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Annual Land Report 2010

Two key trends dominated the Midwest farmland market in 2010 and these trends will likely continue to dominate the market into 2011.

The first is strong demand for quality farmland. That demand has been led by expansion-minded farmers but investor demand has been strong, too. Meanwhile, demand for lower-quality farmland and "recreational" land remains restrained — well under the level seen two to five years earlier. More work must be done before stability returns to the market for lower-quality farmland.

The second is the sharp cut in the amount of farmland offered for sale. Informal surveys suggest the number of listings is down at least 30% in most areas and as much as 60% in some. The exceptionally strong demand for quality farmland coupled with sharply reduced supplies has combined for very strong prices in 2010. Values in some areas have risen as much as $1,000 an acre in just six months. With grain and oilseed prices rising during harvest, look for demand to continue strong well into 2011.

This report takes a closer look at the farmland market with the Midwest as its primary focus. The bulk of the data and research in this annual report comes from our associate publication, *LandOwner* Newsletter, which is published twice a month.

Mike Walsten, Editor, *LandOwner* Newsletter

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Strong Demand For Quality Farmland; Sales Listings Down

Farmland values gained strength through 2010 with demand for high-quality ground leading the move to higher prices. Prices for lower-quality farmland firmed in spillover from the strength in high-quality land values. Demand for recreational land remains weak.

The demand for high quality farmland was driven primarily by expansion-minded farmers. While strong in early 2010, demand from this group of buyers intensified as grain and oilseed prices rose through summer into fall. Investors, meanwhile, competed aggressively with expansion-minded farmers for top-quality tracts. Their demand was driven by poor returns on other investments, due to low interest rates, and a desire to own land as a hedge against potential inflation.

The premium paid for high-quality farmland versus low-quality farmland rose to 79% September 1.

Contributing to the strength in land prices is the limited number of farms offered for sale. The trend of fewer offerings began in recent years as returns on alternative investments dwindled due to low interest rates. The trend accelerated as confidence in financial instruments was shaken by the near-collapse of the financial markets in 2008. Industry sources indicate listings and closed sales are off 30% in many locations and down as much as 60% compared to three and four years ago. That limited supply has intensified competition for the few remaining tracts that come to the market.

HISTORICAL PERSPECTIVE: After bottoming in the mid-1980s, farmland trended steadily higher through the 1990s and gained momentum after the turn of the millennium as investors sought security following the dot.com debacle, the tragedy of 9/11 and the flurry of corporate scandals. The housing boom triggered by low interest rates impacted farmland values from 2003 through 2005 as farmers near cities used 1031 exchange rules to buy farmland away from urban areas.

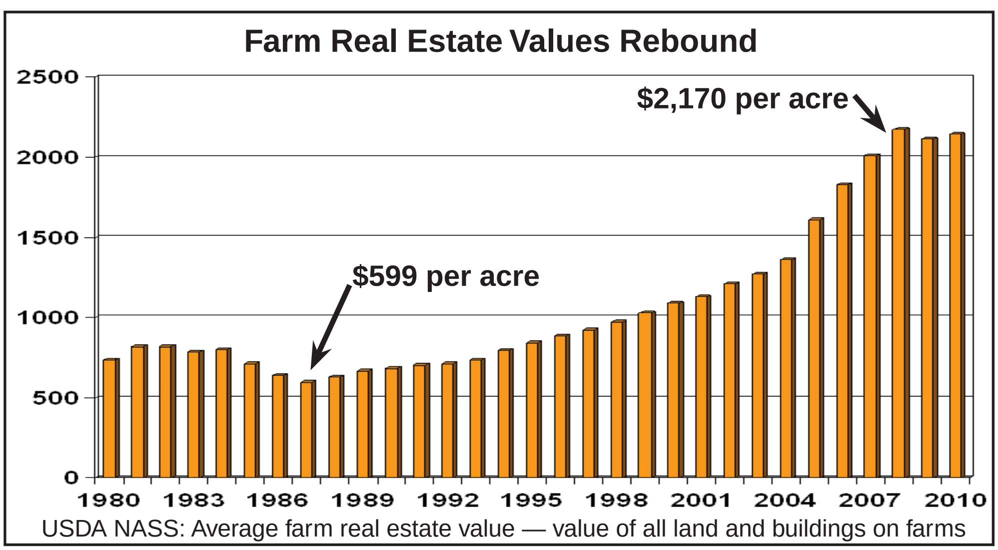
In addition, poor investment returns prompted by low interest rates also stimulated purchases by investors. This group also sought land ownership as a "storehouse of relative value" as they worried over the declining purchasing power of their dollars and the potential inflation released by the rise in money supply.

The ethanol boom launched in 2006 by increased federal fuel mandates triggered a rally in corn prices that swept grain and oilseed prices higher into 2008. The positive result on grain farm bottom lines proved explosive as farmers elbowed investors aside and drove land values up 15% to 20% or more in some areas.

The banking crisis in late 2008 broke the bull run in commodity prices, which drove down land demand. USDA reports land values slipped 3% as of January 1, 2009, versus a year earlier.

Optimism returned to the market by spring 2009 as grain prices firmed and the banking industry stabilized. While optimism drove demand for high-quality farmland, the total number of sale offerings was well below levels of previous years. The result was a rise in the value of all farm real estate of 1.4% as of January 1, 2010, to an average value of $2,140 an acre. That mark is $30 an acre, or 1.4%, under the all-time high posted in 2008.

Strong demand for quality farmland and limited offerings continued to fuel gains in values in 2010. The sharp upswing in corn prices during harvest due to disappointing yields will likely keep the demand for quality farmland strong well into 2011 and possibly 2012.



9 Reasons To Be Bearish On Land

With unemployment remaining high and the federal budget deficit mortgaging our country's future, it's relatively easy to be negative about the future. Here are nine reasons to be bearish on farmland values that stand out to us.

1 **Interest rates will rise — eventually.** With interest rates at historic lows, the eventual long-term trend can be in only one direction — up. When that happens, business costs for operating farmers will rise. That will make it more difficult for the number one buyers of farmland — farmers — to generate the cash for land purchases.

In addition, investors who bought farmland because of poor returns on financial instruments will be tempted to re-think their investments when yields on certificates of deposits, for instance, rise to attractive levels.

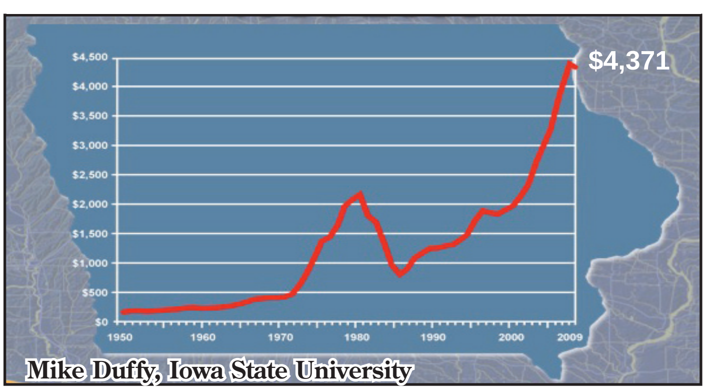
Recent buyers of farmland may also find it difficult to service debt on purchases if interest rates rise and they do not have their mortgage rate locked in for the long-term and/or do not have enough other equity on their financial statement.

2 **Prices at near-record high levels.** The run up in land values the past two decades has carried land prices well above their previous peak, which was posted in the early 1980s.

The chart below is for Iowa, but, it is typical of the price pattern seen in many Midwestern states. The data in the chart is from the annual survey conducted by Iowa State University. It shows an acre of good Iowa cropland reached $4,371 an acre at the end of 2009, down just $97 an acre from its peak in 2008. That is just a 2% decline amid the worst economic calamity in several decades.

Until 2009, farmland values marched steadily higher for more than 20 consecutive years without a correction. That correction occurred in 2009. Various federal and private surveys indicate the correction ended in late 2009 and land values moved higher through the year. Market observers believe a sharp run up to record levels normally is followed by a major correction. They don't view the setback in late 2008 and early 2009 as a major correction. They worry that a correction in land values is still ahead.

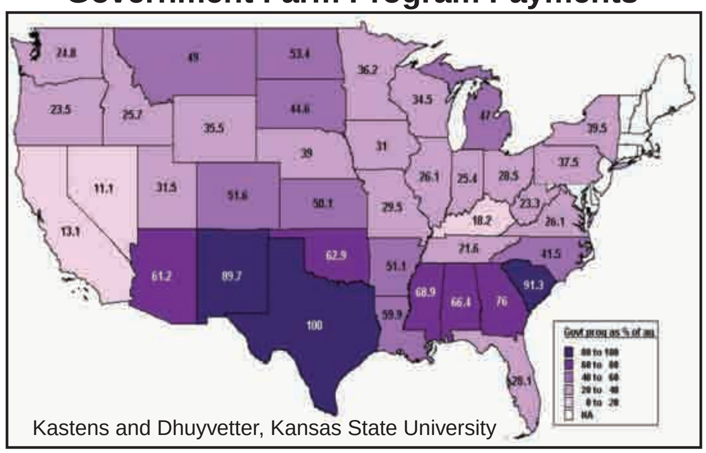
Iowa Land Values In 2009 Post First Decline Since 1999



Mike Duffy, Iowa State University

3 **Farm program safety net uncertainty** is another cause for concern. Cuts to federal farm program payments are a major risk for land values. That's especially true for areas that have minimal buying interest for non-agricultural use (other than hunting) such as the western two-thirds of Oklahoma, Kansas, Nebraska, South Dakota and North Dakota. Given the massive size of the federal budget deficit (estimated at nearly $1.3 trillion), talks of potential cuts in federal farm program payments have surfaced. Cuts, if ordered, would prove negative to land values.

Percent 2009 Land Value From Government Farm Program Payments


Kastens and Dhuyvetter, Kansas State University

Obviously, it is difficult to estimate how much a cut in federal farm program payments would impact land values. But Kansas State Ag Economists Terry Kastens and Kevin Dhuyvetter have attempted to put a number on the potential impact.

In their analysis, they looked at cash rents and land values from 1951 to 1972 to calculate what they termed the agricultural value of farmland. They then applied those results to 2009 cash rents to determine what current land values would have been in a similar "ag-only" environment. They also looked at the average relationship between government payments and cropland cash rents. That relationship is shown in the figures above.

It shows the substantial contribution of federal farm program payments to Southern agriculture and in the Great Plains. They suggest another way to look at the percentages in the figures above is to view each state's percentage figure as the percent cash rents would fall if federal farm program payments were reduced to zero. The impact is remarkable. And if you apply a 4% or 5% cap rate on the lost cash rent income, the impact on potential land value is also quite remarkable. While there is no credible discussion of cutting farm program payments to zero, the impact of any decrease in payments could prove negative on land values.

The amount of support for farm income offered by the current farm bill is also a question mark. The latest farm bill left price support levels basically unchanged from the previous farm bill. But production costs have moved sharply higher — well above those old price support levels. Growers worry a decline in grain and soybean prices to federal farm program price support levels will mean significant operating losses. That would prove to be a major negative on land demand if that were to occur.

4 **Declining investment returns.** Even though cash rental rates have risen, the rate of that increase has not kept pace with the rapid run up in land values. According to USDA, the annual return to an average acre of cropland (average rent divided by average value) was 4.7% in 2000. By the start of 2009, that return had slumped to 3.4% before it rebounded to 3.8% by the start of 2010. With average returns below historic levels investors must look at capital appreciation for the return on their capital. A similar situation occurred just prior to the collapse in land values in the early 1980s.

5 **Changes in tax policy.** Without Congressional action the income and capital gains tax cuts enacted to jump-start the economy in the wake of the 9/11 terrorist attack will expire in 2011. The resulting tax increase would be the largest ever levied on the U.S. taxpayers. That could prove a major drag on the economy and further reduce demand for recreational land.

6 **Massive budget deficit.** The Congressional Budget Office (CBO) estimates the 2010 fiscal year federal budget deficit will be slightly less than $1.3 *trillion,* which follows 2009's staggering $1.4 *trillion* deficit. The 2010 deficit is equal to nearly 9% of the nation's gross domestic product (GDP), following 2009's 10% of GDP. The 2010 budget deficit is the second highest (2009's deficit was the highest) since 1945.

A deficit this large cannot be ignored. Congressional leaders will look at ways to lift taxes in order to fund new legislative initiatives. Taxes will rise automatically in 2011 (see reason #5 above) unless Congress takes action. It is unknown if the lame-duck Congress will take action on this issue.

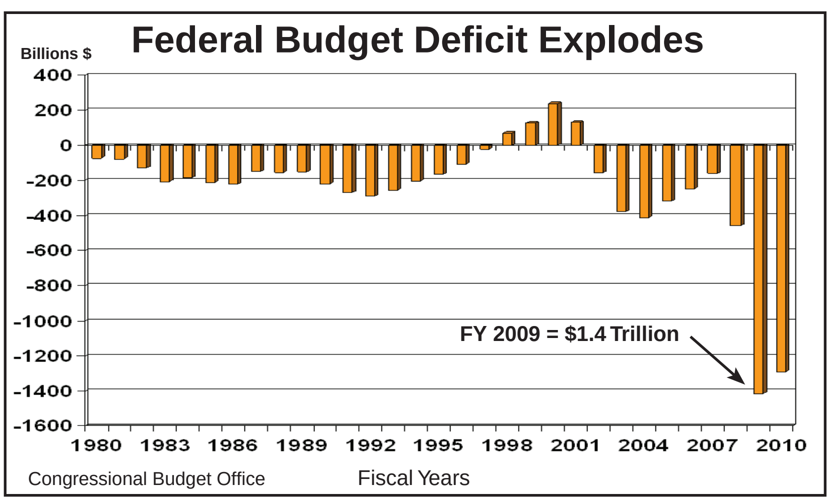
It's not just a federal issue. State, county and other local budgets are all under pressure, which is already prompting tax increases at each level. The cumulative effect of these increases could prove very damaging for the economy and could pressure land demand.

7 **Ethanol hype is gone.** The industry became a Wall Street darling as the government identified it as a prime weapon in its battle to lower energy prices. Investment capital poured into new construction and corn-hungry plants sprung up throughout the Midwest. The demand from this new industry thrust corn prices higher, which sent land prices higher. Then the break in crude oil and corn prices in 2008 burst the euphoria along with several ethanol companies. Profitability returned in 2009-2010 but the rise in corn prices in late 2010 stretched operating margins thin.

Whether this is the end of the ethanol "boom" or is simply a correction is a matter of debate. But a contraction in ethanol industry demand for corn would have a dampening impact on land demand.

8 **Carbon legislative/regulatory uncertainty.** The uncertainty over climate change enforcement from the EPA and any potential "cap-and-trade" legislation may prove an important damper on land demand long-term. Landowners worry whatever EPA decrees will be negative for agriculture. Same can be said for any potential "cap-and-trade" legislation. A bill has passed the House, but its fate in the Senate is uncertain. What is known about the House bill is not seen as positive for agriculture and, thus, a negative on land demand.

