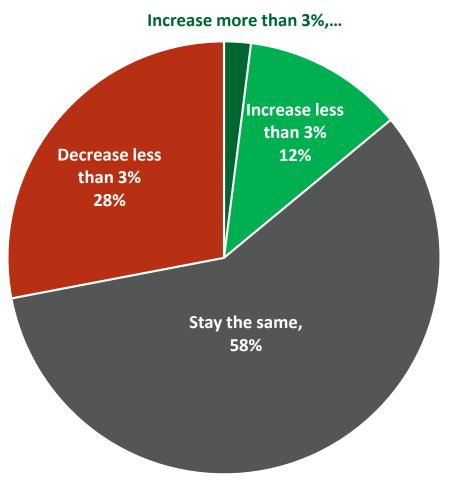


Sellers of Farmland





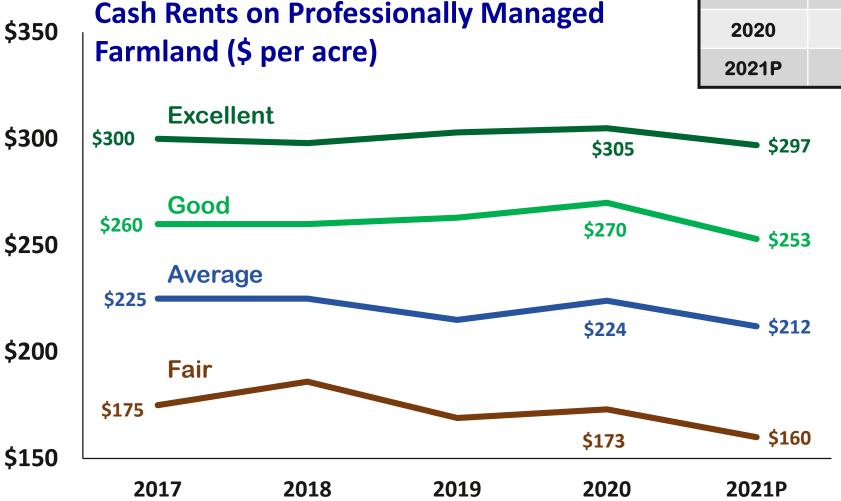
Expectations of Farmland Prices in Remainder of the Year



- Expectations are for stable interest rates in last half of year
- Expectations are for stable farmland prices
- For the year, stable to slight increase in farmland prices



Cash Rent Projections



Year	Excellent	Good	Average	Fair
2017	300	260	225	175
2018	298	260	225	186
2019	303	263	215	169
2020	305	270	224	173
2021P	297	253	212	160

