

# SEASONS

SPRING 2017 NEWSLETTER FROM



## SPRING 2017 MARKET OUTLOOK



by Allan Worrell

I feel like a broken record because every year I say, "this is going to be a most interesting year" when looking at commodity prices. It certainly is no different this year.

Sometimes to look forward you first need to look backwards. What happened in 2016? Well, it was a record production year in the United States. We produced 15.1 billion bushels of corn (up 11% from 2015) and 4.31 billion bushels of soybeans (up 10% from 2015). Both are record yields.

Below is a comparison of 3/1/17 commodity prices versus 3/1/16:

	Dec. corn option 2017	Dec. corn option 2016
Corn	\$3.96	\$3.74
	Nov. bean option 2017	Nov. bean option 2016
Soybeans	\$10.07	\$8.73

The good news? Despite record crop production in 2016, CBOT market prices are higher this Spring than a year ago by 6% on corn and 15% on soybeans. How can that be? Well, we have had very good demand, both domestically and for exports. Domestically, we often forget the biggest consumer of corn is the livestock sector. The ethanol industry also continues to be a huge factor in our domestic demand for American grain. From an export standpoint, South America is one of America's biggest international competitors. As I write this, South America is having harvest problems due to excessive moisture, their infrastructure is not good, and getting

production to ports is often a challenge. This means a major competitor is struggling to help meet the world's demands, so America continues to be a reliable grain resource.

So where do we go from here? As usual, forecasts are plentiful and quite divergent. The Spring crop insurance price is \$3.86/bu for corn and \$10.19/bu for soybeans, both of which are higher than a year ago, and higher than what the USDA and others are forecasting for the 2017 crop. Forecasts for average 2017 prices range from \$3.65 to \$3.75 per bushel for corn and \$8.90 to \$9.10 per bushel for soybeans. Obviously, the soybean forecast is at a price quite a bit lower than today's levels.

As always, there are big unknowns at this time of year. That may be truer than ever this year. Probably the two biggest unknowns are the weather and the acreage between corn and soybeans. Technically, this part of the state is experiencing drought conditions. That is always concerning when it isn't even Spring yet. Field tiles are not running and ponds and creeks are at very low levels. Missouri and Western and Southern Illinois are in this position.

Perhaps the biggest unknown is whether there will be a substantial acreage shift from corn to soybeans. For the past few years, soybeans have been much more profitable than corn. Today's Fall 2017 prices favor soybeans. Many in the industry are predicting a large shift. That is particularly true for those who have often had corn following corn with all the disease issues experienced last year.

Expect some erratic markets as we sort through the planting season and as weather concerns do, or do not develop. 🌱



# ILLINOIS FARMLAND VALUES 2016 SUMMARY, 2017 PROJECTIONS



by Luke Worrell

Every March, the Illinois Society of Farm Managers and Rural Appraisers (ISFMRA) gathers for the unveiling of the latest Farmland Values and Lease Trends Report. This report is a monumental undertaking that studies a years' worth of actual data collected by members of the ISFMRA, like ourselves, along with the University of Illinois' College of Agricultural, Consumer and Environmental Sciences and the REALTORS® Land Institute. The data is then broken into smaller regions across Illinois to give readers a snapshot of the actual 2016 local land market. We thought you might enjoy a small summary of the survey's findings for West Central Illinois (Region 7, includes Morgan, Scott, Greene, Jersey, Calhoun, Macoupin, Montgomery, Sangamon, Cass and Menard counties) and some thoughts about land values as we keep rolling through 2017.

2016 felt like an emotional roller coaster! Some people expected the worst when it came to the change in land values. The assumption was that lower farm income and a choppy commodities market would continue to erode the market value. 2015 saw a decrease of 10 to 15% in values, but the 2016 data findings were quite surprising with only a 5% decrease. I think the feeling throughout 2016 was that we were amid a larger freefall, but that was far from the case.