9 **Financial stress in livestock industries.** The beef, pork, dairy and poultry sectors all showed recoveries in 2010 after facing sever financial stress in 2007-2009, but the sharp rise in corn (feed) prices at year end threatens the rebound. If domestic feed demand falls, some of the support for corn prices — thus land values — will weaken as well.



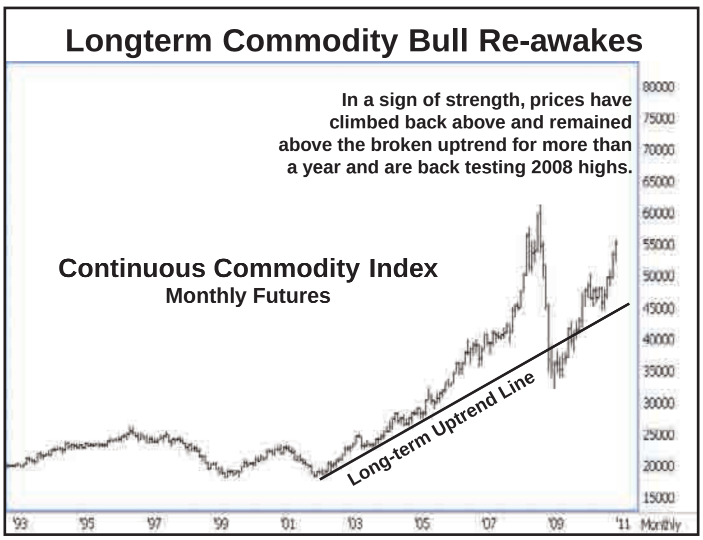
9 Reasons To Be Bullish On Land

Despite the problems facing the U.S. economy and profitability for livestock producers, we still see nine reasons to be bullish long-term on Midwestern land values. Here they are:

1 Long-term commodity bull has re-awakened. The long-term uptrend in commodity prices was broken last year as the financial crisis punctured the inflation and commodity bubble. However, commodity prices have rallied back as traders worry strong inflation may eventually result from the collapse in the dollar and the explosion in both the federal budget deficit and money supply.

The monthly chart of the Continuous Commodity Index (CCI) shows the re-awakening bull. The CCI is a market basket of commodities, similar to the Dow Jones Industrial Average. The chart below shows the uptrend line which began in 2002 and carried forward with increasing strength until bursting in 2008.

However, the uptrend seemed to re-establish itself mid-year 2009 as the dollar retreated. The index surged

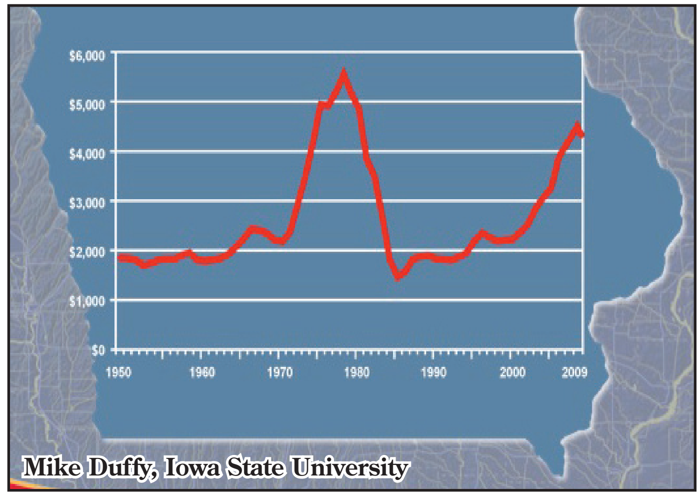


above the broken uptrend in May. Traded above the line in June but closed under it. But then surged above the line again in July and has remained there.

The re-awakening bull trend does not necessarily forecast a return to 2008-style commodity prices. But it suggests demand for commodities has become stronger than earlier this year and that the stronger demand could last for an extended period of time. That bodes well for agricultural farmland.

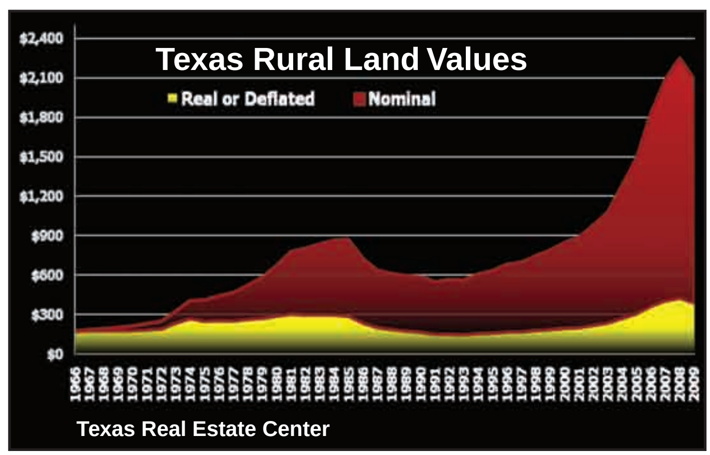
2 Land prices are not high — relatively. We pointed this out in both previous annual reports, and, despite the setback in values in early 2009, it is still true. We're talking about adjusting current land prices for inflation.

It's Only Mid-1970s in Iowa



The graph above, from Iowa State University's Mike Duffy who conducts the annual land survey, shows the average price of Iowa farmland in terms of 2009 dollars. It shows current values are closer to levels last seen in the mid-1970s. In addition, they are still well off the peak price level notched in the early 1980s.

While the chart shows Iowa values, the chart looks much the same for most any other Corn Belt or Plains state. However, simply reaching the inflation-adjusted high does not necessarily forecast an imminent turnaround in land values.



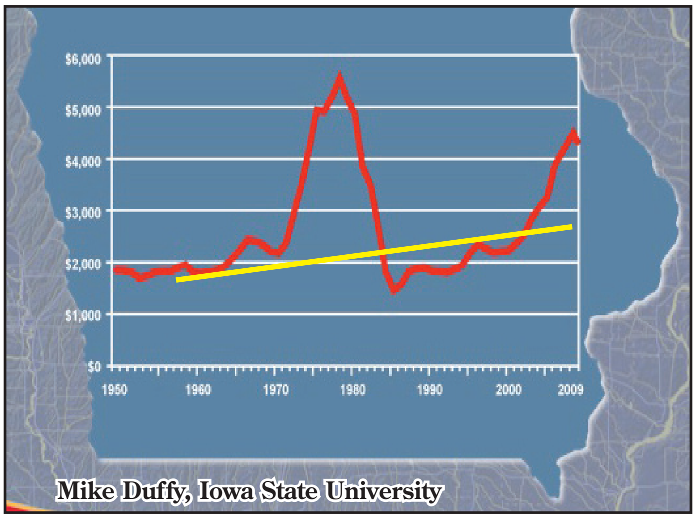
Take a look at rural Texas land values. This market has seen remarkable strength, driven primarily by recreational demand in recent years. Land values not only posted record highs on an inflation-adjusted basis, but then continued to score record highs.

The chart above, compiled by Charles E. Gilliland, research economist, Texas Real Estate Center, Texas A&M University, highlights this trend.

His research shows the value of Texas rural land exceeded its 1984-85 peak on an inflation-adjusted basis in 2005. But rather than retreat, values continued to move higher in 2006, 2007 and again in 2008. Prices did not retreat until 2009 as the financial panic of 2008 dried up demand for recreational land — the primary factor behind the runup in Texas land values. (Note: By late 2009 strong demand for good quality cropland returned to the Texas Panhandle.)

3 Long-term uptrend still intack. Not only does the inflation-adjusted analysis suggest there is plenty of upside room for land values, the long-term uptrend line still apears to offer plenty of support. The chart below shows Iowa land values adjusted for inflation with the long-term uptrend line added.

Iowa Values Back to Longterm Trend



As the chart indicates, land values only recently climbed back to the long-term trendline after correcting for the over-heated market of the late 1970s and early 1980s. The ability of values to climb back above the line after spending nearly two decades underneath it suggests the trendline will provide powerful support going forward.

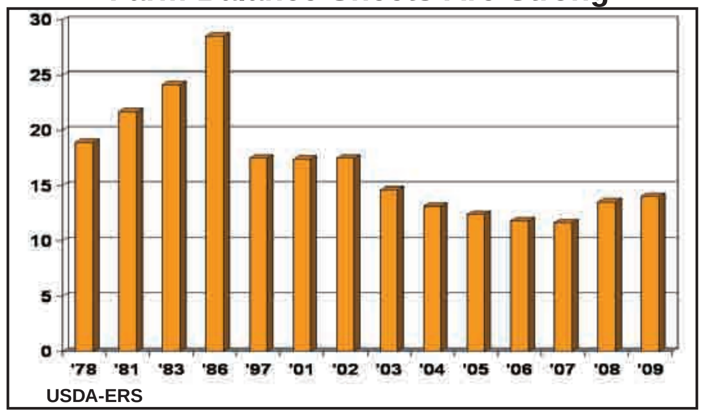
Bottom line: Values can correct significantly and still not break the long-term uptrend. It is possible land values could resume their pattern of 3% to 5% annual gains after falling back to the long-term trendline.

4 Balance sheets are still relatively strong. Farmers as a whole entered 2010 in a very strong position financially. The livestock sector has suffered significantly recently and is in the early stages of recovery. The grain sector was seeing a drop in operating profits, as well, until the sharp run-up in prices during harvest.

Because agriculture entered the current period in strong shape, the industry should have the flexibility to adjust to these new realities. And it should prevent a heavy rash of forced land sales to settle debt claims.

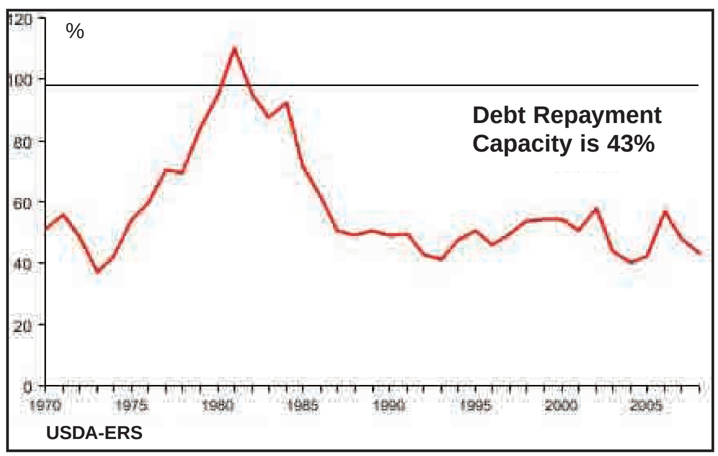
The chart below highlights the debt-to-equity ratio of the nation's farmers, according to USDA. It shows agriculture as a whole carried, for the second year in a row, a debt-to-equity ratio of 14% at the end of 2009. That's far different from the 19% it carried in 1978 when land values were surging by 30% and more annually. And it is well off the 28.5% ratio that existed in 1986, just prior to the bottom in land values.

Farm Balance Sheets Are Strong



Another way to look at the strength of balance sheets is by debt repayment capacity. The chart below shows farmer ability to service debt is still quite favorable.

Ability to Repay Debt Is Favorable



This underscores the financial strength that existed in agriculture prior to 2009. It reflects the low-level of financing used by expansion-minded farmers in recent years. In many cases, these buyers either paid 100% cash or financed no more than 35% of the full purchase price of a new piece of land.

This means current land purchases are well capitalized and buyers are able to withstand some turbulence in land values without being forced into putting the property back on the market. That wasn't the case in the late-1970s and early-1980s. And those forced sales contributed to the sell off in land values.

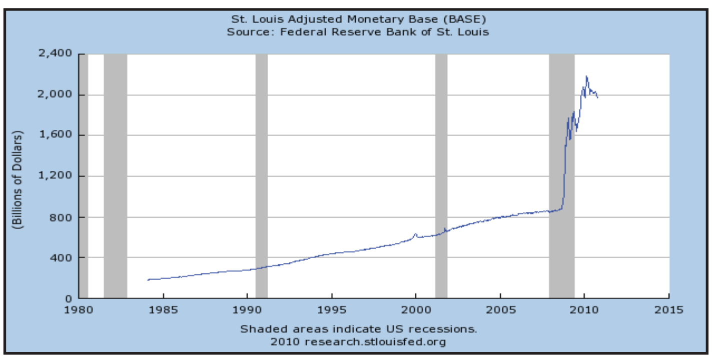
5 Interest rates are at historic lows. With the Federal Reserve holding short-term interest rates at near zero, long-term rates remain very low by historical standards. This has several implications for land values.

First, it makes financing a land purchase more affordable, which supports demand. Second, it makes land ownership, with its annual return via rent, very attractive to investors frustrated with near-zero returns on certificates of deposits, etc.

It will be key to see how fast the Federal Reserve increases short-term interest rates once signs of inflation surface. If they are too aggressive, they risk choking off the economic recovery. If they lag the rise in economic activity and inflation, the real rate of interest will still feel low compared to the gain received in rising land values. Again, that's supportive to land demand. So far it appears the Fed is willing to tolerate a rise in inflation in order to get the economy growing.

6 Washington bailout is inflationary long-term. The Federal Reserve waged an all-out assault against the financial crisis by flooding the system with liquidity. Congress followed with a stimulus package of its own along with a host of budget-bursting bills. The result has been an explosion in both the money supply (chart below) and the federal budget deficit (page 4).

U.S. Money Supply Explodes



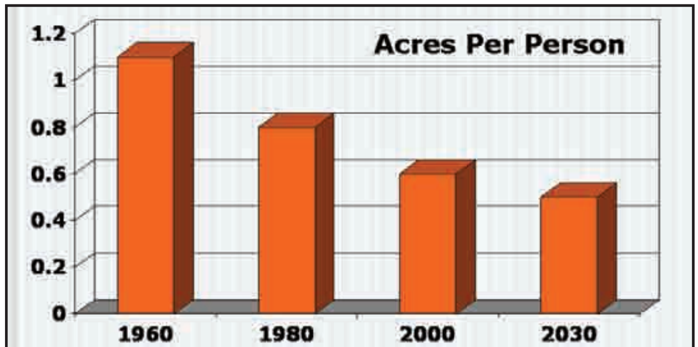
The long-term impact of this is inflationary. It is possible that policy makers will be able to drain out enough liquidity when needed to prevent strong inflation. But policy makers are usually not that nimble. Investors, worried about high inflation in coming years, have already turned to rural land as a storehouse of wealth, as seen in recent sales throughout the Midwest.

The world has already shown it does not have the confidence federal policy makers can successfully reduce the federal deficit without devaluing the dollar by selling dollars and buying other currencies. The exception was the rush to dollars during the Greek financial crisis. Some investors, fearful of the implications of a weakening dollar, have already turned to farmland as a storehouse of relative wealth. This has the potential to support demand for land for an extended period.

7 Population trends mean more food demand and homes. In the United States alone, the population will increase by 160 million between now and 2050. That means more housing and food demand.