Survey results suggest2.5% decline onexcellent quality farmland

About 5% decline on lower quality farmland





Expectations of Federal Aid in 2020

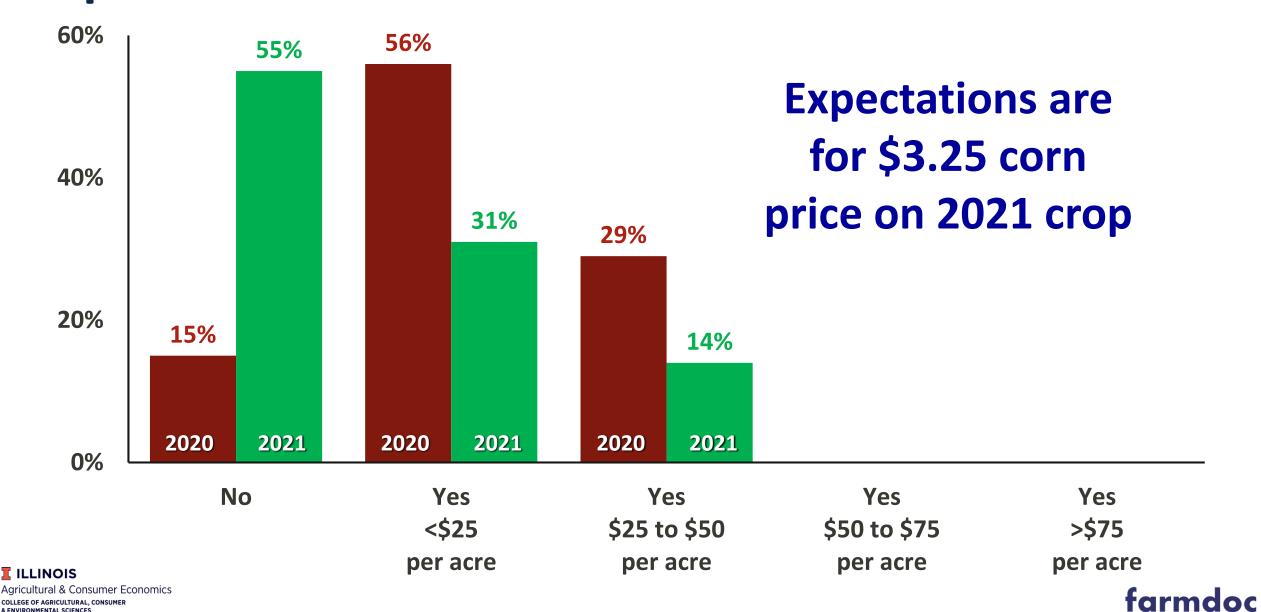
- O Yes, Over \$75 per acre
- Yes, \$50 to \$75 per acre
- Yes, \$25 to \$50 per acre
- O Yes, Less than \$25 per acre
- O No







Expectations of Federal Aid in 2020 and 2021



Five-Years from Now



What do you expect farmland prices to do over the next five years?

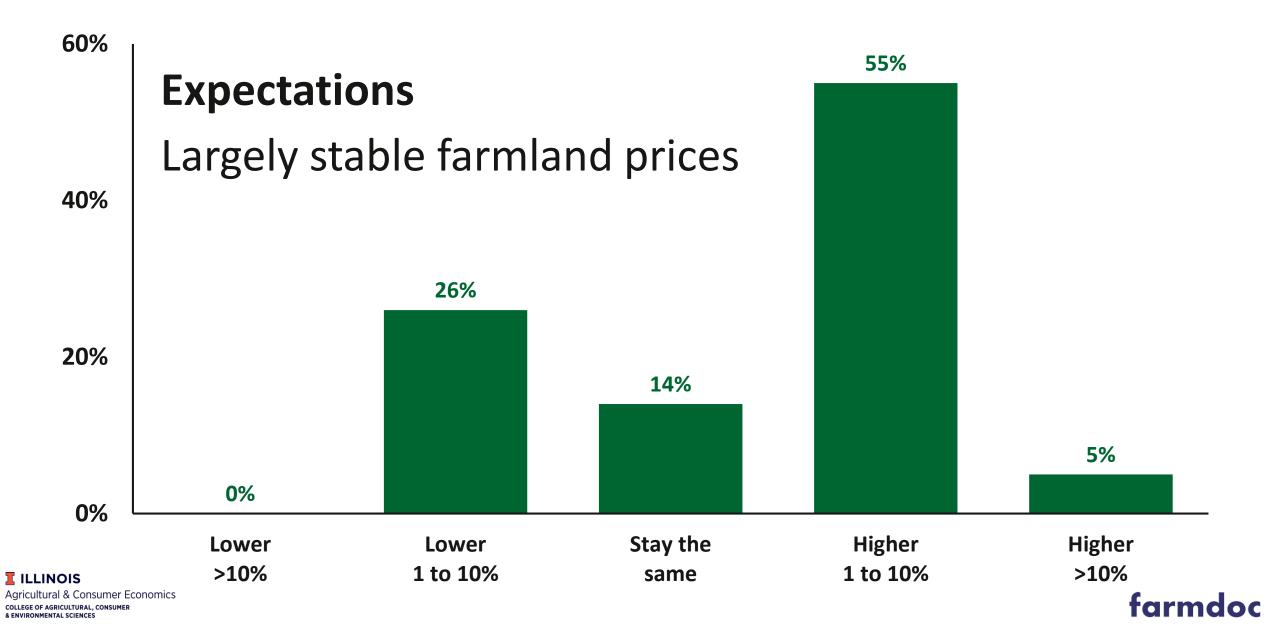
- O Decrease more than 10%
- O Decrease 1% to 10%
- O Stay the same
- O Increase 1% to 10%
- O Increase more than 10%





