

Farmland SEASONS

FALL 2014



*We plant profitable investment ideas
in every season*

THE CHANGING FACE OF ILLINOIS FARMING

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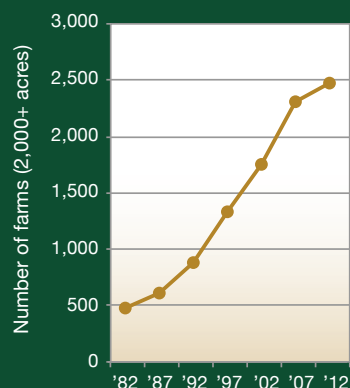
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THE CHANGING FACE

As we reflect on the 2014 crop year, we thought it might be insightful to review some interesting facts from the recently released 2012 Census of Agriculture >>

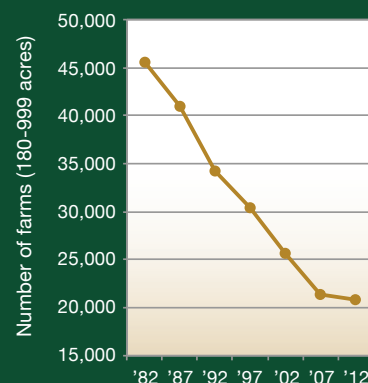
FARM SIZE CONTINUES CHANGING

The number of farms 2,000 acres or larger has increased nearly five-fold since 1982



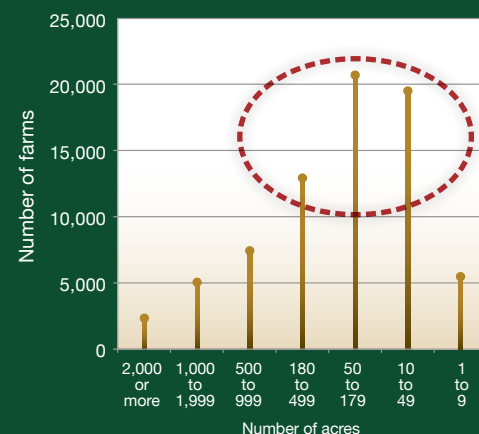
Over time, with less farms in production, farmers have leveraged technology and bigger machinery to farm increased acres with fewer resources.

More than half the “mid-sized” farms of 180 to 999 acres have disappeared since 1982



Almost 25,000 of the farms in this category have disappeared. These operations are typically too large for “hobby” farming, yet often not large enough to be economically viable in competing against larger, more efficient farmers.

Small to medium-size farms still make up the largest number of Illinois operations

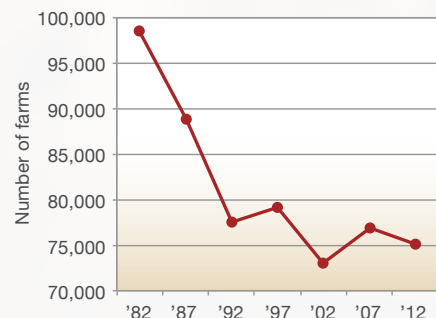


The distribution of Illinois farms by acreage class in 2012 shows the biggest bulge of numbers in the 50 to 179 acre category. This is why the most common parcel we sell is in that size range, and very small or very large farms are less commonly for sale.



From 1982 to 2012, the total number of farms in Illinois has dropped 24%

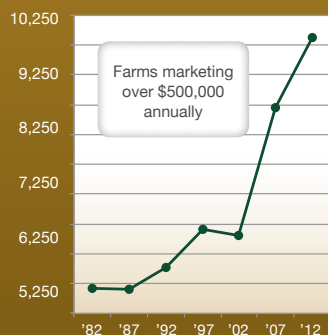
The 1982 Census counted 98,483 farms in Illinois. By 2012, that number had slipped to 75,087, an average loss of 780 farming operations each year.



OF ILLINOIS FARMING

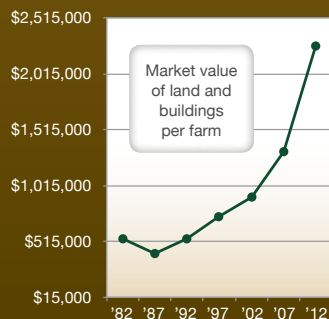
Things Are Looking Up...