World population will continue to grow. Growing, too, will be an expanding middle class that will demand more protein and will have the money to buy it. This means growing demand for grain and protein, which is bullish for land demand.

Rising Population Strains Land Resources



Food and Agriculture Organization, United Nations

8 Bet on the U.S. economy. The economy is large and the nation is full of industrious, productive and imaginative people. Given a chance, U.S. workers, entrepreneurs and business owners will get the economy growing again. That growth will mean demand for what land produces and demand to own land.

9 People want to own land. The terror event on 9/11 and the credit crisis of 2008 have changed how some people think about land. Investors may now be more willing to take a lower return from farmland than previously. We have seen investors willingly buy and hold high-quality Illinois farmland for as low as a 1.5% current rate of return. That's far less than the 4% to 5% annual rates that applied historically. This tendency is similar to Europe where landowners hold land for a 1% return because they value the long-term security and wealth that land ownership means for their family.

Bottom Line: The profit outlook for grain farmers has changed dramatically due to sliced harvest results and sharp run-up in corn prices. The demand for high quality land, already strong, will intensify as a result. Lesser-quality land values will rise as well, but only in a follower's role. Demand for recreational land, however, will likely remain soft due to continuing weakness in the economy. Inflation, while not likely a problem the next few years, will eventually rise due to the massive budget deficit and explosion in the money supply. That inflation, when it occurs, will lever land values higher long-term.

Illinois Farmland Remained Steady In 2009

A decline in the amount of farmland for sale, especially excellent quality land, along with steady demand from expansion-minded farmers kept Illinois farmland values generally steady across the state in 2009. That's according to the annual survey of farmland values conducted by the Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA).

The survey found excellent quality farmland was steady to 4% lower in the northern third of the state but steady to 10% higher in the state's central region.

The table shows average changes by region and by quality of land. The accompanying map indicates counties included in each region listed. Here are the highlights of this year's survey by region:

Percent Gain in Farmland Value 2009
by Quality

Region	Excellent	Farmland Good	Average	Recreational Land
Northern (Regions 1-2)	-4% to uch	-4% to uch	0 to +10%	-15%
Central (Regions 3-7)	0 to +10%	0 to +10%	0 to +12%	-5 to -30%
Southern (Regions 8-10)	N/A	-10 to +15%	0 to +13%	-10 to +5%

Region 1: Premiums for development purposes are totally gone. Demand for excellent quality land remains strong with prices reflecting farmland values. Number of transactions is down more than 50%. Most farmers in the area looked to the average tracts, with limited supply, their value is up 10%. Excellent productivity land: $8,200, down 4%; $270 cash rent. Good land: $6,500, down 4%; $250 rent. Average quality land: $5,500, up 10%; $200 cash rent.

Region 2: Total transactions are down 20% to 40%. There is still some migration of buyers from the higher-priced land to the east. Wind farm development in 7 of the 11 counties in the region with heaviest concentration in Bureau and Lee counties. Excellent quality land: $6,100 to $7,200 per acre, steady; $225 to $320 cash rent. Good land: $4,500 to $6,200, steady; $200 to $260 cash rent. Average: $3,500 to $5,000, steady to up 3%; $160 to $225 cash rent.

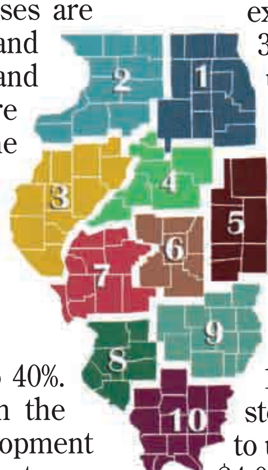
Region 3: Strong farmer demand has excellent and good quality land up as much as 16% with excellent exceeding $8,000 an acre. Excellent land: $6,000 to $8,400 per acre, steady to up; $250 to $400 cash rent. Good: $3,600 to $6,600, steady to up; $250 to $350 cash rent. Average: $3,100 to $4,500, steady to up; $150 to $250 cash rent.

Region 4: Values overall were steady to 3% higher with several excellent sales at $7,500 per acre throughout the region. Volume of transactions down 40% to 90%. Excellent: $6,500 to $7,500, up 3%; $250 cash rent. Good: $5,000 to $6,400, steady; $200 cash rent. Not enough sales to establish values for good and fair quality land.

Region 5: Values are steady to up 10%. Total number of transactions is down 40% to 50%. Excellent: $5,500 to $7,000, steady to up 10%; $240 to $300 cash rent. Good: $4,400 to $5,600, up 5% to 10%; $220 to $250 rent. Average: $3,500 to $4,600; steady to up 5%: $175 to $215 cash rent.

Region 6: Strong demand reported with values steady to 2% higher. Number of transactions is down 5% to 10%. Excellent: $5,500 to $7,500, up 2%; $275 cash rent. Good: $4,500 to $6,500, up 2%; $225 cash rent. Average: $3,000 to $5,000, steady; Recreational: $2,000 to $5,000, down 5%.

Region 7: Values for excellent and good land was up 3% to 7%. Morgan and Sangamon counties had sales exceeding $8,000 an acre. Excellent: $7,300, up 3% to 7%; $300 to $400 cash rent. Good: $5,500, up 3% to 7%; $200 to $300 rent. Average: $4,500, steady; $180 to $200 rent. Recreational: $2,800, weaker.



Region 8: Cropland in this area is primarily in the average to fair categories with a few good tracts, but no excellent tracts. Development demand pressure is absent. Good land: $6,500 to $8,500, steady to down 10%; $150 cash rent. Average: $4,000 to $7,000, steady; $130 rent. Fair: $3,000 to $5,500, steady to up 10%; $105 cash rent. Recreational: $2,500 to $4,000, steady to down 10%.

Region 9: The number of transactions was down 15% to 20%. No excellent quality land. Good: $4,800 per acre, up 15%; $165 cash rent. Average: $4,200, up 10%; $150 rent. Fair: $3,150, up 5%; $120 cash rent.

Region 10: Sales volume down 20% to 30%. Good: $4,782, up 2%; $150 cash rent. Average: $2,767, up 13%; $120 rent. Fair: $2,240, steady. Technology gains have improved yields on average quality land such that farmer demand for this quality land has strengthened sharply.

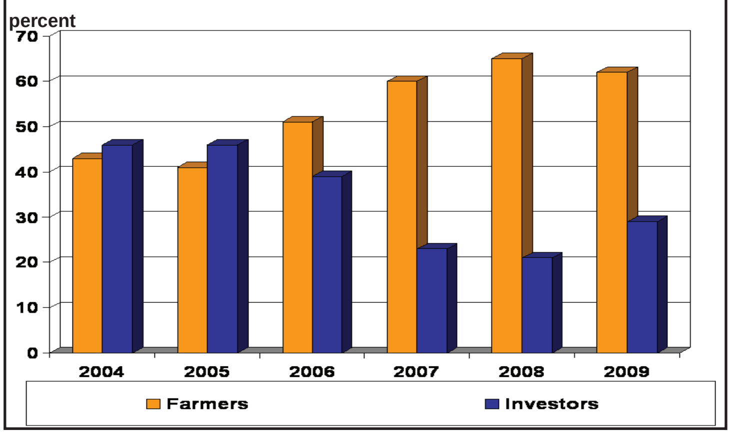
Farmers Still Main Buyers In Illinois Farmland Market

Expansion-minded farmers along with relocating farmers dominated the Illinois land market in 2009, according to the ISPFMRA survey. Investors, meanwhile, became a larger share of the market.

Local farmers accounted for 58% of all buyers in 2009, according to the survey while relocating farmers were another 4% of the market. The two groups accounted for 62% of all buyers, down from 65% in 2008 but significantly higher than their 41% and 43% share in 2004 and 2005.

Local investors accounted for 16% of the market, reports the survey, and non-local investors were 13% of the market. Combined, this class accounted for 29% of the market. That is up from 21% in 2008 but still down sharply from the 46% rate reported in 2004 and 2005.

Farmers Dominate Illinois Land Market



Institutions, such as park or school districts, accounted for 5% of the market in 2009. That compares to 12% in 2008, 16% in 2007 and just 1% in 2006.

Illinois Survey Finds Decline In Cash Rents For 2010

Last year's explosion in input costs, especially fertilizer prices, coupled with lower commodity prices both trimmed crop share and custom farming rents in 2009. Cash rents remained about even with the previous year, according to the annual survey conducted by the ISPFMRA.

The decline in rental return was most notable in the crop share rate. This year's survey found the average crop share lease on excellent quality land returned $224 an acre to the landowner and $191 an acre on good quality farmland. That compares to a return of $280 an acre on excellent cropland and $222 an acre on good farmland in 2008. For custom farming leases, the return to landowners averaged $311 an acre for excellent farmland and $253 an acre on good cropland. That compares to $324 an acre on excellent ground and $269 an acre on good quality farmland in 2008.

Average Cash Rents 2009

by land quality

Region	Excellent	Good	Average
Northern (Regions 1-2)	**$180 - $375**	**$150 - $325**	**$100 - $275**
Central (Regions 3-7)	**$240 - $400**	**$200 - $300**	**$100 - $225**
Southern (Regions 8-10)*	**N/A**	**$150 - $180**	**$175 - $400**

*These regions have more share rents and less cash rent leases.

As in previous years, custom farming leases provided the largest return to landowners. On average a custom lease provided $58 more per acre than a cash lease and $87 more than a crop share lease — that's on excellent quality ground. On good quality cropland the differences were $47 and $62 per acre, respectively.

Among survey respondents, the most common lease arrangement was traditional cash rent — 35% of the leases used. A traditional crop share lease was used by 24% of respondents while 11% used a crop share lease supplemented with an additional cash bonus. Another 10% used a crop share lease modified with something other than a cash bonus. In total, these three crop share leases accounted for 45% of all leases.

Overall, cash rents in 2010 are lower than in 2009. A majority of survey respondents indicated cash rents declined — 4% said cash rents decreased by more than $20 an acre while 42% said rents declined between $0 and $20 per acre. Meanwhile, 38% said cash rent would remain the same and only 15% said cash rents would increase.

The survey found 88% of leases were for one year in length and 6% were for two years.

Custom Leases Again Net Illinois Owners More In 2009

Returns to landlord by lease type and land quality

	Land Quality			
Lease Type	**Excellent**	**Good**	**Average**	**Fair**
$ per acre				
Crop Share	224	191	158	125
Cash Rent	253	206	171	136
Custom Farming	311	253	187	154

Top 1/3, Mid 1/3 and Low 1/3 Cash Rents by Land Quality, 2010

	Land Quality			
Lease Type	**Excellent**	**Good**	**Average**	**Fair**
$ per acre				
High 1/3	302	264	211	177
Mid 1/3	268	231	189	156
Low 1/3	226	187	155	124

Iowa Land Values Rise Nearly 6%

September 2010
Iowa Farm & Land Chapter #2 REALTORS® Land Institute
Survey of Farm Land Values (Dollars Per Acre)

Area in Iowa	Land Classification by Potential Corn Production: High Quality Cropland		Medium Quality Cropland		Low Quality Cropland		Not Tillable Pasture		Timber		Percent change in tillable cropland values: Past 6 Mo.
	March	Sept.	March	Sept.	March	Sept.	March	Sept.	March	Sept.	
Central	$5871	$6223	$4423	$4644	$3061	$3214	$1732	$1837	$1637	$1740	+ 5.4%
East-Central	5721	6064	4339	4643	3079	3202	1805	2085	1635	1865	+ 5.8%
North-Central	5517	5958	4445	4801	3432	3741	1781	2179	1894	2019	+ 8.2%
Northeast	5980	6219	4239	4409	2949	3037	1683	1650	1792	1740	+ 3.7%
Northwest	5549	6048	4707	5178	3494	3878	1807	1988	1750	2075	+ 9.8%
South-Central	4383	4602	3211	3211	2571	2597	1672	1625	1589	1500	+ 2.4%
Southeast	5621	5790	3948	4066	2983	3102	1687	1720	1633	1494	+ 3.2%
Southwest	5145	5402	3902	4058	2777	2888	1825	1888	1500	1525	+ 4.4%
West-Central	5799	6263	4640	5058	3449	3690	1990	2045	1843	1781	+ 8.0%
State Average	$5510	$5841	$4206	$4452	$3088	$3261	$1776	$1891	$1697	$1749	+ 5.7%

The value of an acre of Iowa farmland rose 5.7% for the six-month period ending Sept. 1, 2010, according to the latest survey conducted by the Iowa Farm and Land Chapter of the REALTORS® Land Institute (RLI). Combining this survey's six-month 5.7% increase with the 2.8% gain reported in the March survey indicates a statewide increase of 8.5% for the year ending Sept. 1, 2010.

All nine of Iowa's crop reporting districts showed an increase during the survey period. The strongest percentage gain was cited in the northwest crop reporting district — a 9.8% surge. That was followed by an 8.2% rise in the north-central district and an 8% gain in the west-central district.

High-quality farmland rose 6% during the six-month period and 9.9% on an annual basis. Medium-quality cropland gained 5.8% the past six months and 9% for the year while low-quality land rose 5.6% for the six months and 6.7% for the year.

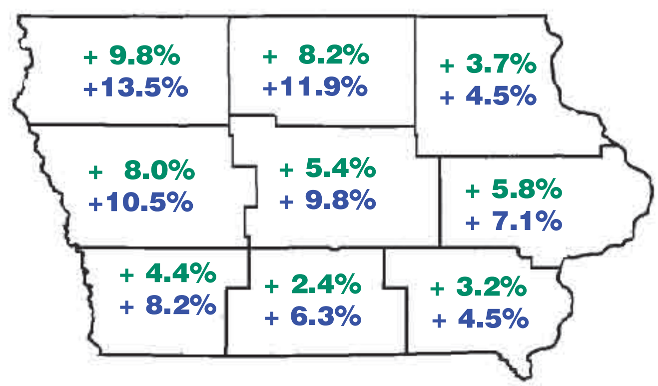
The combination of strong yields, favorable crop profit margins, a revived livestock sector, deeply entrenched family operations and very limited number of offerings triggered the steep increase in values in these three districts. The same could be said about the other six districts, but these factors seem to be especially prominent in those three districts.

On an annual basis, the northwest district shows values are up 13.5%, the north-central district reports an 11.9% annual increase and the west-central district lists an annual gain of 10.5%. The central district follows closely with a 9.8% yearly increase.

In addition, five districts report the average value of high-quality farmland exceeded $6,000 an acre during the most recent six months. Not a single district reported an average of $6,000 or better in the previous survey. The east-central district reported the highest average value of $6,264 an acre on high-quality land, beating the west-central district by just $1.

The weak spot continues to be pasture and timber/recreation land. Both categories showed gains over the past six months but weakness the previous six-month period left pastureland up only 1.6% for the year and timberland down 1.1% on an annual basis.