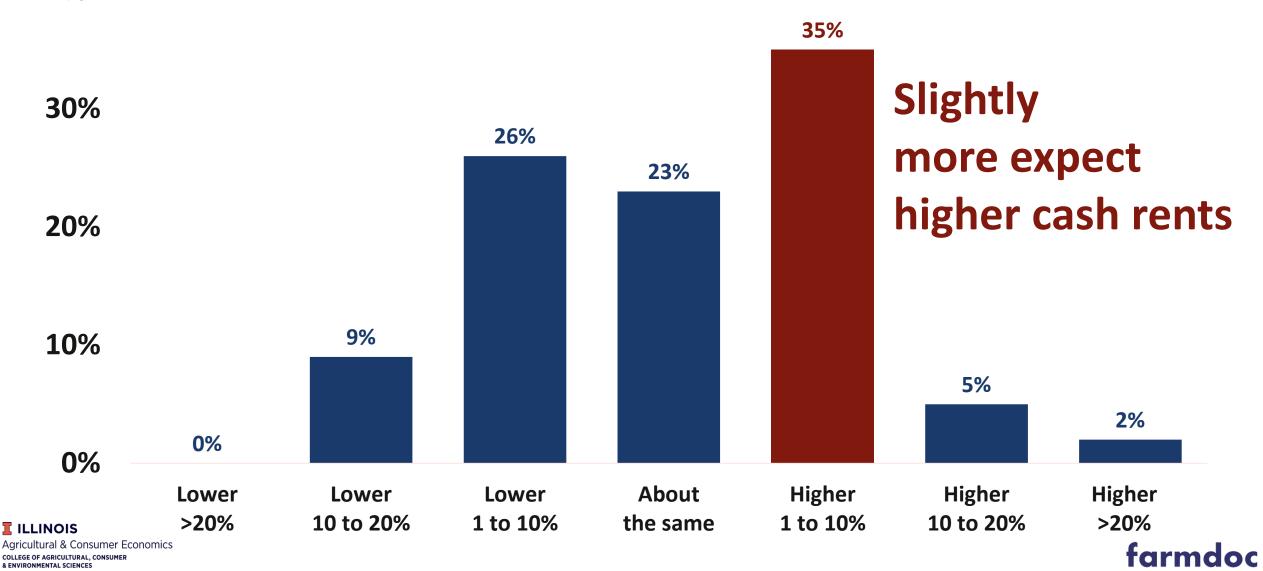


Farmland Prices: Five-Years from Now



Cash Rents: Five-Years from Now





Expectations for 2022

Expected
Soybean Price
\$9.09

Expected Corn Price \$3.77

- Low amounts of inflation
- Modest increases in interest rates

Leasing Arrangement

Illinois Cash Farm Lease

To use this lease form: Complete two identical copies - one for the Lessor (Landowner) and one for the Lessee (Tenant). Cross out any provisions that are not to become a part of the contract and add any additional provisions that are desired. If preparing the lease manually, use ink or typewriter; however, the web-based lease form can be filled in on-line before printing. This lease form is available on the farmdoc website at http://www.farmdoc.uiuc.edu/legal/farm lease forms abs.html>. Additional leasing information can be found in the Leasing Fact Sheets prepared by University of Illinois Farm Business Management Educators located at http://www.farmdoc.uiuc.edu/manage/leasing fact sheets.html>. Note: A lease creates and alters legal rights; thus, Landowners and Tenants may want to discuss specific lease provisions with their