Illinois has 235% more farms marketing over \$500,000 in sales than in 2002



The rise in agricultural commodity prices since the early 2000's enhanced the gross sales of a larger number of producers than in prior years.

The estimated market value of land and buildings per farm has increased 461% since 1987

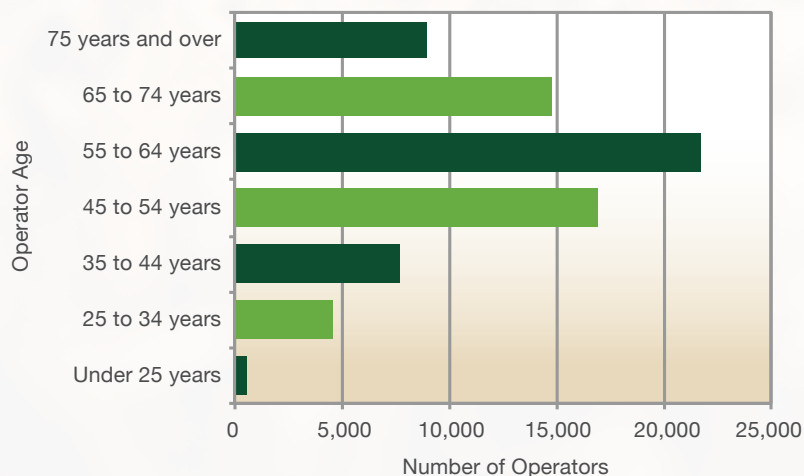


Land appreciation has been the key driver increasing farm real estate values in Illinois. Values increased steadily since the 1987 low, and then much quicker after 2002 with the onset of ethanol and higher grain prices.

Nearly 10% of principal operators in Illinois are women

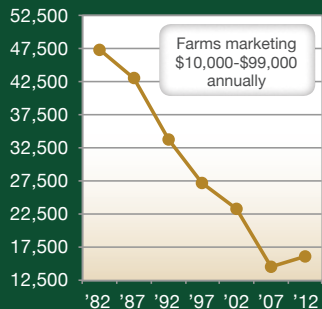
One out of ten principal operators in Illinois was a woman in 2012, a 31% increase since 2002.

The average age of principal operators in Illinois is 57.8 years



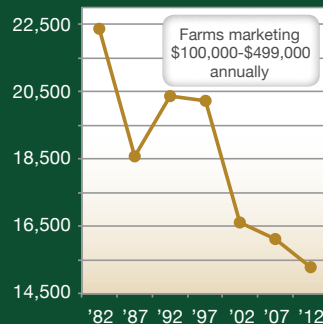
The largest age group of Illinois farm operators in 2012 were people 55 to 64 years old. These producers started farming in the 1970's and have seen lots of ups and downs. Many have built strong operations that family members are joining and plan to continue for generations to come.

Farms marketing \$10,000 to \$99,999 increased in number in 2012 after years of decline



Smaller farms in Illinois have had difficulty being economically viable for years. In 2007, there were 32,862 fewer small farms than in 1982. However, the category gained 1,601 farms through 2012 as niche markets like organic farming and “farm to table” gained interest.

The number of mid-sized Illinois commercial farms continues to decline



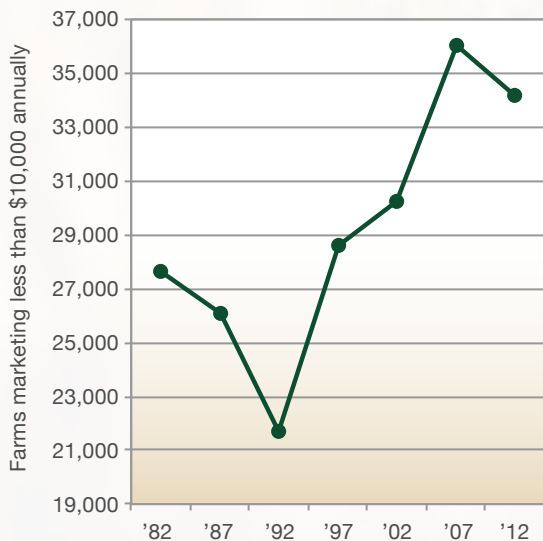
Many mid-sized farms have increased their sales and are now counted in the “over \$500,000” category. Since '97, approximately 5,000 farms moved “up” to the \$500,000 category, which gained a total of about 6,500 farms.