Iowa Values Up 4% to 12% Versus Year Ago



Percent Change March 1, 2010 to September 1, 2010
Percent Change September 2009 to September 2010

Change in value for an average acre of tillable cropland
Source: REALTORS® Land Institute

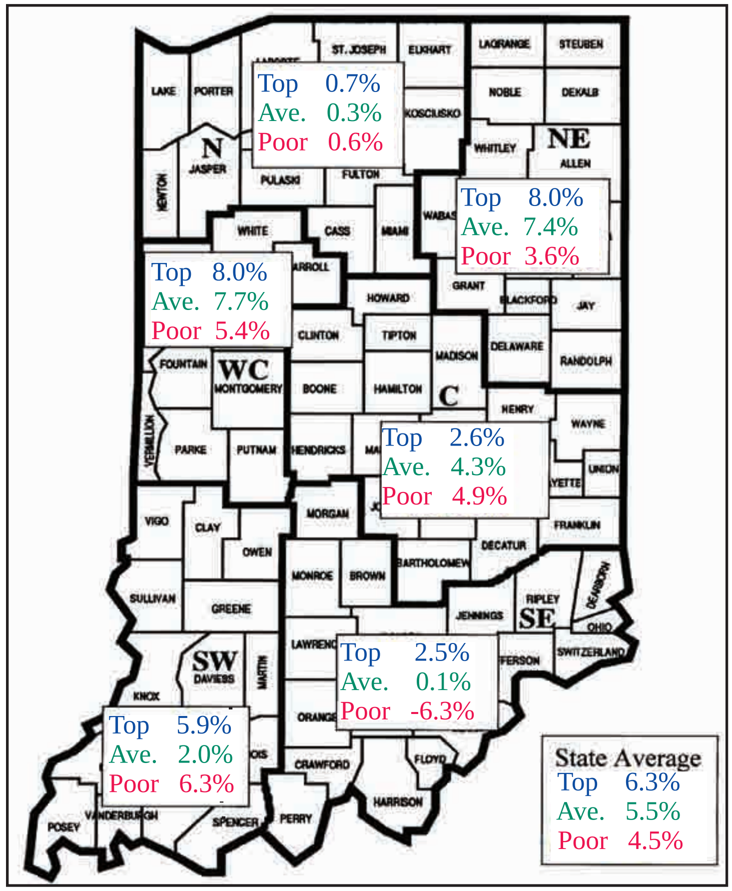
Indiana Land Values Surge 4% to 6%

The value of Indiana farmland rose 4% to 6% versus a year ago, according to the 2010 Indiana Farmland Values and Cash Rents Survey conducted by Purdue University. Those strong gains ran contrary to fears voiced in last year's survey that the economic downturn would combine with tight crop profit margins to trigger a downward correction in Indiana farmland values.

"Results of the June 2010 survey indicate Indiana values not only did not decline but showed a strong increase," says Purdue's Craig Dobbins who conducts the survey along with research associate Kim Cook.

For the state as a whole, the average value of bare unimproved cropland ranged from $3,501 per acre for poor quality land to $5,310 per acre for top quality land. Average quality cropland had an average value of $4,419 per acre. The value of top, average and poor quality land increased 6.3%, 5.5% and 4.5%, respectively, versus a year earlier, the survey states.

The west-central and northeast regions reported the strongest percentage increases in farmland values. Bare farmland in those two regions gained 3.6% to 8%. Increases were reported in all three land quality categories and all six regions with the exception for poor quality farmland located in the southeast region. It fell 6.3% — a repeat of last year's 6.3% loss.



The survey found the value of transitional land (farmland moving out of agriculture to other uses) and rural recreational land declined. The average value of recreational land is pegged at $2,949 per acre, down 14.6% from a year earlier.

Dobbins suggests using the median value when comparing recreational land due to the wide range in values for this class of land. The median value for recreational land was $2,800 per acre. That was down from last year's average value of $3,000, which translates into a 6.7% decline.

The survey also found the average cash rent for top quality land increased $4 an acre, or 2%, to $202 per acre. The average rent for average and poor quality land rose by $3 an acre — to $161 per acre for average quality land and $124 per acre for poor quality land.

The highest average cash rent was $225 for top quality land located in the west-central region, which also registered the highest average cash rents. Rent per bushel of corn yield in that region ranged from $1.13 to $1.15.

Cash rent per bushel of corn yield in the north, northeast, central and southwest regions was similar, ranging from $0.95 to $1.10 per bushel. Per-bushel cash rent in the southeast ranged from $0.85 to $0.92 per bushel.

You can access the full report at:
http://www.agecon.purdue.edu/extension/pubs/paer/

Changes by Region and Land Quality

Area	Land Class	Corn Per Acre	Dollars Per Acre June '09	Dollars Per Acre June '10	Percent Change
North	Top	193	$5,293	$5,329	0.7%
	Ave.	156	4,306	4,317	0.3
	Poor	120	3,262	3,280	0.6
Northeast	Top	181	4,772	5,153	8.0
	Ave.	150	3,990	4,285	7.4
	Poor	117	3,279	3,396	3.6
W. Central	Top	195	5,432	5,864	8.0
	Ave.	163	4,639	4,997	7.7
	Poor	129	3,778	3,982	5.4
Central	Top	190	5,376	5,514	2.6
	Ave.	161	4,575	4,774	4.3
	Poor	130	3,801	3,988	4.9
Southwest	Top	185	4,971	5,262	5.9
	Ave.	146	3,884	3,961	2.0
	Poor	112	2,701	2,872	6.3
Southeast	Top	164	3,570	3,661	2.5
	Ave.	135	3,129	3,133	0.1
	Poor	101	2,642	2,475	-6.3
State	Top	187	4,994	5,310	6.3
	Ave.	155	4,188	4,419	5.5
	Poor	121	3,351	3,501	4.5

Craig Dobbins and Kim Cook, Purdue University

Missouri Cropland Rises 3.6%

The value of good Missouri cropland rose 3.6% for the year ending in June, according to a survey conducted by University of Missouri Extension Economist Ron Plain and Joyce White, project coordinator.

The survey found the state average of good cropland rose $100 an acre to $2,888. That gain follows a drop of $164 an acre, or 5.6%, in 2009. Plain and White say cropland values increased in 11 of the 20 areas of the state.

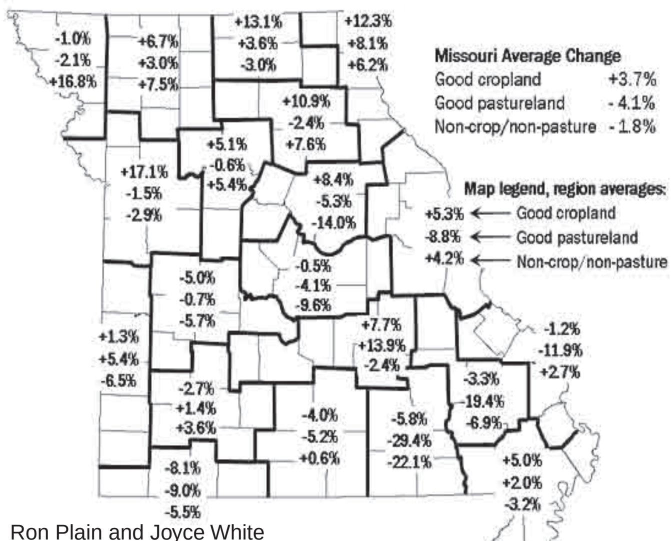
While cropland values rose, the value of most other types of farmland declined. Pasture values decreased in 13 areas with the state average for good pasture down $79 an acre to $1,942 an acre. That follows a decrease of $29 an acre reported last year. Non-crop/non-pasture land values averaged higher in 11 areas, but statewide averaged 1.8% lower. Weakness in the general economy along with low cattle prices were cited as factors behind the decrease in pasture and hunting/recreation land.

Land with timber was an exception. The survey found timberland was up $15 at $1,586 an acre. However, hunting/recreation land was down $50 at $1,525 an acre.

Survey respondents said 63% of farmland buyers planned to farm the land themselves — a two-percentage-point increase versus 2009.

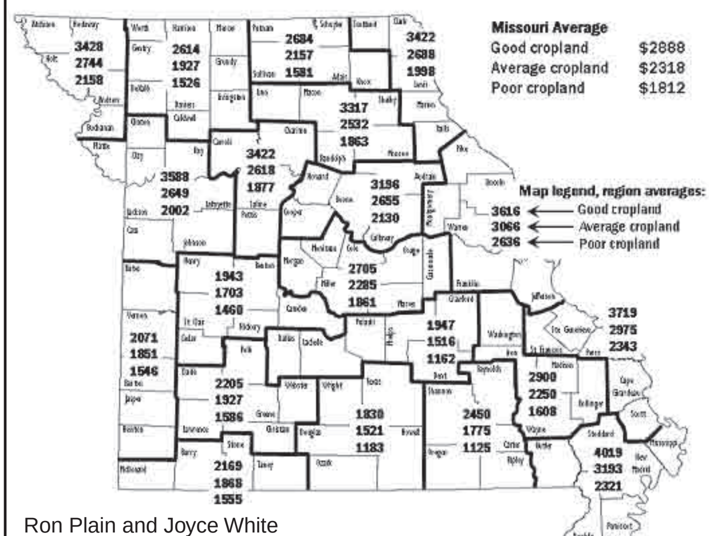
Most survey respondents expect farmland values to decrease over the year ahead, but they are more optimistic than last year. They expect all farmland to decrease by less than 1%, with cropland holding steady, pastures falling 2% and other types of rural land down 3%.

Annual Change in Missouri Farmland



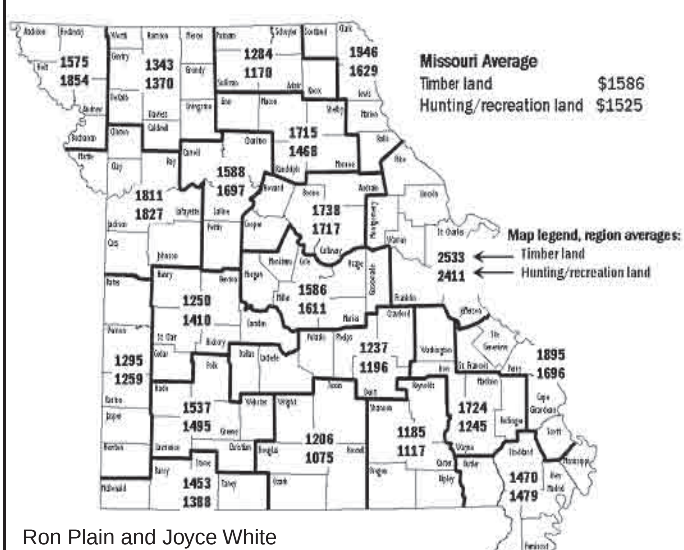
Ron Plain and Joyce White
University of Missouri Extension

Average Value Missouri Cropland



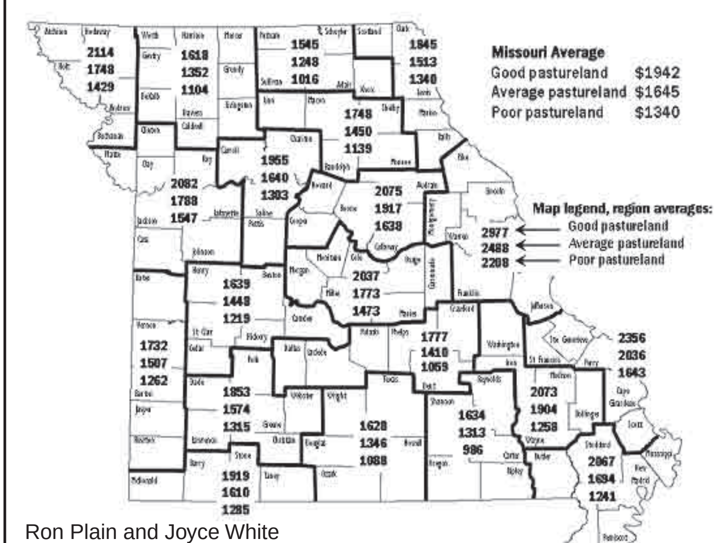
Ron Plain and Joyce White
University of Missouri Extension

Average Missouri Pastureland Value



Ron Plain and Joyce White
University of Missouri Extension

Missouri Timber Rec Land Value



Ron Plain and Joyce White
University of Missouri Extension

Uptrend In Nebraska Land Values Continues

After a year of treading water, Nebraska farmland values moved higher again in 2009, according to preliminary results of the annual survey of farm and ranchland values conducted by Bruce Johnson, University of Nebraska-Lincoln agriculture economist.

The value of an average acre of Nebraska farmland reached $1,503 per acre as of February 1, 2010, up 5% from a year earlier. The increase comes on the strength in demand for cropland and despite weakness in grazing and haying land.

The largest “all-land” value increase was 10% reported in the east region. The north region listed a decrease of 1% in value due to declines in non-tillable grazing land and hayland. For the year, the value of non-tillable grazing fell 5.3% while the value of hayland slipped 2% statewide. However, the value of tillable grazing land rose 3.1%, reflecting the strength of the pull from demand for cropland.

The survey found estate settlement is still the main reason for land moving to the market. Settling estates accounted for 41% of all reasons cited for selling farmland. Sellers who are active farmers was 17% and farmers quitting farming was 13%. The survey found 78% of all buyers statewide were active farmers or ranchers. That compares to 80% in 2008, 73% in 2007, 71% in 2006, 61% in 2005 and 59% in 2004. However, the survey indicated active farmers/ranchers were just 50% of all buyers in the north region — local non-farmers accounted for 33% of all purchases there — non-local Nebraskans 17%. In the northwest region, active farmers/ranchers were 56% of all buyers while out-of-state buyers were 26%.

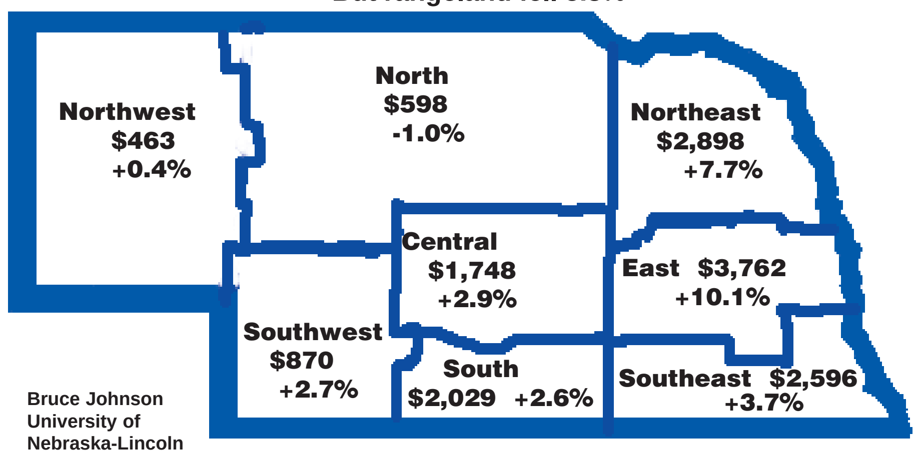
Local non-farmers accounted for 10% of purchases statewide, equal to 2008 and 2007. Non-local Nebraskans and out-of-state buyers each accounted for 6% of purchases.