	creates and alters legal rights; thus, Landowners and Tenants may want to de	iscuss specific lease provisions with	their respective legal advisors.
	Date and names of parties. This lease is entered into on	, 20, betw	een:
	Lessor(s) (Insert Landowner's exact name):		,
			,
	(Chart Form for (one Year)	
Illinois Fixed	Cash Farm Lease (Short Form for C	oca (Tanant) Cross out or	,
	whate two identical copies - one for the Lessor (Landowner) and one for the Less	sired. This lease form is	,
delete any provisions that are no	c 1- illinois edu/legal/CashLeaseshorti orinizza	n_Line at	
www.farmdoc.illinois.edu/legal/	e at www.farmdoc.tumois.cu.eu/state-lase.html . A discussion of this form can be found of CashLeaseShortFormDLU14-1201.doc . A discussion of this form can be found of Cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional leasing information can be found of https://cash-lease.html . Additional lease creates to the cash-lease can be added to the cash	and alters legal rights;	
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Tenure

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cres, together with all

the Lessee shall surrender and both parties agree that

to allow the lease to expire.

leted, the rent shall be

ut adjusted annually after

Management Section of the farmdoc Website (http://www.farmdoc.illinois.edu/manage/). Note: A lease creates and alters legal rights; thus, Landowners and Tenants should strongly consider discussing lease provisions with their respective legal advisors.

Illinois Crop-Share Cash Farm Lease

To use this lease form: Complete two identical copies - one for the Lessor (Landowner) and one for the Lessee (Tenant). Cross out any provisions that are not to become a part of the contract and add any additional provisions that are desired. If preparing the lease manually, use ink or typewriter; that are not to become a part of the contract and add any additional provisions that are destred. If preparing the tease manually, is however, the web-based lease form can be filled in on-line before printing. This lease form is available on the farmdoc website at nowever, the weo-basea tease form can be futed in on-time before printing. This tease form is available on the found in the Leasing Fact Sheets prepared by http://www.farmdoc.uiuc.edu/legal/farm_lease_forms_abs.html. Additional leasing information can be found in the Leasing Fact Sheets prepared by Interpretable of Illinois Farm Business Management Educators located at http://www.farmdoc.uiuc.edu/manage/leasing_fact_sheets.html. Note: A lease University of tutnois varm business management Laucators tocated at \nttp://www.farmaoc.uuc.eaumanage/teasing_fact_sneets.ntmt>. Note: A creates and alters legal rights; thus, Landowners and Tenants may want to discuss specific lease provisions with their respective legal advisors.

Date and names of parties. This lease is entered into on _ Lessor(s) (Insert Landowner's exact name): whose mailing address is Lessee(s) (Insert Tenant's exact name): whose mailing address is and whose Social Security Number or Employer Identification Number is

The parties to this lease agree to the following provisions.

Tenant is an entity other than an individual) is he land and length of tenure described in Section 1. NTED LAND AND LENGTH OF TENURE : Tenant (Lessee), to occupy and to use for agricultural purposes only, the acres, together with all arm and consisting of approximately Year, specifically from ____ tension. Extensions must be in writing and attached to. and/refer to, this lease. KED CASH RENT

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Section 1. Description of Rented Land and Length of Tenure and to use for agricultural purposes only, the

Farmland Leased in Illinois

In Illinois, 50% of farmland is rented (ERS, 2016)

Illinois has largest rented percent in U.S.

- Indiana, 45%
- Iowa, 41%
- Ohio, 37%

Larger grain farms tend to rent more

Tenure on grain farms in FBFM, 2019

	Northern	Central	Southern
Owned	19%	14%	22%
Share-rent	21%	42%	36%
Cash-rent	60%	44%	42%





Leasing Basics

Written lease is **best** (although many leases are not)

If not a written lease and landowner wants to terminate lease, must provide notice by October 31, specification in written lease will supersede the October 31 deadline

Most leases are one-year leases, or year-to-year leases, do not have many leases that are of longer term. Rare to have a lease over 2 or 3 years.