Illinois has 6% less land in farms than in 1982



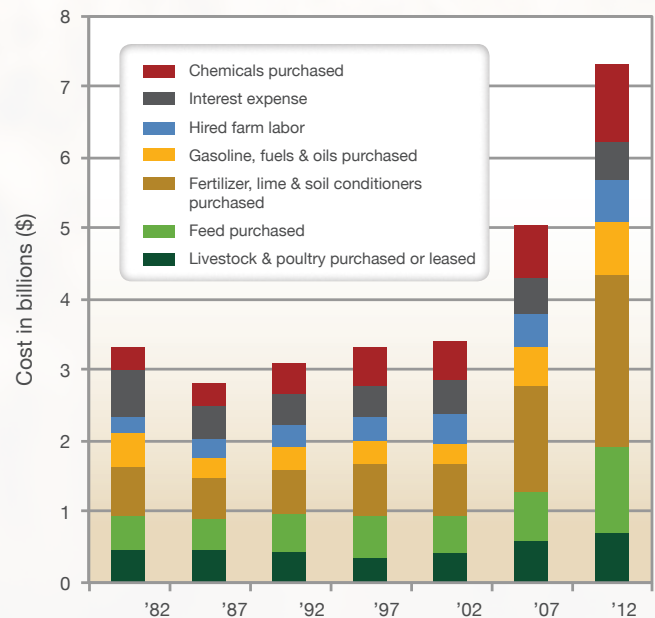
Continued urban sprawl through 2007 removed significant amounts of farmland acreage from production. This sprawl was halted by the recent housing crash and subsequent “Great Recession.” Since that time, however, agricultural commodity prices have boomed, causing a resurgence in cropland acres as fields have been planted “fence row to fence row.”

Hobby farming declined 5% since 2007 after increasing for 15 years



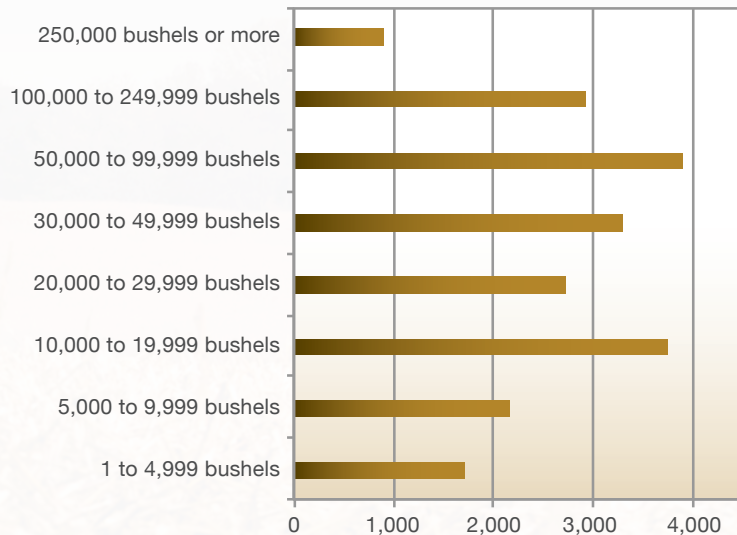
With the decrease in expendable income following the U.S. economic downturn, farm hobbies are often out of reach financially. Because of that, plans for a “farm in the country” are temporarily on-hold.