The survey noted 43% of all purchases in 2009 were made with cash while 54% involved a mortgage. That compares to 51% cash versus 46% mortgage in 2008.

Johnson found the estimated rates of return for all types of land statewide decreased from 2009 and are at their lowest levels of the past two decades.

5% Gain In Farmland Values Seen

But rangeland fell 5.3%



(as of February 1, 2010)

Average Value Per Acre by District, by Type of Land

Land Type	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State
Dryland Cropland (no irrigation potential)									
$ per acre	475	715	2,740	1,365	3,330	735	1,380	2,410	1,530
% change	2.3	3.3	9.7	5.0	7.4	5.6	4.7	4.9	6.2
Dryland Crop (irrigation potential)									
$ per acre	515	1,095	3,280	1,910	3,995	775	1,535	2,995	2,611
% change	3.0	8.6	9.3	5.1	12.2	3.3	8.5	0.3	8.3
Grazing Land (tillable)									
$ per acre	320	595	1,640	990	1,965	435	960	1,430	669
% change	-3.0	5.3	9.2	-0.6	4.7	4.6	2.6	5.3	3.1
Grazing Land (non-tillable)									
$ per acre	260	340	1,060	685	1,265	350	710	975	425
% change	-7.5	-10.1	6.0	-6.5	5.2	-5.4	0.4	3.2	-5.3
Hayland									
$ per acre	525	625	1,275	880	1,465	660	880	1,015	810
% change	-4.5	-5.3	2.0	-2.6	1.7	-5.7	1.1	2.4	-2.0
Gravity-Irrigated Cropland									
$ per acre	1,625	1,800	3,715	3,155	4,510	1,785	3,095	3,560	3,271
% change	8.7	5.0	3.8	4.1	10.1	5.6	0.7	0.4	5.2
Center-Pivot Irrigated Cropland*									
$ per acre	1,650	2,485	4,140	3,470	4,890	2,475	3,575	4,125	3,520
% change	7.5	4.5	5.8	5.9	10.6	3.5	2.9	7.1	6.5
All Land Average**									
$ per acre	463	598	2,898	1,748	3,762	870	2,029	2,596	1,503
% change	0.4	-1.0	7.7	2.9	10.1	2.7	2.6	3.7	5.0

* Value of pivot not included in per acre value
** Weighted average

Bruce Johnson, University of Nebraska-Lincoln final data

South Dakota Ag Land Sees 5% Annual Increase

The value of an average acre of South Dakota agricultural land rose 5.2% as of February 2010, according to the South Dakota State University (SDSU) Farm Real Estate Market Survey conducted by Larry Janssen and Burton Pflueger, ag economists, South Dakota State University.

The rise pegs the value of non-irrigated South Dakota farmland at $1,179 an acre. Irrigated cropland, meanwhile, reached an average of $2,578 an acre, the survey showed, which is an increase of 15% compared to $2,240 reported the previous year.

The 5.2% annual gain is the slowest rate of increase since 1996, Janssen and Pfleuger report. From 2001 to 2008, agricultural land values increased more than 10% each year, including more than 20% in two years — 2005 and 2008. From 1991 to 2000, annual increases in South Dakota varied from 4% to 10%, they say.

Cropland values increased at a higher rate in 2009 than the gains indicated for other agricultural land types. Cropland values rose 6.8% statewide compared to gains of 4.6% for hayland and 1.9% for rangeland.

The strongest increases (gains in excess of 10% for each land use type) occurred in the north-central region. Increases were also positive in all land uses in the southeast and northwest regions. In all other regions, land value changes were mixed, with some combination of increases, stable values and decreases in per-acre values. For example, the value of dryland cropland and hayland decreased in both the southwest and south-central regions. The value of rangeland declined in the northeast, central and south-central regions.

From 2009 to 2010, statewide average cash rental rates increased for cropland and hayland and declined slightly for rangeland. The average cash rental rate increased $2.75 an acre (3.2%) for cropland and $1.35 an acre (2.7%) for hayland, but declined an average $1.20 per acre (6%) for rangeland, they report.

The statewide average cash rental rate for dryland cropland is $86.65 per acre. The highest average cash rent, $133.20 per acre, was reported in the east-central region. The lowest was $24.30 reported in the northwest region.

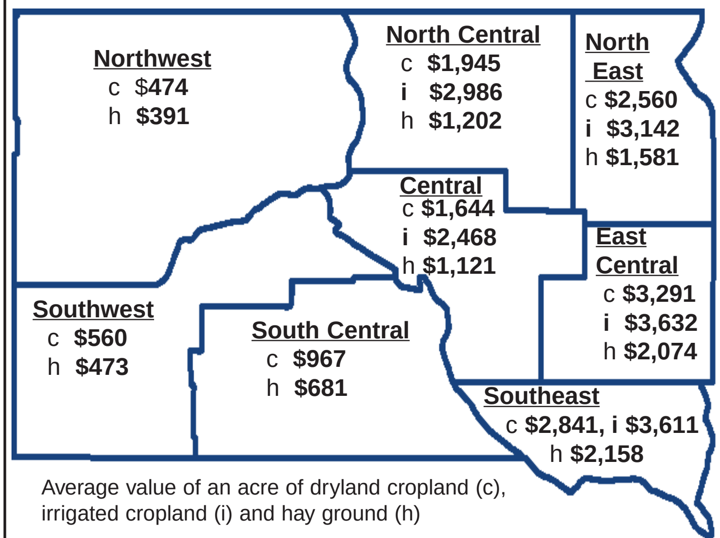
The statewide average cash rent for irrigated cropland is $125.70 per acre. The highest average rate is $141.90 per acre reported in the east-central region. The lowest is $90.70 reported for the three western districts — northwest, southwest and south-central.

The survey reported the statewide average cash rent for hay ground was $51.50 per acre. The highest rent was $92.40 per acre in the southeast region while the lowest rent was $18.60 in the northwest.

For pasture and rangeland, the survey reported a statewide average cash rent of $18.60 per acre. The highest rent was $50.70 per acre in the east-central region. The lowest was $10.45 in the northwest region.

The economists said the current average rates of cash return on South Dakota agricultural land is the lowest in any time in the past 20 years. The average ratio of gross cash rent to current land value for all agricultural land was 4.0%. It was 4.4% for non-irrigated cropland and 3.6% for rangeland. During the 1990s, the ratio was 7.4% for all agricultural land, 8% for cropland and 6.8% for rangeland.

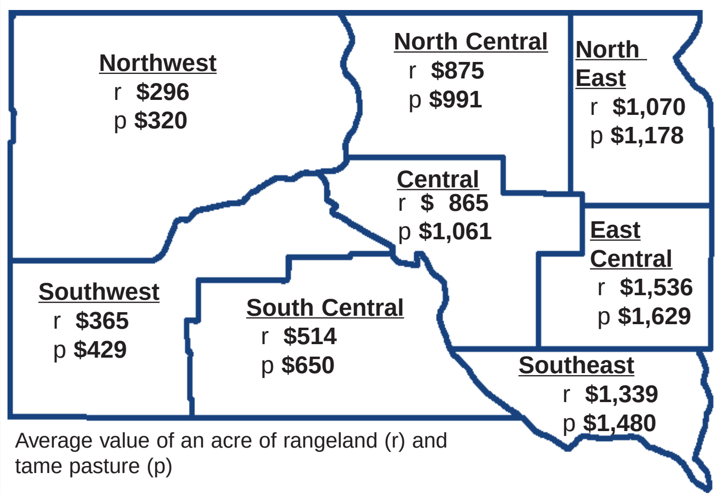
Average Value of South Dakota Cropland and Hayland by Region



Average value of an acre of dryland cropland (c), irrigated cropland (i) and hay ground (h)

Janssen and Pflueger, South Dakota State University

Average Value of South Dakota Rangeland and Pasture by Region



Average value of an acre of rangeland (r) and tame pasture (p)

Janssen and Pflueger, South Dakota State University

Signs of "Leveling Out" Seen North Dakota Land Values

The value of North Dakota cropland rose 5% in 2009, according to Andrew Swenson, North Dakota State University Extension Farm Management Specialist. His analysis is based on the survey of land values and cash rents conducted each year by the North Dakota Agricultural Statistics Service.

While higher, 2009's 5% gain suggests land values are beginning to level out, he says.

"This (5% increase) indicates a noticeable slowdown or leveling of land values when compared with the average annual increase of more than 12% during the previous six years," Swenson observes.

"There were only two periods during the past 100 years that have had longer periods of continuous, strong increases in land values," he continues. "There was an eight-year period (1942-1949) with an average annual increase of 10% and a nine-year period (1973-1981) that averaged a whopping 18% annual increase."

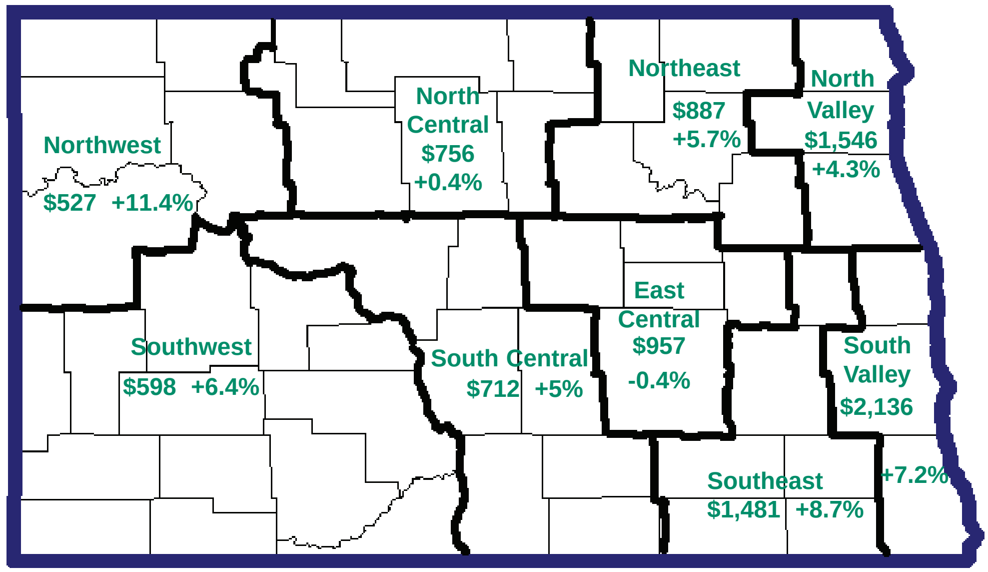
The largest percentage increase in cropland values was in the northwestern region which saw an 11.4% gain. That was followed by an increase of around 9% in the southeastern and 7% in the southern Red River Valley. Land values were basically flat in the north-central and east-central regions, but that followed gains of nearly 18% and 32%, respectively, the previous year.

"The big increase in the northwestern region was not surprising because that region had very strong yields in 2009 and land values had been lagging compared to other regions," Swenson says. "This region had the smallest total increase (60%) from the 2003 survey." During the same seven-year period (2003-2009), values in the southeast region nearly tripled, the east-central region rose 84% and the other five regions saw gains of 100% to 125%, he notes.

Cropland rents (January 2009 to January 2010) increased less than 2% on average. This was down from the prior year's strong increase of 7%. The percentage increases were the highest, 6% to 7%, in the southeast and south-central regions. The east-central region registered a decline of 2.4%. However, that follows a gain of 10% posted the prior year. The South Red River Valley reported the highest average rent — $85 an acre.

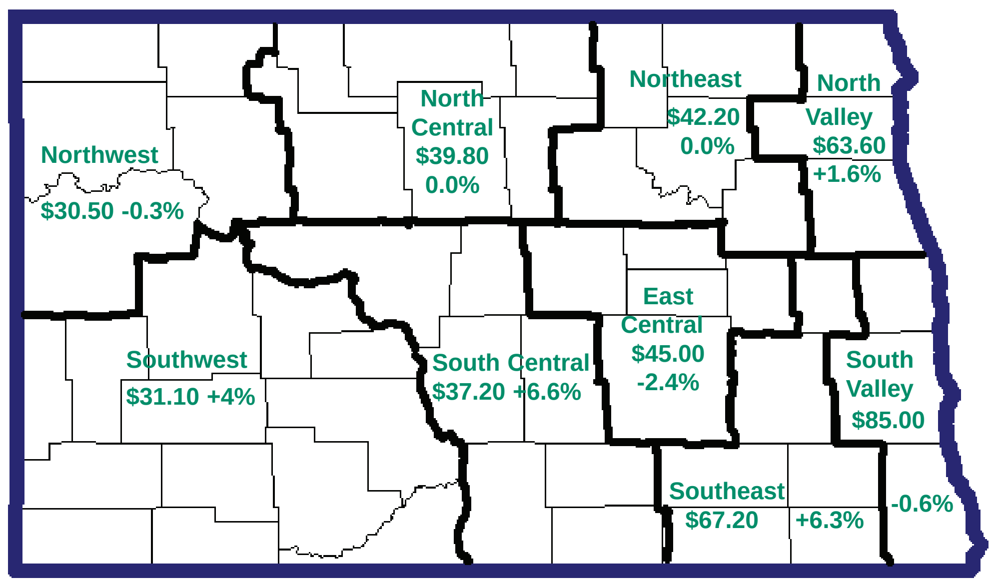
Swenson expects further leveling of land values for 2010. The biggest negative, he indicates, is projected crop profitability is the most challenging in several years. Interest rates are a plus, however, "Interest rates to finance land purchases are attractive while retuns and confidence on alternative investments have been weak," he says.

Cropland Posts 5% Gain Statewide



Andrew Swenson, North Dakota State University Extension

Cash Rents Rise Less Than 2% Statewide



Andrew Swenson, North Dakota State University Extension

Bank Survey Finds Gain In Midwest Land Values

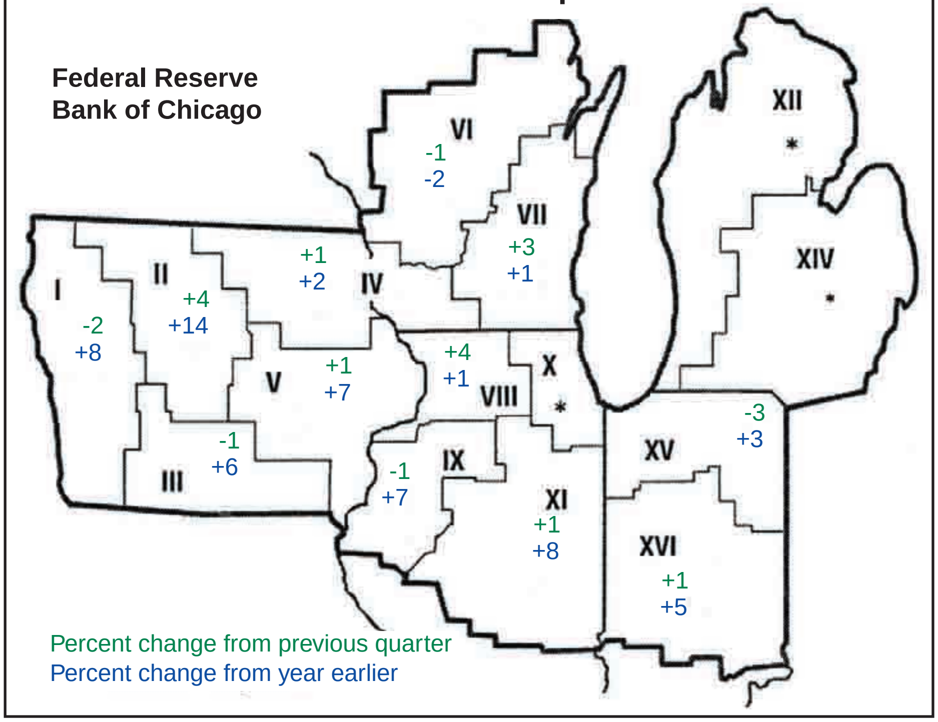
The value of good central Corn Belt agricultural land rose 6% through July 1 from the level of a year earlier, according to a survey conducted by the Federal Reserve Bank of Chicago. The Chicago Fed bank serves the northern two-thirds of Illinois and Indiana, all of Iowa, the lower peninsula of Michigan and southeastern Wisconsin.