Lease types

- 1. Cash rent: farmer pays landowner for right to farmland, farmer receives all revenue and pays all expenses, except land costs (property tax)
- 2. Share rent: share in revenue (crop revenue and government programs) and direct costs (seed, fertilizer, pesticides, drying, storage, crop insurance)
- 3. Variable cash rent: cash rent varies with crop revenue
- **4. Custom farming:** landowner pays for for field operations, bears all costs, receives all revenue

Cash rent 42%

Share rent 23%

Variable Cash Rent 19%

Share rent (with modifications)
10%

Custom farming, 6%

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Share rent arrangements

In northern and central Illinois, 50-50 prevail

Sometimes have a supplemental rent of \$20 to \$30 per acre paid by farmer to landowner

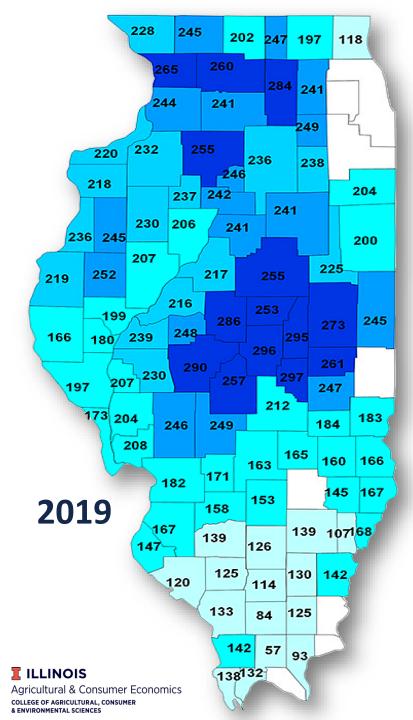
Farmer bears all the labor and machinery expenses

Land Owned and Rented, Grain Farms in Illinois FBFM, 2019

	Northern	Central	Southern
Owned	19%	14%	22%
Share-rent	21%	42%	36%
Cash-rent	60%	44%	42%

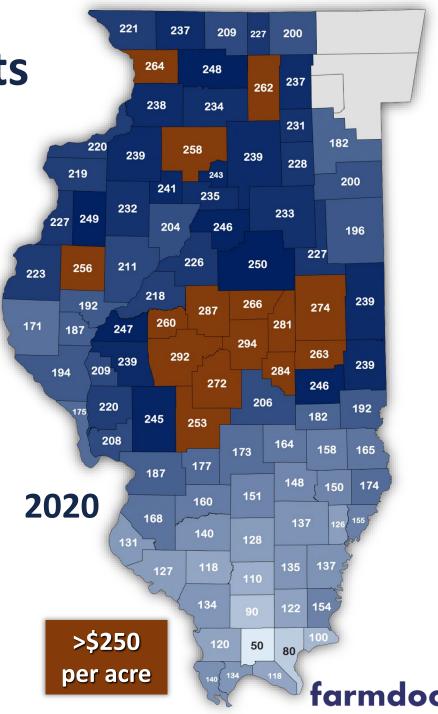






Average Cash Rents in Illinois from NASS

We have not seen a lot of movement in cash rents in recent years



Variable Cash Leases (Parameters for Higher Productivity Farmland)

- Base cash rent (paid no matter what) -- \$200 per acre
- Pay a higher cash rent if crop revenue plus MFP times a rent factor exceed the base cash rent
- Rent factor (33% for corn and 40% for soybeans)
- Yield is from the farm, Price is average on Wednesday from an agreed spot from Spring to Fall