While the final blow wasn't as harsh as expected, it is worth noting that if this survey would have been completed in the middle of 2016, things would have looked entirely different. While we finished 2016 near where we started, it was a winding road to get there. Land values did seem to lag throughout the middle of 2016 as we reeled in another above trend line yield with commodities dipping to levels we hadn't seen in years. The market found renewed strength as we closed 2016. Commodities recovered from their

post-harvest lows and many farmers were coming off a great year from a production standpoint. Some of the highest values seen in 2016 came in November and December.

The land sales analyzed in the ISFMRA report are broken down into classifications in the table to the left. Farms are separated based on soil quality and subsequent Productivity Index (PI) rating. Most classifications dipped 5% with some data suggesting that "good" land (Class B soils) fell 5% to 10%. All tillable acreage dipped, while recreational or hunting land remained steady during 2016.

## Land Values Trends Overall 2016 Summary

Farm Classification	Total Value Per Acre (Typical in 2016)	% Change in \$/Acre from 2015	Change in Rate of Land Turnover from 2015
Excellent Productivity (133-147 PI)	\$10,500 - \$12,250	Down 5%	Steady to Down 10%
Good Productivity (117-132 PI)	\$6,500 - \$9,500	Down 5%	Steady to Down 10
Average Productivity (100-116 PI)	\$3,750 - \$6,000	Down 5%	Up 5% - 10%
Fair Productivity (<100 PI)	\$2,500 - \$3,500	Down 5%	Same
Recreational Tracts	\$2,000 - \$4,000	Steady	Up 10% - 15%

Specific geography continues to play the most prominent role in determining a farm's value. Similar farms have a wide variance of sale price depending on the location within the county. Certain areas throughout Region 7 are historically competitive with larger, well-established operations that are positioned to grow. There are also pockets of Region 7 that are more conservative with fewer ambitious buyers. The old saying "location, location, location" has never been more true as we head into 2017. We still have many lookers, most of whom have taken a more cautious and patient stance than the value boom years of 2010-2014.

The report is great at helping to analyze 2016, but we are in fact about a quarter of the way through 2017. So, what is going on now in present day? While the overall landscape will change greatly when the growing season gets underway, the late strength of 2016 is holding up throughout this first quarter. Buyers are in the market and are actively looking. In addition to the obvious commodity prices, there are much deeper components that tie to farm profitability. We should all keep an eye on the following elements that could alter values in 2017...

**Weather** – Another obvious answer, but we are actually quite dry right now when looking at historical precipitation. The weather will ultimately decide how much grain we produce in 2017. We have produced four straight years of above trend line yields. That has never been done before and we are sitting on a greater supply of grain than ever before. If Mother Nature plays nice and we have another strong crop, the supply and demand curve will get further out of whack. That might not only greatly affect 2017, but also the next few years.

**Interest Rates** – These are still low from a historical perspective and many believe there is only one way to go on future rate changes. I don't think we will see a drastic change in 2017, but every tick up makes buying land more complicated. If rates tick up, it is another reason for The Bears to be pessimistic.

**Politics** – Many policies are up in the air that could greatly affect agriculture. The current administration wants to rework trade agreements and has already backed out of one. Mexico and China are two of the biggest customers of the American farmer and our nation really isn't making many friends there right now. Changes in the tax code, health care costs, insurance and a slew of other hot topics will directly affect us in the ag sector. The farm bill also expires next year, so that will slowly creep into the news during 2017. I could have written an entire article about political implications on agriculture, but I didn't feel like torturing us all!