Pacing the bank district's gain was Iowa, which reported an 8% annual gain. Illinois followed with an increase of 5% and Indiana posted a 4% boost. Wisconsin, however, reported values slipped 1% — a hold-over from the severe financial pressure experienced by the livestock industry.

The survey found values remained stable in the second quarter of 2010 compared to the first quarter.

The Fed bank noted land values rose 1% in Illinois compared to the previous quarter while both Indiana and Iowa reported no change in the value of land versus the first quarter. Wisconsin, however, did report a 2% gain in values compared to the first quarter of 2010 — a glimmer of positive news for the economically stressed state and an indicator some liquidity has returned to the livestock industry.

Central Corn Belt Values Up 6%



Percent Change

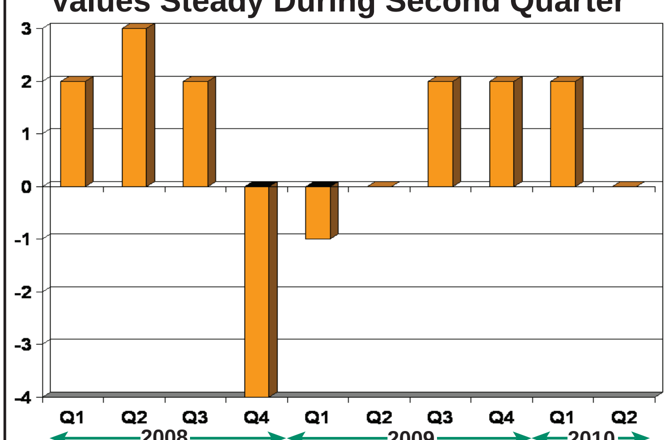
	Quarter*	Annual**
Illinois	+1%	+5%
Indiana	0	+4
Iowa	0	+8
Michigan	na	na
Wisconsin	+2	-1
District	**0%**	**+6%**

Federal Reserve Bank of Chicago
* versus previous quarter
** versus year earlier
na = too few responses

Looking ahead, the survey found an equal number of bankers expected land values to rise during the third quarter of 2010 as those who thought values would decline. But 85% anticipated land values would remain unchanged compared to the previous quarter.

Timing is the key when you look at annual percentage changes in land values. The chart below right, based on year ending June 30, shows values down 3% in 2009 due to the 4% and 1% declines recorded in the fourth quarter of 2008 and first quarter 2009, respectively. But, as the year moves forward and that fourth quarter 2008 figure drops out of calculations, the chart picture changes. The Fed bank shows values rose 2% in 2009 on a calendar-year basis.

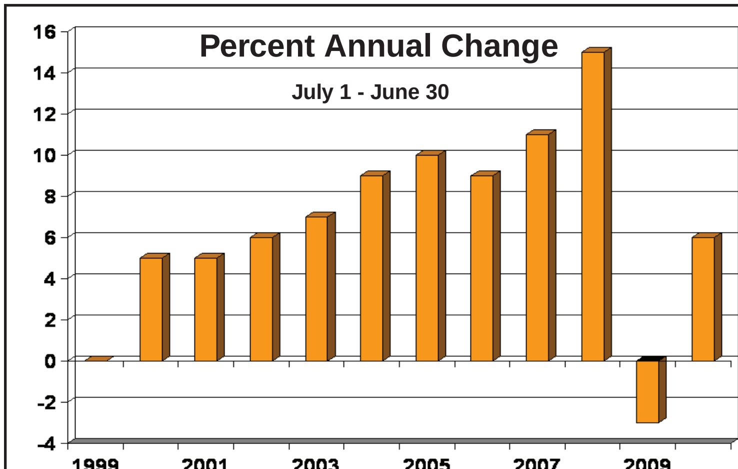
Values Steady During Second Quarter



Federal Reserve Bank of Chicago

Percent Annual Change

July 1 - June 30



Federal Reserve Bank of Chicago

Continued Rise In Farmland Values Noted In Plains States

The value of cropland in the Central and Southern Plains continued to rise during the second quarter of 2010, according to the Federal Reserve Bank of Kansas City. The value of ranchland overall also rose, however, mixed results were noted between states.

The Fed bank routinely surveys agricultural bankers in the seven states it serves — Colorado, Kansas, northwest Missouri, Nebraska, northern New Mexico, Oklahoma, and Wyoming. Compared to the first quarter of 2010, dryland cropland edged up a slight 0.3% while irrigated cropland rose 1.4%. Ranchland posted a gain of 1.2% versus the previous quarter. When compared to a year earlier, ranchland values were up 1%, dryland cropland was 4.8% higher and irrigated cropland was up 5.6%.

The Fed Bank said sustained profits in livestock and improved pasture conditions were the primary drivers behind the gains in ranchland values versus a year ago. The Bank also said demand for farmland from both farmers and non-farm investors "was active" and noted most survey respondents said very few farms were for sale.

The bank reported dryland cropland averaged $1,340 an acre in Kansas, $2,514 in northwestern Missouri, $2,098 in Nebraska, $1,061 in Oklahoma and $945 in the three Mountain states. Irrigated cropland was pegged at $2,052 an acre in Kansas, $2,610 in Missouri, $3,301 in Nebraska, $1,357 in Oklahoma and $1,915 in the Mountain states. Ranchland was listed at $771 an acre in Kansas, $1,605 in northwest Missouri, $773 in Nebraska, $822 in Oklahoma and $331 an acre in the Mountain States.

Ranchland Values Post Gains Of Nearly 2%

(Percent Annual Increase)

	Non-irrigated	Irrigated	Ranchland
Kansas	6.6%	9.2%	-1.1%
Missouri	0.6	n.a.**	n.a.**
Nebraska	6.6	6.4	-1.5
Oklahoma	3.3	n.a.**	7.8
Mtn. States*	n.a.**	3.0	8.3
District	**4.8**	**5.6**	**1.0**

*Mountain States: Colorado, New Mexico and Wyoming

Source: Federal Reserve Bank of Kansas City

** not enough responses to be reported

2% Increases Reported During 2nd Quarter 2010

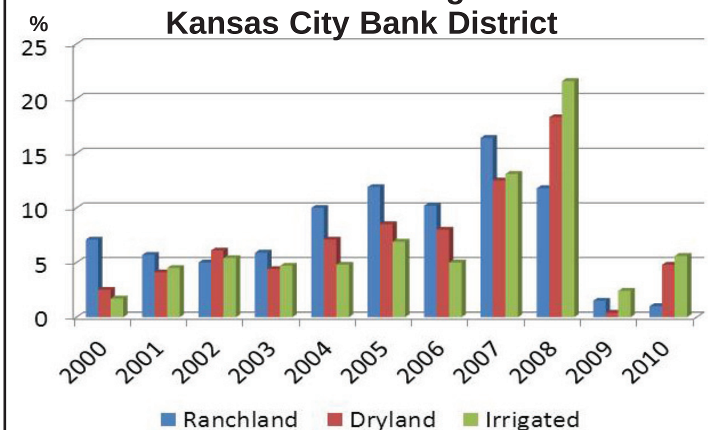
(Versus previous quarter)

	Non-irrigated	Irrigated	Ranchland
Kansas	0.0%	0.4%	0.6%
Missouri	-1.9	-1.5	-0.2
Nebraska	1.2	1.3	0.5
Oklahoma	1.6	4.9	4.3
Mtn. States*	0.9	2.8	3.1
District	**0.2**	**1.4**	**1.2**

*Mountain States: Colorado, New Mexico and Wyoming

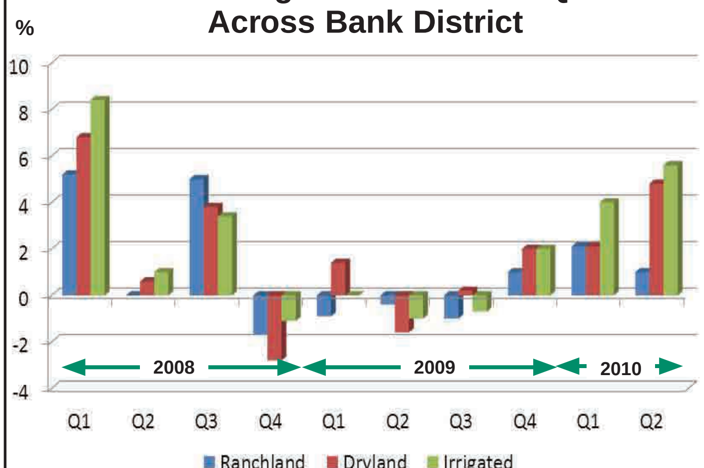
Source: Federal Reserve Bank of Kansas City

Percent Annual Change Across Kansas City Bank District



Federal Reserve Bank of Kansas City

Percent Change from Previous Quarter Across Bank District



Federal Reserve Bank of Kansas City

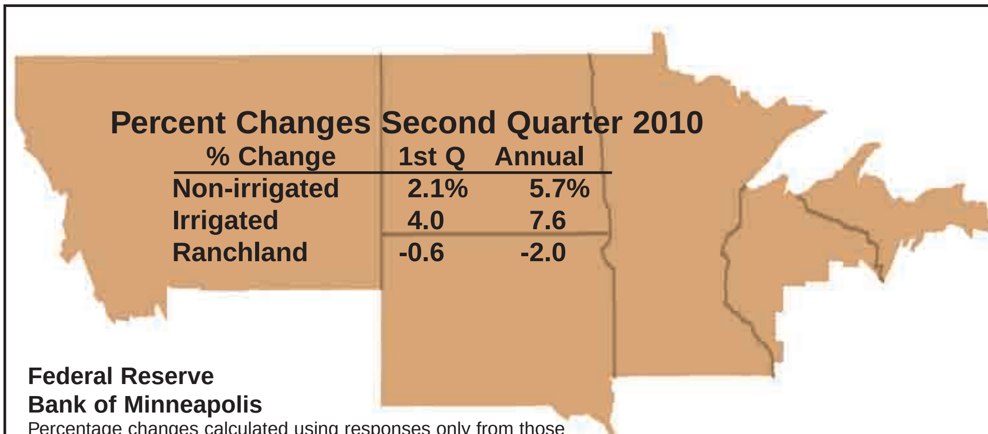
Cropland Values Rise 6% to 8% In Northern Midwest

Cropland values in the upper Midwest rose at an annual pace of 6% to 8% as of June 30, while ranchland values dropped 2%. That's according to a survey of ag bankers conducted by the Federal Reserve Bank of Minneapolis, which serves bankers in Minnesota, Montana, the Dakotas and northwestern Wisconsin.

Strongest gains were noted in the value of irrigated cropland, which rose at an average of 8% for the year ending June 30. Irrigated cropland jumped nearly 15% in Wisconsin and 11% in North Dakota. However, a slight decrease of 0.5% was reported in Montana.

Gains were noted in the value of non-irrigated cropland through all five agricultural states served by the Fed bank. Montana listed the slimest gain (1%) and South Dakota sported the heftiest increase at 8.5%.

A mostly negative pattern was noted in the value of ranchland. North Dakota was the only state to record an increase — 1.6%. The other four states listed declines. Montana reported the sharpest decline, -6.4%.



Percent Changes Second Quarter 2010

% Change	1st Q	Annual
Non-irrigated	2.1%	5.7%
Irrigated	4.0	7.6
Ranchland	-0.6	-2.0

Federal Reserve Bank of Minneapolis
Percentage changes calculated using responses only from those banks reporting in past and the current quarter.

Average Land Value by State and by Type

	Minnesota	Montana	N. Dakota	S. Dakota	Wisconsin
Non-irrigated	$4,004	$ 693	$1,074	$2,649	$2,937
Irrigated	3,900	1,464	2,217	3,400	3,390
Ranchland	1,776	418	394	1,301	2,271

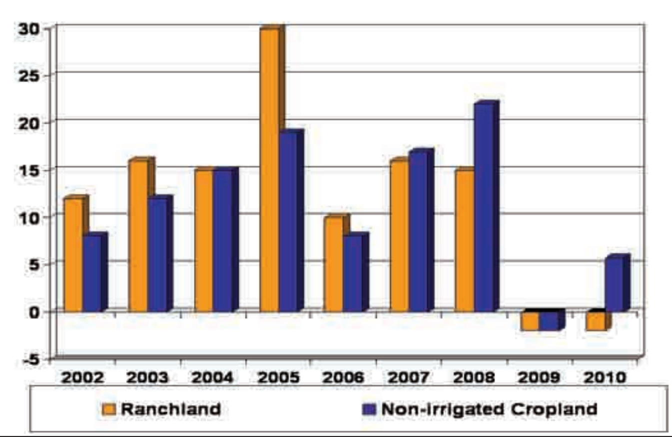
Federal Reserve Bank of Minneapolis survey.
Average values include all banks responding to current survey.

Quarterly and Annual % Changes by State

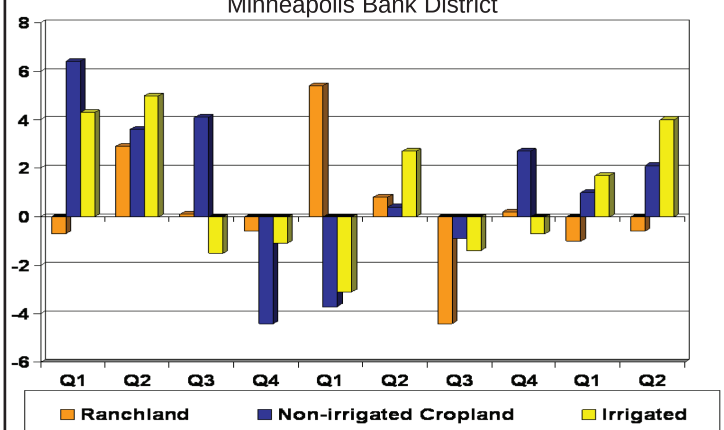
	Quarterly			Annual		
	Non-irrigated	Irrigated	Ranchland	Non-irrigated	Irrigated	Ranchland
Minnesota	2.3%	8.8%	4.0%	4.8%	4.8%	-2.1%
Montana	2.8	-1.2	-1.5	1.0	-0.5	-6.4
N. Dakota	0.1	-1.7	1.4	4.8	10.8	1.6
S. Dakota	1.2	5.0	-5.1	8.5	8.2	-0.7
Wisconsin	4.5	3.6	-0.3	6.8	14.9	-4.8

Percent change includes only those banks responding to both the current and year-ago survey. Caution: Extremely small sample size for Montana and North Dakota.
Federal Reserve Bank of Minneapolis survey.