The cost of farming continues to rise dramatically



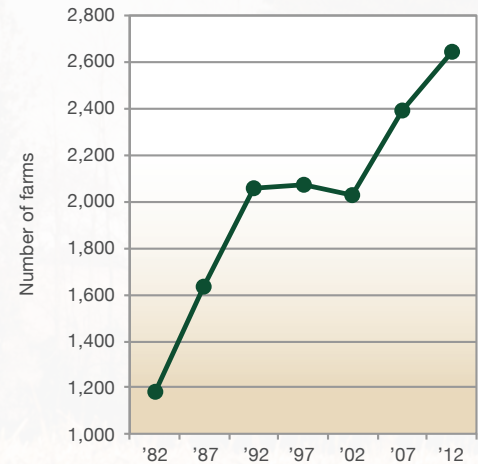
While many cost categories have been relatively flat since 1982, the amount spent on “fertilizer, lime & soil conditioners” and “chemicals” has risen sharply. An opportunity for higher farm profits since 2002 was reason for many producers to spend more to attain higher yielding crops. Simultaneously, input suppliers increased their prices in response to demand.

On-site grain storage capacity varies from farm to farm



Many farms took advantage of recent increases in farm income by improving their on-farm storage facilities. There was a 28% increase since 2007 in the number of farms capable of storing 250,000 bushels or more.

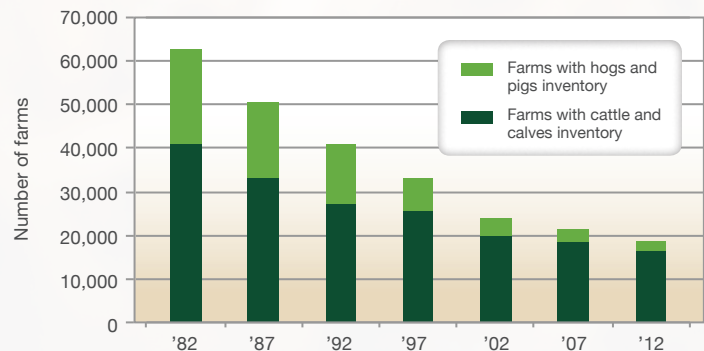
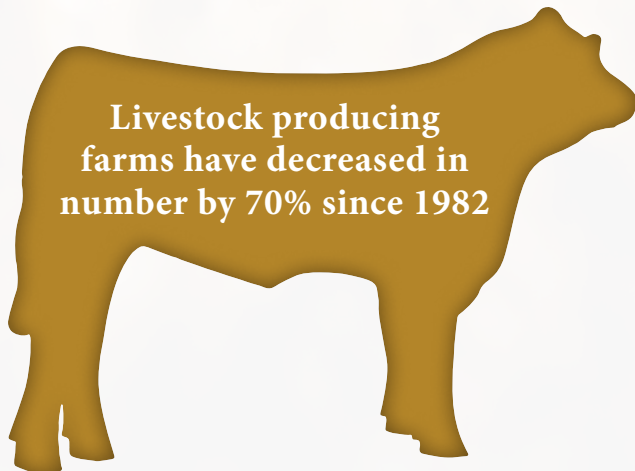
THE NUMBER OF FARMS WITH IRRIGATION INCREASED 30% SINCE 2002



One of the many outcomes of higher grain prices since the 2002 Census was the addition of irrigation systems to farms. Investments in irrigation equipment and wells was justified by the returns provided from high corn and soybean prices.



Livestock producing farms have decreased in number by 70% since 1982

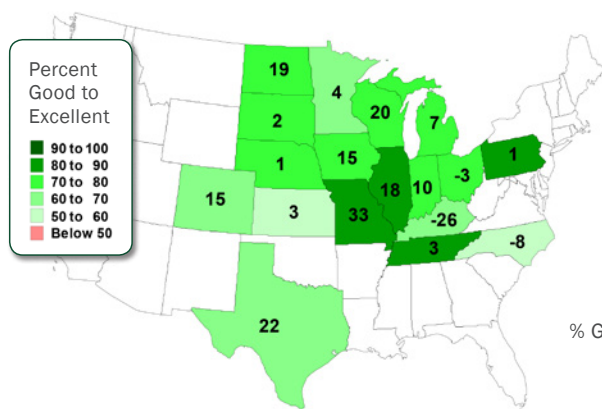


Illinois farmers continue focusing more on raising row crops than livestock. Since 1982, there has been a decrease of nearly 20,000 hog farms and 25,000 cattle farms in the state.