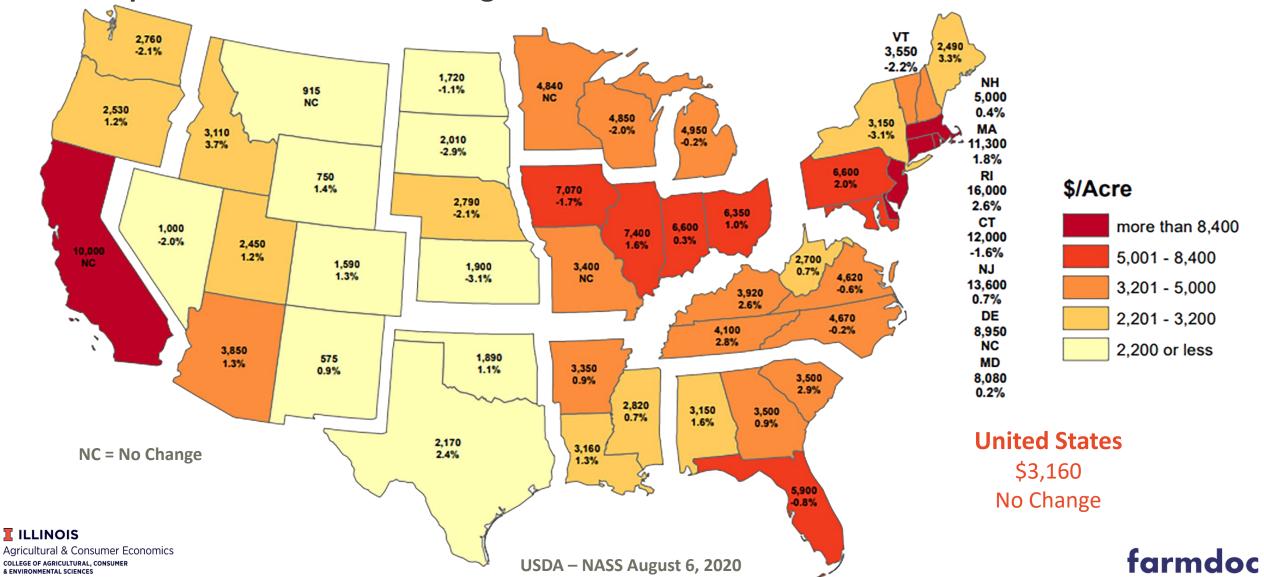
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Yield = 210 bushels per acre, Price = $3.60, Rent factor = .33, Rent = 210 x $3.60 \times .33 = $250 (Higher than $200, $50 plus)
```





2020 Farm Real Estate Value by State

Dollars per Acre and Percent Change from 2019



Ten-year Constant Maturity Treasury Rate







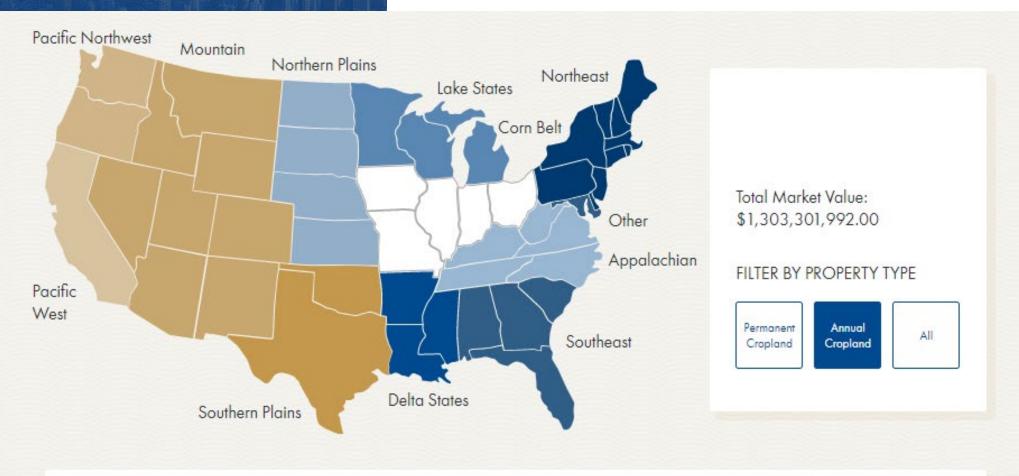
Farmland Values in the I-States







Corn Belt – Annual (All) – confirming information





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