Percent Annual Change Across Minneapolis Bank District
July - June basis

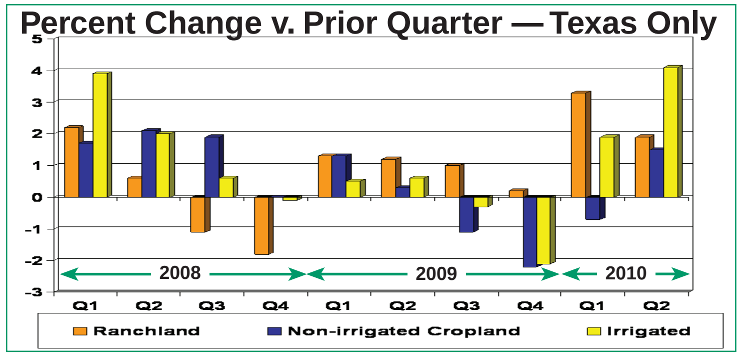


Percent Change By Quarter January 2008 - June 2010
Minneapolis Bank District



Texas Ranch, Cropland Values Rise Versus Prior Quarter

The value of Texas ranch and irrigated cropland continued to firm during the second quarter of 2010, according to a survey conducted the Federal Reserve Bank of Dallas. The bank, which serves all of Texas, southern New Mexico and northern Louisiana, found the value of irrigated cropland and ranchland rose 4% and 10%, respectively. Texas dryland cropland, however, reported a 3% decline. However, the survey found Texas dryland cropland rose 1.5% versus the previous quarter while irrigated cropland rose 4.1% and ranchland gained 1.9%.



Dryland Values Slip 2%

	Average Value	Prior Quarter	Prior Year
	$ per acre	*% change*	
1. Northern High Plains	$493	1.8%	3.5%
2. Southern High Plains	473	0.2	-3.3
3. Northern Low Plains	616	2.9	16.5
4. Southern Low Plains	809	-2.1	1.9
5. Cross Timbers	1,258	-3.0	-5.2
6. North Central Texas	1,988	-1.3	-10.3
7. East Texas	1,811	3.8	1.7
8. Central Texas	2,682	2.1	-2.3
9. Coastal Texas	1,219	-0.4	-17.6
10. South Texas	n.r.	n.r.	n.r.
11. Trans-Pecos and Edwards Plateau	1,142	4.3	1.9
Texas	**$1,306**	**1.5%**	**-3.2%**
12. Southern New Mexico	425	10.1	-2.3
13. Northern Louisiana	1,417	4.6	10.2
Entire District	**$1,306**	**1.7%**	**-2.2%**

n.r. = not enough reported

Ranchland Values Rise 10%

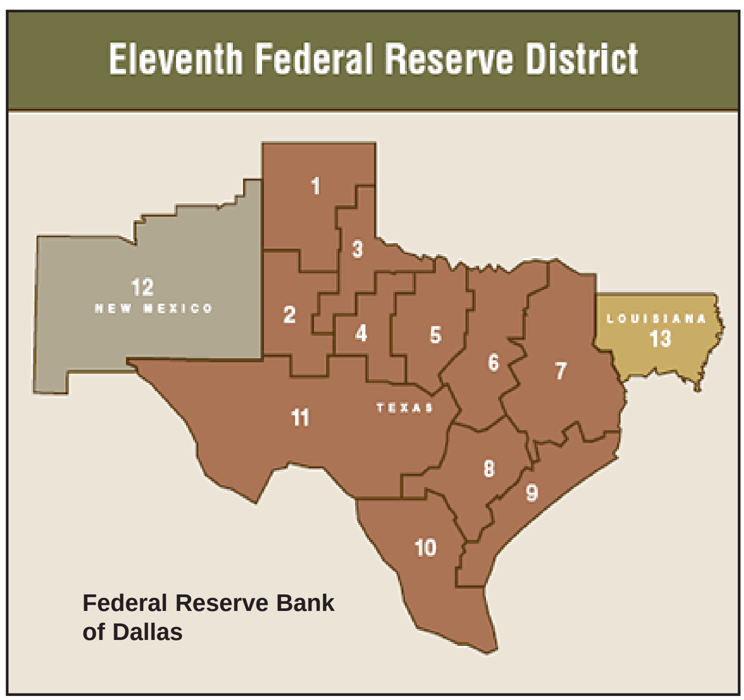
	Average Value	Prior Quarter	Prior Year
	$ per acre	*% change*	
1. Northern High Plains	$394	-0.1%	4.9%
2. Southern High Plains	361	-4.4	-11.8
3. Northern Low Plains	641	-1.8	21.3
4. Southern Low Plains	882	-2.2	6.1
5. Cross Timbers	1,820	-2.3	3.2
6. North Central Texas	2,243	1.3	-5.5
7. East Texas	1,940	-0.9	7.4
8. Central Texas	3,444	2.5	3.0
9. Coastal Texas	1,314	11.7	1.3
10. South Texas	n.r.	n.r.	n.r.
11.Trans-Pecos and Edwards Plateau	1,660	0.5	17.3
Texas	**$1,610**	**1.9%**	**9.2%**
12. Southern New Mexico	257	2.2	19.9
13. Northern Louisiana	946	1.2	-5.4
Entire District	**$1,260**	**3.0%**	**10.8%**

n.r. = not enough reported

Irrigated Land Rise 4%

	Average Value	Prior Quarter	Prior Year
	$ per acre	*% change*	
1. Northern High Plains	$1,152	1.7%	8.0%
2. Southern High Plains	1,090	0.3	1.5
3. Northern Low Plains	1,063	2.9	10.7
4. Southern Low Plains	1,192	1.0	-1.3
5. Cross Timbers	2,173	-4.4	5.2
6. North Central Texas	n.r.	n.r.	n.r.
7. East Texas	n.r.	n.r.	n.r.
8. Central Texas	2,713	5.9	-7.6
9. Coastal Texas	1,673	7.1	1.8
10. South Texas	n.r.	n.r.	n.r.
11. Trans-Pecos and Edwards Plateau	2,282	3.4	8.8
Texas	**$1,405**	**4.1%**	**6.1%**
12. Southern New Mexico	1,945	-1.5	-3.5
13. Northern Louisiana	1,605	-5.9	-5.1
Entire District	**$1,459**	**2.8%**	**4.2%**

n.r. = not enough reported



Highlights From USDA's Annual Land Survey

USDA's annual survey of farmland values found an increase in the value of cropland versus a year ago. The survey indicated cropland values rose by $30 per acre nationwide, or 1.1%, to an average value of $2,700 an acre as of January 1, 2010.

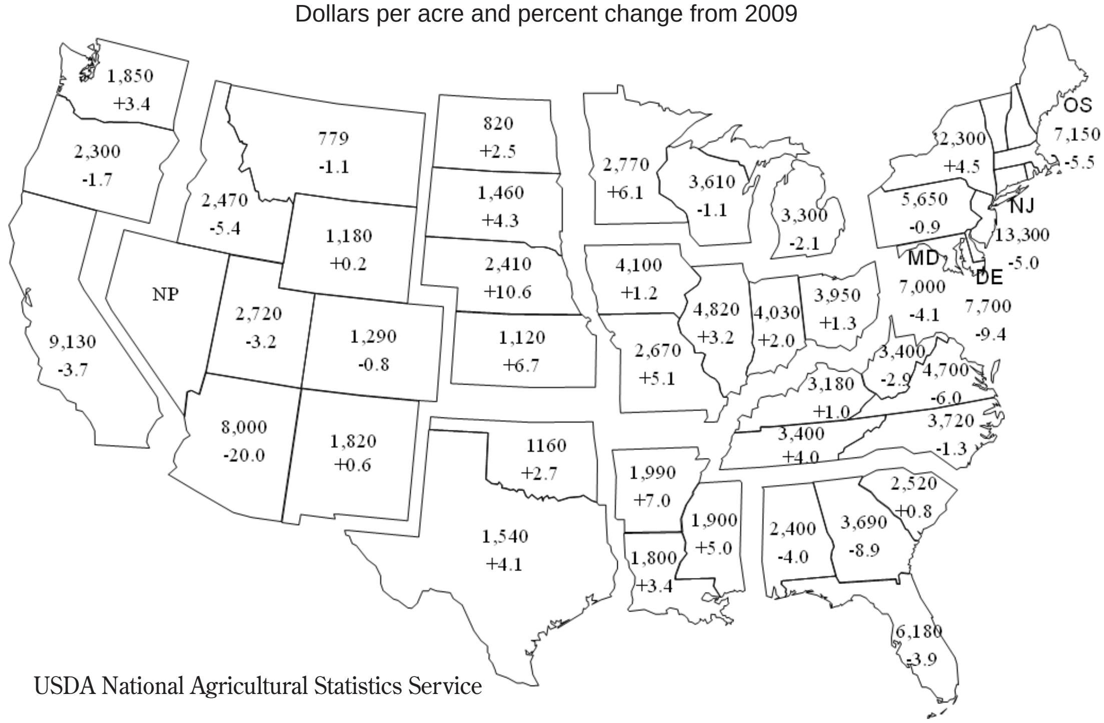
Strongest gains were found in the Northern Plains and Delta regions, which reported values rose by 6.9% and 6.1%, respectively, from the previous year. Nebraska reported the steepest gain, 10.6%, at an average value of $2,410 an acre. Kansas followed with a rise of 6.7% and an average value of $1,120 an acre. South Dakota reported an increase of 4.3% an acre and North Dakota listed a gain of 2.5% an acre.

In the Delta, Arkansas said cropland values rose 7% to an average of $1,990 an acre. Mississippi followed with a gain of 5% and Louisiana reported an increase of 4.1% versus 2009.

The Southeast and Mountain regions, however, reported declines of 5.3% and 5%, respectively, versus a year earlier.

2010 Cropland Value By State

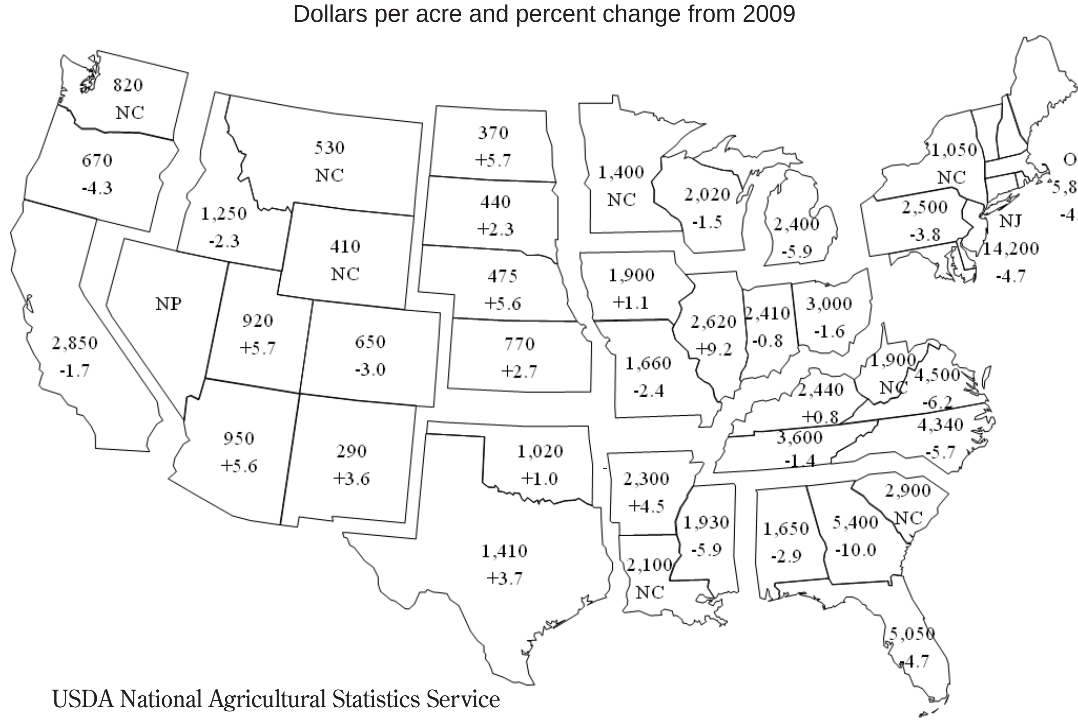
Dollars per acre and percent change from 2009



USDA National Agricultural Statistics Service

2010 Pasture Value By State

Dollars per acre and percent change from 2009



USDA National Agricultural Statistics Service

USDA reported pasture values remained unchanged from 2009 at a national average of $1,070 per acre. The Southeast had the largest percentage decrease, 5.6% versus 2009, while the Northern Plains had the highest percentage increase, at 3.8% above 2009.