The long story made short is that 2016 was tough emotionally, but saw only a moderate decrease in values. Like every year before it, 2017 will have its challenges. But the sky isn't falling as I write this. We will see what hand we are dealt and choose optimism regardless. 🍀

# CURRENT LAND FOR SALE

## 168.1 Taxable Acres, 85% Tillable, Greene County

An excellent income-producing farm approximately 4 miles SE of Carrollton, with 127.51 tillable acres (135 PI) and 15 acres enrolled in a CRP program that generates \$3,258 annually. Asking \$7,800/acre

## 80± Acres, 77% Tillable, Greene County

Predominantly tillable and income-driven 80 acres containing 61.25 tillable acres 4 miles SE of Carrollton. Existing dry dams and waterways provide erosion control. Non-tillable acreage offers recreational opportunities. Asking \$5,700/acre

## Turn-Key Cattle Farm with Home & Outbuildings, Morgan County

162.67 acre "turn-key" cattle farm near Arenzville with good fencing. 47.04 USDA tillable acres have been used for hay and feed purposes. Includes grain bin and 5 sheds totaling over 6,400 square feet. Also includes a recently updated 2 bed/1 bath home. Asking \$735,000

## 84.7 Acre Ag/Rec Combo, Morgan County

This farm near Literberry is 81% tillable with those 69 acres carrying a 116.2 PI. 18.16 acres of "Class A" soils. Recently improved with dry dams and added tillable acreage through bulldozing work. Offers recreational value with the non-tillable acreage. Asking \$6,700/acre

## 91.75 Acre Rec/Ag Combo, Morgan County

Rec property near Arenzville that also generates income from crops and CRP. Includes 63 wooded acres, 17.4 CRP acres and 8.3 cropped acres. Lots of thick timber and a creek make this an attractive property for all kinds of hunters. Home-site potential in Triopia School District. Asking \$3,800/acre

## 80.15 Acres Hunting/Recreational Land + CRP, Schuyler County

This is a beautiful hunting and recreational tract near Rushville with a lot to offer. Contains 15.13 acres of CRP that generate \$2,688.99 annually. The CRP acreage tapers into mature woodland that contains thick cover and several already-built hunting trails. Asking \$270,000

## 119± Acre Recreational Land, Scott County

Currently used for horses and recreation, this tract has several ponds and trails throughout the woods. Several improvements carry great value and could be used for livestock or even living quarters. Located on a scenic bluff along the Hillview Blacktop near Glasgow. Asking \$3,000/acre

More listings at [Worrell-LandServices.com](http://Worrell-LandServices.com)



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# SPRING 2017 NEWSLETTER



## Harvesting Your Land's Potential

### *You're Invited!*

### **Grain Marketing Strategies Info Session**

Knowing when and how to sell grain is NOT easy! Join us as we tap into the strategic ag finance mind of our guest speaker from AgriVisor, Cory Winstead. Cory has a wealth of knowledge to share when it comes to grain marketing. Come listen as he shares some of the ins and outs of utilizing different contract programs and marketing methods. With volatility the norm, it is more important than ever to know your options on how to structure your grain sales. This is an excellent source of information for famers and owners alike.



**When:** Friday, June 2 · 10:00AM

**Where:** Pathway Services Community Room, 1905 West Morton Avenue, Jacksonville (Near Dunham's Sports)

**Cost:** FREE!

**Reserve your spot today!** Call 217.245.1618, or online at [www.worrell-landservices.com/marketing\\_strategies](http://www.worrell-landservices.com/marketing_strategies)

## LAND IN DEMAND

If you're thinking of selling, we have buyers! At any given time, we have a wide range of land-lookers who would buy in a second if the right opportunity became available.

**We have lookers actively seeking this AND MORE:**

- Class A acreage in Cass or Morgan counties with a high % of tillable acreage. Potential buyer is also an operator and would want to farm the land.
- Out-of-area-investor with approximately \$350,000 to reinvest at the end of the summer. Location not mandated. Seeking tillable acreage. An excellent lease back opportunity for a grower/owner.
- 15-30 acres of hunting ground in Southern Greene County. Would prefer all timbered acreage.
- Recreational acreage in Morgan or Sangamon counties with CRP or CREP programs. Doesn't need to have tillable acreage, but income producing acreage is needed.

Call today if you're on the fence about what to do with your land; we would be glad to help you look at all the options. Be sure to check our website often for current land listings. Like us on Facebook and/or follow us on Twitter, as well! 🍀