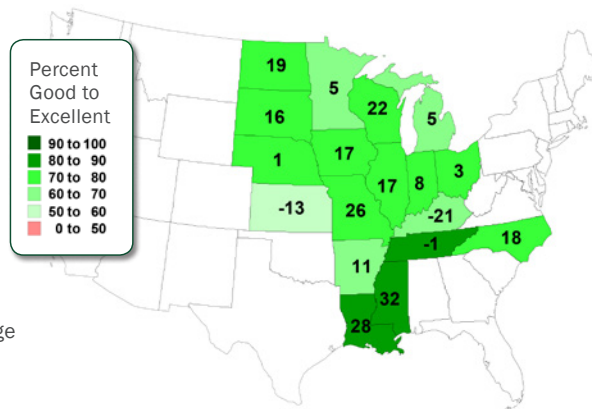
CROP CONDITIONS ACROSS THE U.S.

Crop Progress: Percent Good to Excellent, Late October 2014

Corn Condition



Soybean Condition



Corn Percent Harvested

	Current	Last Year	5-year
IA	36%	52%	65%
IL	59%	71%	72%
IN	44%	57%	60%
MN	41%	44%	63%
NE	40%	52%	59%
US	46%	56%	65%

Soybean Percent Harvested

	Current	Last Year	5-year
IA	81%	85%	85%
IL	63%	83%	77%
IN	50%	76%	75%
MN	94%	89%	87%
NE	87%	92%	89%
US	70%	75%	76%

