

Farmland Barometer



Farmland is what it earns!! Every farm's earning stream is a simple combination of yields (*bushels per acre*) and grain prices (*price per bushel*)! Occasionally farmland earnings are supplemented by government payments or insurance programs. This year the MFP payments bolstered farmers cash flow and mitigated the threat to our net farm income. We're also enjoying revenues from new energy opportunities such as wind leases and solar farms.

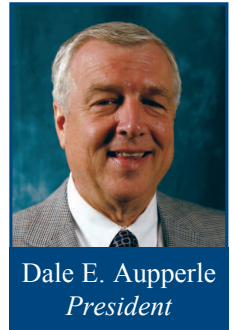
Land values dodged two huge bullets in 2019 - - that could have devastated our farmland market. The severe planting season delay was erased by favorable growing conditions and then pestered by an extended harvest season. Bottom line - - yields dropped from our previous six years of excellent results - - but we generally came close to the 10-year average on many farms. Corn prices averaged \$.20 higher for the year - - but soybean prices dropped \$.35 per bushel this year on average. Yes - - the market facilitation payment (*Trump dollars*) closed the significant income deficit that could have started us on a downward spiral.

▼ **What are Farms Selling For?** – Our prime farmland value chart shows year-ending values since 1972 and give us the long term uptrend nature of our wonderful investment. Surprisingly - - year end 2019 continued the stable market which began in 2016. Here's a quick look at the last 10 years of price activity.

- 2019 - \$10,500 per acre (*unchanged*)
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- 2017 - \$10,500 per acre (*unchanged*)
- 2016 - \$10,500 per acre (-7%)
- 2015 - \$11,250 per acre (-8%)
- 2014 - \$12,250 per acre (-2%)
- 2013 - \$12,500 per acre (-2%)
- 2012 - \$12,750 per acre (+21%)
- 2011 - \$10,500 per acre (+31%)

▼ **Who is Buying?**

– Farming families and local investors are continuing to put their money where their mouth is. Nearly two-thirds of the land in 2019 was purchased by these folks. Most of them are adding to their existing agricultural operations. There were some first time investment buyers that showed interest in farmland. But - - the farming communities general operating profits were squeezed significantly this year. That does not bode well for upcoming land values.



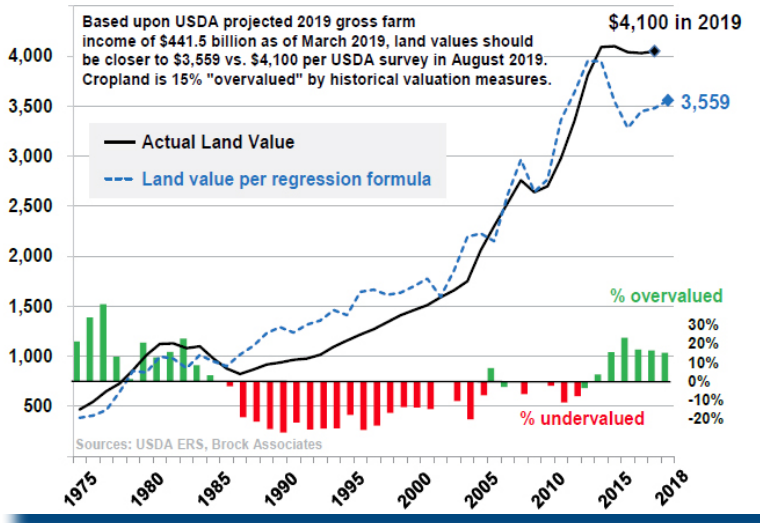
▼ **Volume of Farm Sales** – We had an orderly flow of land to the market throughout year 2019. Auction sales showed some volatility in pockets and there were noticeably more larger farming units for sale this year than normal.

In summary - At Heartland Ag Group Ltd. - - we are carefully watching the earning stream of Central Illinois farmland. It is critical to the resumption of an uptrend in land values that over time has averaged nearly 6% per year. Earnings are especially critical in 2020 - - if they continue to decline - - the farmland market will be under extreme pressure to follow!

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Gross Farm Income Correlation to Cropland Value



Note - - This chart comes compliments of my friend Richard Brock - - and clearly depicts that the average farmland value in 2019 is substantially above what the earnings have historically supported. Stay tuned - - farm earnings will be more critical than normal!

The sales below were pulled from an extensive database of farmland transactions maintained by Heartland Ag Group Ltd. from the PTAX 203 disclosure forms in each county. Our database of completed sales gives us an accurate insight into the farmland market conditions. These sales show a sideways pattern of farmland market transactions throughout that have occurred in the last quarter of the year. The transactions show an amazing consistency in the market once again heading into year end 2019.

▼ PRIME FARMLAND SALES

County	Sale Date	Total Acres	% Tillable	Productivity Index	\$/Acre
Christian	Oct. 2019	1510.02	97.2%	129.7	\$10,538 - Auction
DeWitt	Oct. 2019	163.62	97.8%	137.7	\$10,084
DeWitt	Nov. 2019	36.32	95.0%	139.7	\$9,912
Douglas	Oct. 2019	60.00	99.7%	138.0	\$10,250
Logan	Nov. 2019	47.61	96.3%	138.5	\$10,700 - Auction
Logan	Dec. 2019	225.00	97.3%	141.2	\$10,000
Macon	Dec. 2019	240.00	100.0%	142.3	\$10,917 - Auction
Macon	Dec. 2019	80.27	98.8%	140.1	\$10,500
Macon	Nov. 2019	165.81	99.2%	141.2	\$10,015
Moultrie	Nov. 2019	163.49	99.5%	140.9	\$12,000
Moultrie	Nov. 2019	928.10	93.5%	137.0	\$11,822 - Auction
Piatt	Dec. 2019	48.40	97.3%	142.5	\$12,000 - Auction
Piatt	Nov. 2019	80.00	100.0%	143.8	\$10,950
Piatt	Oct. 2019	160.00	99.2%	143.7	\$10,500

Heartland Ag Group Ltd. - Outlook

Yes - - we have completed a third year of sideways trending farmland values (*that's better than going down*)! Farmland was resilient when you consider the dramatic growing season coupled with the global tariff and trade events which rocked our world. We are thankful to report a sideways trend. And we have our eye on the following factors in the upcoming twelve months:

▼ **Crop Yields** – After six years of above average corn and soybeans - - we dodged a bullet from Mother Nature in 2019. Excellent corn and soybean yields will be needed to drive land values higher - - stay tuned!

▼ **Grain Prices** – It's imperative to get corn prices back above \$4.00 per bushel and soybeans above \$10.00 per bushel - - to see a renewed uptrend in farmland values. Watch carefully with us to see if this price action develops.

▼ **U. S. Dollar** – We all know the United States dollar is influential on agricultural exports. A declining dollar is necessary to push farmland values higher - - if that can happen politically!

▼ **Inflation** – Farmland values thrive when inflation persists. Lots of folks are trying to get inflation going but it hasn't happened. Let's be watchful for those signs - - or be careful of the opposite if (*deflation*) starts occurring.

▼ **Alternative Investments** – Money flowing into agriculture can always go to other places. The stock market is at an all-time high - - and we're in an election year. Watch for a trend change. Money could start flowing back into agriculture in a big way.