

# Insiders see softening of land value

By JOSH FLINT

**A**CCORDING to Heartland Ag Group founder Dale Aupperle, the central Illinois land market has fallen off about 10% from its peak last summer.

"The land market peaked in August of 2008," Aupperle explains. "Land values were up about 25% over 2007. During the last half of 2008, the market gave back some of those gains. We ended the year with a 15% gain over 2007."

The Jan. 21 Kilton Farm auction dem-

## Key Points

- Land values are down about 10% from summer peak.
- Experts say land values increased 15% in 2008.
- Due to stocks' uncertainty, investors are coming back to land.

onstrated this slight softening in the market. In Aupperle's opinion, it was a risky proposition to sell 43 tracts of high-value farmland in the midst of today's market. "Normally, a local market does not have enough money to absorb over \$24 million of farmland at one time," he explains. However, he says three factors made the auction successful.

"The timing was perfect because farmers had the best year in the history of farming and had excess cash," Aupperle adds.

Plus, he thinks the current economic slump may be pushing investors toward hard assets. "Last year, the landowning client made a 15% to 20% return on his money, while everyone else lost up to 50% in stocks and equities," Aupperle notes.

Lastly, Aupperle says current grain prices justify spending \$6,000 an acre. "At the time of the auction, farmers and landowners still had confirmation that corn prices in 2009 would be around

\$4.50 or higher," he explains. "This makes \$6,000 an acre affordable. If corn prices trend lower than \$4, I think we'll see demand pressure on land values."

In the future, he expects land's annual rate of return to fall back to the traditional 3% to 6% range.

## Investors looking to buy

Mac Boyd, owner of Boyd Real Estate, says land values appear to be holding fairly steady. For prime Illinois farmland like Kilton Farms, he's seeing prices in the \$5,000 to \$6,000 range. However, aggressive bidding has fallen off, he adds.

Recently, Boyd has handled a lot of investor transactions. In his opinion, those with finances in the top 20% are looking for a safe place to put their money.

"The returns on farmland are still relatively decent with grain prices where they are," Boyd explains. "A lot of investors are still looking at land as a place where they can hold their money together during this inflationary time period."

Farmers are still buying too, he adds. "As long as it's close to them and the farm is in a good cash position, they're still looking to buy," Boyd notes.

Right now, corn and soybean prices justify the purchase. If corn prices stay in the \$4 to \$5 range and soybeans are \$8 to \$10, Boyd says the demand is warranted.



DALE AUPPERLE

Last year, some farmers were willing to pay unprecedented prices for cash rent. Boyd saw some rents top \$400 an acre.

If grain prices hold in the aforementioned range, he expects cash rent prices to remain fairly solid. At the top end, he expects cash rents to fall in the \$340 to \$360 range. At the other end, he thinks \$240 to \$260 is reasonable for central Illinois' farmland.

"I think a lot of landowners will probably stick with cash rent in 2009 because of the volatility with inputs and commodity prices," Boyd predicts.



MAC BOYD

## Inside Illinois Ag Briefs

### Web site makes produce fun

A new Web site from the University of Illinois teaches children that healthy eating can be fun. "Food Fun from Apples to Zucchini" was developed by U of I Extension educators Greg Stack and Jane Scherer. With information about 45 different produce items, the Web site utilizes a number of online activities, including coloring sheets, to make learning fun. "This Web site has been designed for use by elementary grades, but can be adapted and modified by adding activities and study skills appropriate for that grade level," Stack explains. The program is designed to introduce students to produce they may not be familiar with by talking a little bit about fun facts and special features.

The Web site will also help to enhance students' math, reading, writing and creative arts skills. Stack says the Web site dovetails with other learning methods used for elementary-school students. "Throughout the Web site, letters of the alphabet have been used to introduce various produce," he notes. "The characters used in the Web site may not portray what the item actually looks like so we have taken the produce items 'out of costume' and put them in the Food Gallery."

Source: University of Illinois

### Meadowbrook packing plant closes

Meadowbrook Farms Cooperative ceased slaughtering operations Jan. 29 and closed its Rantoul packing plant Feb. 4. The farmer-owned facility laid off about

600 workers. Company officials say the closing is a result of a cash-flow problem caused when Triad Foods Group defaulted on a contract. The packing plant had a daily slaughter capacity of approximately 3,600 head. USDA's Grain, Inspection, Packers and Stockyards Administration has stepped in to help recoup farmer losses.

Source: Illinois Department of Agriculture

### Dairy webinar focuses on feeding

Registration is now open for a March 20 dairy webinar (online seminar) focusing on feeding strategies, sponsored by University of Illinois Extension. "The program, 'Feeding Strategies with Current Milk Prices,' will focus on the do's and don'ts of feeding programs to follow

when profit margins are squeezed," says Mike Hutjens, U of I Extension dairy specialist. Among the strategies addressed will be using feed economic benchmarks, the impact of reducing nutrient intake short-term and long-term, positioning byproduct feeds, the role of forage quality, which additives to review and use, and monitoring cow performance. "This will be a fast-paced, 40-minute discussion," adds Hutjens. PC-based attendees will need Windows 2000, XP Pro, 2003 Server or Vista. Macintosh-based attendees will need Mac OS X 10.4 (Tiger) or newer. Space is limited, so reservations should be made soon online at [www1.goto.com/register/356266420](http://www1.goto.com/register/356266420).

Source: University of Illinois



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