DATA: USDA/NASS

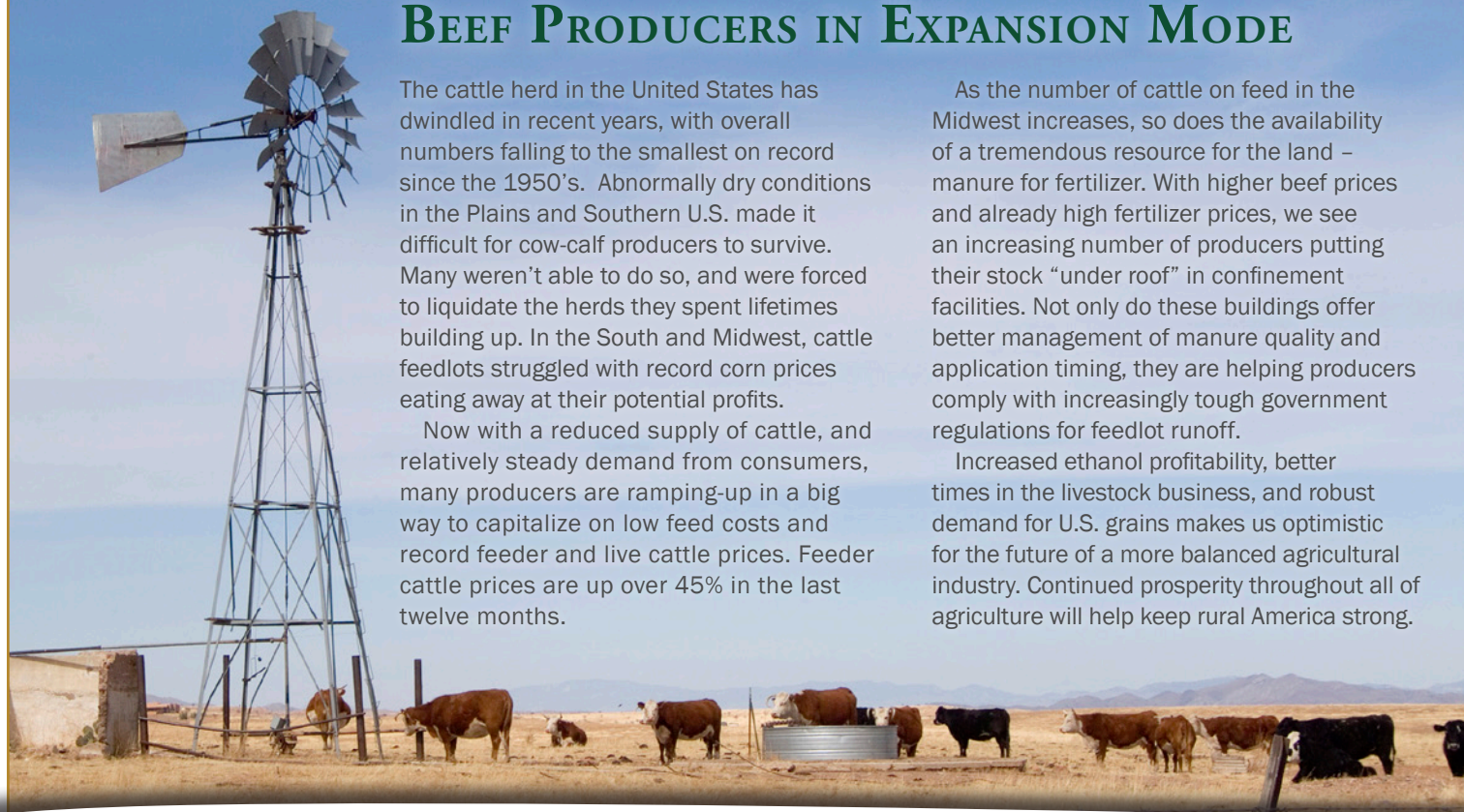
BEEF PRODUCERS IN EXPANSION MODE

The cattle herd in the United States has dwindled in recent years, with overall numbers falling to the smallest on record since the 1950's. Abnormally dry conditions in the Plains and Southern U.S. made it difficult for cow-calf producers to survive. Many weren't able to do so, and were forced to liquidate the herds they spent lifetimes building up. In the South and Midwest, cattle feedlots struggled with record corn prices eating away at their potential profits.

Now with a reduced supply of cattle, and relatively steady demand from consumers, many producers are ramping-up in a big way to capitalize on low feed costs and record feeder and live cattle prices. Feeder cattle prices are up over 45% in the last twelve months.

As the number of cattle on feed in the Midwest increases, so does the availability of a tremendous resource for the land – manure for fertilizer. With higher beef prices and already high fertilizer prices, we see an increasing number of producers putting their stock “under roof” in confinement facilities. Not only do these buildings offer better management of manure quality and application timing, they are helping producers comply with increasingly tough government regulations for feedlot runoff.

Increased ethanol profitability, better times in the livestock business, and robust demand for U.S. grains makes us optimistic for the future of a more balanced agricultural industry. Continued prosperity throughout all of agriculture will help keep rural America strong.



Martin, Goodrich & Waddell LAND LISTINGS

All acreage and mileage figures listed here are approximate

ILLINOIS PROPERTY

BOONE COUNTY

- 78.7 acres. Bates Road Farm, 2 mi. S of Belvidere. \$9,850/ac. SOLD
- 92 acres. I-90/Belvidere Property, 3/8 mi. S & 1 mi W of Belvidere. \$11,900/ac. SALE PENDING

BUREAU COUNTY

- 131.8 acres. Borman Farm, 1 mi. S of Wyanet. \$6,900/ac. SALE PENDING

CARROLL COUNTY

- 155.8 acres. Maring Farm, 4 mi. SW of Chadwick. \$8,250/ac. SALE PENDING

DEKALB COUNTY

- 5 acres. Donnelly Property, 1 mi. S of DeKalb. \$199,000.
- 53.5 acres. DeKalb Farm, 3 mi. W of Sycamore. \$11,900/ac.
- 239.1 acres. Parcel Trust Farm, 4 mi. N of Malta. \$14,700/ac. SOLD
- 84.7 acres. Pearson Farm, city of Genoa. \$17,500/ac.
- 57.1 acres. Karras Farm, contiguous to Cortland. \$16,500/ac.
- 114 acres. Schelkopf Property, contiguous to the City of Sycamore. Excellent development potential. \$16,500/ac.

JO DAVIESS COUNTY

- 20 acres. North Lake Property, 3 ½ mi. SE of Scales Mound. \$149,000

KANE COUNTY

- 30.8 acres. Bronski Farm, ¼ mi. S of Burlington. \$495,000. SALE PENDING
- 82 acres. Lueth Farm, contiguous to Gilberts. \$14,900/ac.
- 5.4 acres. Johnson I.C. Trail Farm, 5/16 mi. N of Virgil. \$139,000. SALE PENDING

LA SALLE COUNTY

- 102 acres. Wallem Farm, 2 ½ mi. NE of LaSalle. \$14,500/ac. SOLD
- 130.7 acres. Lacey Farm, 3 mi. E of Oglesby. \$11,900/ac. SOLD
- 104.6 acres. Groveland Farm, 1 ½ mi. NW of Dana. \$9,400/ac.

LEE COUNTY

- 113 acres. Haefner Farm, 1 ½ mi. SE of Amboy. \$12,000/ac.
- 80 acres. PLR Dynamite Property, 7 ½ mi. NE of Walnut. \$6,400/ac. SOLD
- 39.9 acres. Scully Farm, 5 ½ mi. NE of Walnut. \$6,900/ac. SALE PENDING

MC HENRY COUNTY

- 132.9 acres. Rock Creek Development Property, 4 mi. N of Hampshire. \$9,400/ac. SOLD
- 40 acres. Earl Duhur Trust Farm, 5 ½ mi. SW of Harvard. \$10,975/ac.
- 169 acres. Marengo Farm, contiguous to Marengo. \$10,900/ac.
- 59.1 acres. Johnsbury Property East, village of Johnsbury. \$17,995/ac.



OUR FEATURE FARM:

THE BRETTINGEN FARM WILL COUNTY, IL, \$6,950/AC.

103.5 total acres. 88.4 tillable acres. Located ¼ mile east of Beecher, in close proximity to the proposed Illiana Expressway. Productive farmland with future development potential.

- 30.5 acres. Johnsbury Property West, village of Johnsbury. \$19,950/ac.

OGLE COUNTY

- 127 acres. Ogle County Crossroads Property, city of Rochelle. \$39,900/ac.
- 150 acres. Interstate Transportation Center Property, city of Rochelle. \$23,000/ac.
- 31.8 acres. Gateway Development Property, city of Rochelle. \$50,000/ac.
- 142 acres. Heidelmeier Farm, ¾ mil NE of Oregon. \$6,250/ac. SALE PENDING
- 80.7 acres. Brighton Ridge Subdivision Property, city of Byron. \$7,100/ac.

PUTNAM COUNTY

- 142 acres. Clear Creek Farm, 3 mi. SW of McNabb. \$4,950/ac.

ROCK ISLAND COUNTY

- 20 acres. Weber Farm, 3 ½ mi. SW of Hillsdale. \$3,500/ac. SOLD

STEPHENSON COUNTY

- 375 acres. Colberg Farm, contiguous to Freeport. \$6,400/ac. SALE PENDING

WILL COUNTY

- 78.5 acres. Smith Road Farm, 2 mi. E of Manhattan. \$22,900/ac.
- 54.9 acres. Frankfort Farm, city of Frankfort. \$16,900/ac. SOLD
- 103.5 acres. Brettingen Farm, ¾ mi. E of Beecher. \$6,950/ac.

WINNEBAGO COUNTY

- 159.2 acres. Dickenson #2B Farm, contiguous to Rockford. \$19,000/ac.
- 20.5 acres. Farm School Road Farm, 5 ½ mi. SE of Durand. \$159,000.
- 120 acres. Durand Farm, 5 ½ mi. SE of Durand. \$8,690/ac.
- 73 acres. Nielsen Farm, 5 ½ mi. W of Rockton. \$9,900/ac. SALE PENDING
- 231 acres. Rogers Farm, village of Roscoe. \$13,900/ac.
- 170.2 acres. Sedarquist Farm, 1 mi. W of Rockford. \$5,900/ac.
- 123.2 acres. Marshall Farm West, 1/8 mi. W of Rockford. \$7,450/ac.
- 164 acres. Marshall Farm East, contiguous to Rockford. \$6,200/ac.
- 36.6 acres. Riverside Development Property, city of Rockford. \$9,500/ac.

INDIANA PROPERTY

LAKE COUNTY

- 81 acres. Minder Property, 1 mi. E of Merrillville. \$11,490/ac.
- 53.5 acres. Merrillville Road Property, town of Merrillville. \$8,350/ac.

NEWTON COUNTY

- 54.5 acres. Forest Knolls Farm, contiguous to Lake Village. \$6,900/ac.
- 10 acres. Lincoln Property, ½ mi W of Roselawn. \$95,000.

MISSOURI PROPERTY

HOWELL COUNTY

- 424.9 acres. Smith Property, 14 mi. S of West Plains. \$950/ac.

WISCONSIN PROPERTY

ROCK COUNTY

- 18.3 acres. Rotamer Ridge Farm, city of Janesville. \$11,500/ac.

WALWORTH COUNTY

- 40 acres. Ames Farm, ½ mi. S of East Troy. \$6,700/ac.

AUCTIONS

- 81 acres. Heal Road Farm, 3 ½ mi. NW of Malta, IL. 11/11/2014
- 79.0 acres. Kamrow Farm, 4 ½ mi. W of Manteno, IL 12/3/2014
- 132.8 acres. Nu-Way Farm, 2 ½ mi. SE of Belleville, WI. SOLD
- 93.9 acres. Castle North Farm, contiguous to Rockford, IL. SOLD
- 2480 acres. Timberline Ranch, 4 ¼ mi. N of Musselshell, MT. SOLD

For details on these properties, call Jeff Waddell, Josh Waddell or Mark Mommsen at 815-756-3606 or visit our website at www.mgw.us.com.

DEMAND AND OPTIMISM PERSIST

Land remains an “investment of choice” for traditional and non-traditional buyers

As we outlined in our last edition of *Seasons*, this year’s bin-buster crop will have many impacts on the U.S. land market. Throughout the Corn Belt, sluggish corn and soybean prices are creating opportunities far and wide for livestock farmers and ethanol producers, and it may usher in a new era of buying opportunities for growers and investors. As markets adjust, it’s always important to remember that change is normal and healthy for agriculture. We’ve been through many periods of change in the past, and this transition is no different. I see several reasons to remain optimistic about long term farmland investments:

1. Much of farmland’s appeal for the farm investment community is the long history that it has as a “slow-and-steady” asset class. There just isn’t the volatility that many investors are used to in traditional stock investments. Even in a correction, ag land offers a very stable, consistent investment to those not seeking the high risk and high reward offerings associated with Wall Street. Many of today’s absentee landowners turned to farmland after the financial crisis six years ago, and they have come to appreciate the advantages offered by owning farmland. These investors are actively looking to add to their land holdings and are always looking for opportunities as markets change.

2. The farm community is strong. Farmers today are not carrying the debt loads that were common in years past. Likewise, many have locked in very attractive, long term loans at historically low interest rates. The majority of producers in the Midwest have experienced multiple years of growth and profits—something I am very thankful for. A robust farm community creates jobs, increases efficiency, and ensures stability in the farmland market. This strength also puts our neighboring farmers in a position to purchase land that comes up for

sale near their operation, thus creating a local demand for farmland that exists regardless of short-term market fluctuations.

3. Farmland has a higher profile than at any time during my 25+ years in the business. The last several years of double digit price jumps in land caught the attention of national media. With financial publications around the world covering what is going on in our neck of the woods, many first-time investors have come out to see what all the fuss is about. This new group of buyers is unique to our current market cycle, as farmland has traditionally received very little attention from investors in the financial sector as a viable option for their capital.

4. International events have, in my mind, shined a light on just how blessed we are to live, work and farm in the United States. Regardless of our political “turmoil” and incompetence, we exist on a figurative island of security when compared with much of the grain producing world. Currently Ukraine is experiencing the menace of renewed Russian imperialism, Argentina’s debt and currency crises threaten the stability and transferability of their grain, and rampant corruption and the apparent resurgence of global terrorism threaten grain production from Mexico to Indonesia. In light of such instability abroad, the U.S. is more attractive than ever to those who seek a secure environment to invest in agricultural land.

As yields from test plots come in, and combines continue to roll, our predictions of a large crop are being proven true. But the new reality of \$3.50 - \$4.00 corn does not mean we will see a commensurate correction in the price of land. As I’ve mentioned in the past, this type of correction is healthy for any free market, and the long term fundamentals of farmland are strong. Feel free to call us any time if you would like to discuss current cash rents or farmland values.



Jeff Waddell
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