USDA Pegs Average Land Values on January 1 and Annual Change

	Farmland	%	All Cropland	%	Cropland Irrigated	%	Cropland Non-irrigated	%	Pasture	%
Northeast:	**$4,690**	**-2.9%**	**$5,220**	**-2.2%**	—	—	—	—	**$3,150**	**-3.7%**
Connecticut	11,500	-4.2	—	—	—	—	—	—	—	—
Delaware	8,100	-9.0	7,700	-9.4	—	—	—	—	—	—
Maine	2,000	-4.8	—	—	—	—	—	—	—	—
Maryland	7,200	-4.0	7,000	-4.1	—	—	—	—	—	—
Massachusetts	11,600	-3.3	—	—	—	—	—	—	—	—
New Hampshire	4,750	-1.0	—	—	—	—	—	—	—	—
New Jersey	13,100	-5.1	13,300	-5.0	—	—	—	—	14,200	-4.7
New York	2,400	0.0	2,300	4.5	—	—	—	—	1,050	0.0
Pennsylvania	5,000	-2.0	5,650	-0.9	—	—	—	—	2,500	-3.8
Rhode Island	13,600	-11.1	—	—	—	—	—	—	—	—
Vermont	2,750	-1.8	—	—	—	—	—	—	—	—
Lake States:	**3,300**	**0.0**	**3,090**	**2.3**	—	—	—	—	**1,760**	**-1.7**
Michigan	3,650	-2.7	3,300	-2.1	—	—	—	—	2,400	-5.9
Minnesota	2,940	2.4	2,770	6.1	—	—	—	—	1,400	0.0
Wisconsin	3,720	-0.8	3,610	-1.1	—	—	—	—	2,020	-1.5
Corn Belt:	**3,680**	**1.7**	**4,000**	**2.3**	—	—	—	—	**1,940**	**-0.5**
Illinois	4,650	2.6	4,820	3.2	—	—	—	—	2,620	9.2
Indiana	4,100	2.0	4,030	2.0	—	—	—	—	2,410	-0.8
Iowa	3,900	1.3	4,100	1.2	—	—	—	—	1,900	1.1
Missouri	2,250	2.3	2,670	5.1	3,120	2.3	2,630	5.2	1,660	-2.4
Ohio	3,900	0.5	3,950	1.3	—	—	—	—	3,000	-1.6
Northern Plains:	**1,070**	**4.9**	**1,390**	**6.9**	—	—	—	—	**515**	**3.8**
Kansas	1,060	2.9	1,120	6.7	1,550	3.3	1,070	7.0	770	2.7
Nebraska	1,460	9.0	2,410	10.6	3,050	13.0	2,000	8.1	475	5.6
North Dakota	810	3.8	820	2.5	—	—	—	—	370	5.7
South Dakota	920	3.4	1,460	4.3	—	—	1,450	4.3	440	2.3
Appalachian:	**3,520**	**-0.3**	**3,590**	**-0.3**	—	—	—	—	**3,300**	**-2.9**
Kentucky	2,880	1.1	3,180	1.0	—	—	—	—	2,440	0.8
North Carolina	4,130	-2.8	3,720	-1.3	—	—	—	—	4,340	-5.7
Tennessee	3,450	4.5	3,400	4.0	—	—	—	—	3,600	-1.4
Virginia	4,600	-4.2	4,700	-6.0	—	—	—	—	4,500	-6.3
West Virginia	2,400	0.0	3,400	-2.9	—	—	—	—	1,900	0.0
Southeast:	**3,570**	**-3.3**	**3,750**	**-5.3**	—	—	—	—	**4,030**	**-5.6**
Alabama	2,100	-2.3	2,400	-4.0	—	—	—	—	1,650	-2.9
Florida	5,000	-2.9	6,180	-3.9	6,700	-4.3	5,700	-3.4	5,050	-4.7
Georgia	3,900	-4.9	3,690	-8.9	3,300	-5.7	3,800	-9.5	5,400	-10.0
South Carolina	2,900	0.0	2,520	0.8	—	—	—	—	2,900	0.0
Delta States:	**2,230**	**3.2**	**1,920**	**6.1**	—	—	—	—	**2,140**	**0.5**
Arkansas	2,500	4.6	1,990	7.0	2,250	7.1	1,700	6.3	2,300	4.5
Louisiana	2,050	4.1	1,800	3.4	1,700	13.3	1,830	1.7	2,100	0.0
Mississippi	2,030	1.5	1,900	5.0	1,970	7.7	1,880	4.4	1,930	-5.9
Southern Plains:	**1,530**	**4.1**	**1,430**	**3.6**	—	—	—	—	**1,340**	**3.1**
Oklahoma	1,180	0.9	1,160	2.7	—	—	1,150	2.7	1,020	1.0
Texas	1,630	5.2	1,540	4.1	1,700	0.0	1,510	4.1	1,410	3.7
Mountain:	**911**	**-1.2**	**1,530**	**-5.0**	—	—	—	—	**518**	**0.2**
Arizona	3,500	0.0	8,000	-20.0	8,000	-20.0	—	—	950	5.6
Colorado	1,080	-1.8	1,290	-0.8	3,100	-1.6	840	—	650	-3.0
Idaho	2,100	-4.5	2,470	-5.4	3,800	-5.0	1,220	-6.2	1,250	-2.3
Montana	700	0.0	779	-1.0	2,700	-3.6	600	—	530	0.0
Nevada	1,000	0.0	—	—	—	—	—	—	—	—
New Mexico	480	0.0	1,820	0.6	5,500	0.2	400	—	290	3.6
Utah	1,810	0.6	2,720	-3.2	5,050	-2.9	1,040	-3.7	920	5.7
Wyoming	510	-1.9	1,180	0.0	1,930	1.6	690	-1.4	410	0.0
Pacific:	**4,050**	**1.0**	**5,070**	**-2.7**	—	—	—	—	**1,700**	**-1.7**
California	6,700	1.5	9,130	-3.7	11,100	-4.3	3,500	2.9	2,850	-1.7
Oregon	1,780	-1.1	2,300	-1.7	3,620	-1.6	1,820	-1.6	670	-4.3
Washington	2,030	1.5	1,850	3.4	4,500	7.1	1,150	—	820	0.0
48 States	**2,140**	**1.4**	**2,700**	**1.1**	**—**	**—**	**—**	**—**	**1,070**	**0.0**

Highlights From USDA's Annual Cash Rent Survey

USDA's annual survey of farmland values and cash rents also found average rents for cropland rose by $3 an acre, up 3% nationally, while pasture rents remained unchanged.

Cropland cash rents averaged $102 an acre compared to 2009. Pasture rents averaged $11 per acre.

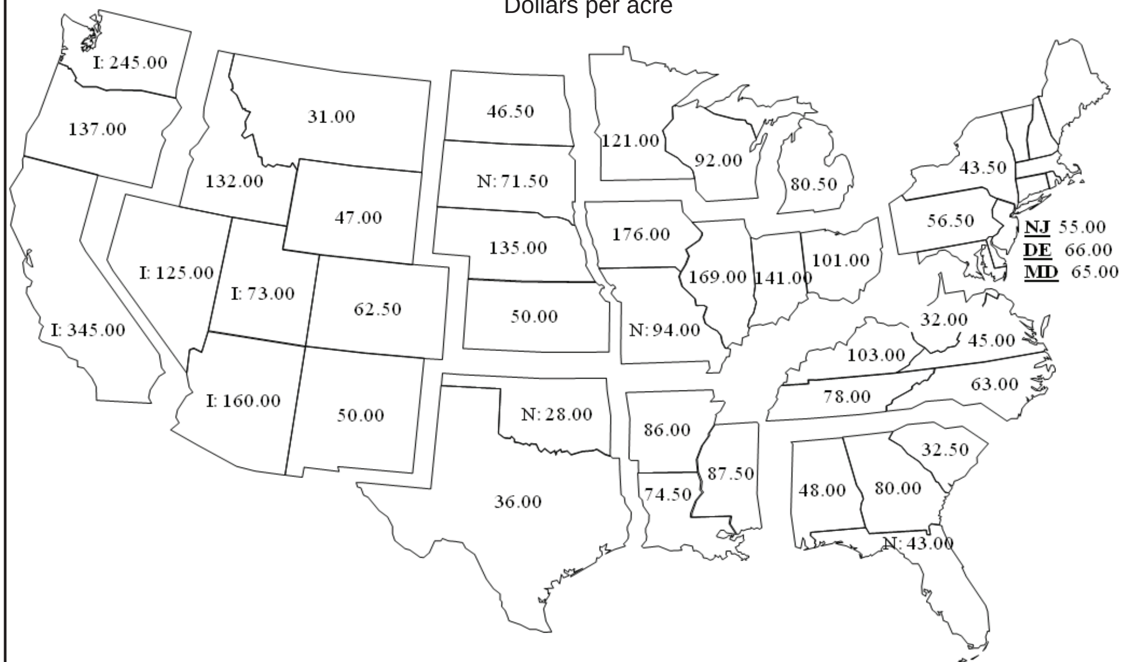
The Appalachian region had the highest percentage increase in cropland rents, rising 7.6% above the previous year. Cropland cash rents rose $2.50 an acre in the Northern Plains to an average of $71 an acre. Average rents increased $3 an acre in the Corn Belt region to $152 an acre. The Corn Belt and Northern Plains regions account for slightly more than half of cash rented cropland in the U.S.

Illinois saw average cash rents rise 3.7% to an average of $169 an acre. Indiana and Iowa both reported 1% gains in cropland cash rents to $141 and $176 an acre, respectively.

Missouri reported an average cash rent of $94 an acre while Ohio listed an average cash rent of $101 an acre.

2010 Cropland Cash Rent By State

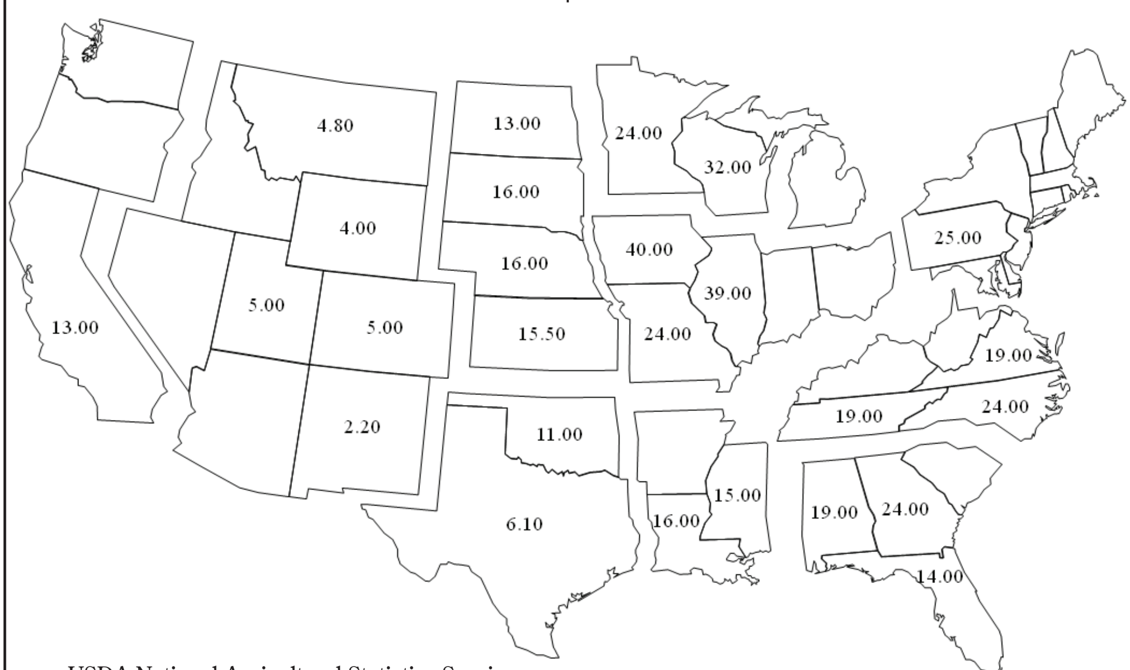
Dollars per acre



USDA National Agricultural Statistics Service

2010 Pasture Cash Rent By State

Dollars per acre



USDA National Agricultural Statistics Service

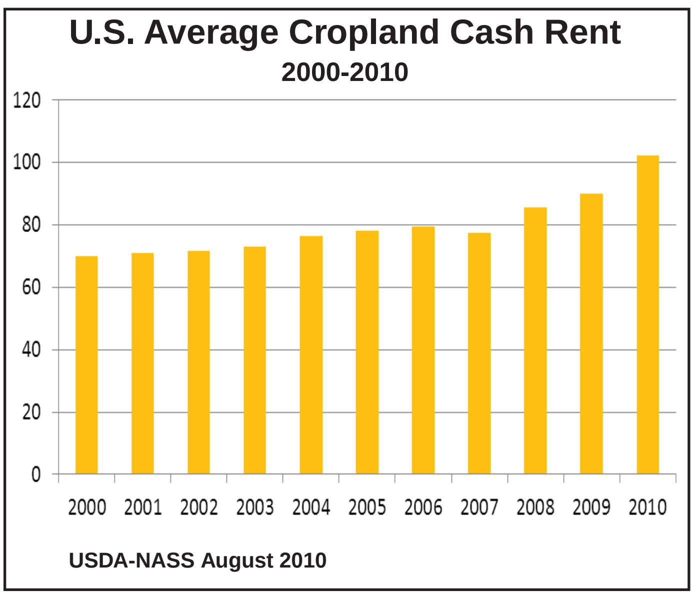
In the Northern Plains region, Nebraska listed an average cash rent of $135 an acre, up 5.5% from 2009. South Dakota reported an average cash rent of $71.50 an acre. Minnesota listed an average cash rent of $121 an acre, up 7%.

USDA Cites Average 2010 Cash Rents

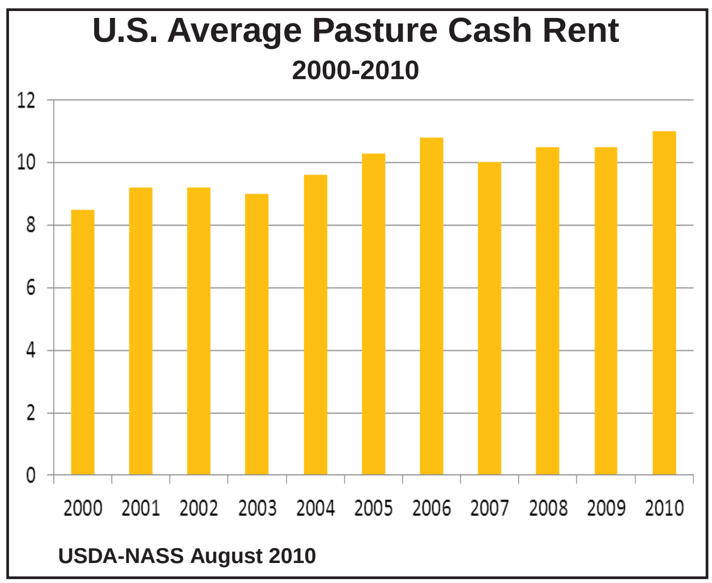
	All Cropland			Pasture		
	2008	2009	2010	2008	2009	2010
Northeast:	**$51.50**	**$54.50**	**$53.50**	**$27.00**	**$30.00**	**$25.50**
Connecticut	—	—	—	—	—	—
Delaware	72.00	70.00	66.00	—	—	—
Maine	—	—	—	—	—	—
Maryland	66.50	68.50	65.00	—	—	—
Massachusetts	—	—	—	—	—	—
New Hampshire	—	—	—	—	—	—
New Jersey	52.50	55.00	55.00	—	—	—
New York	41.50	44.00	43.50	—	—	—
Pennsylvania	55.00	55.00	56.50	—	—	—
Rhode Island	—	—	—	—	—	—
Vermont	—	—	—	—	—	—
Lake States:	**97.00**	**101.00**	**107.00**	**29.00**	**27.50**	**27.00**
Michigan	78.00	81.00	80.50	—	—	—
Minnesota	109.00	113.00	121.00	21.00	22.50	24.00
Wisconsin	85.00	87.00	92.00	36.00	36.00	32.00
Corn Belt:	**139.00**	**149.00**	**152.00**	**32.00**	**31.00**	**29.50**
Illinois	163.00	163.00	169.00	37.00	35.00	39.00
Indiana	135.00	139.00	141.00	—	—	—
Iowa	170.00	175.00	176.00	42.00	43.00	40.00
Missouri	80.00	90.00	94.00	26.00	25.00	24.00
Ohio	100.00	101.00	101.00	—	—	—
Northern Plains:	**66.00**	**68.50**	**71.00**	**15.50**	**15.50**	**15.50**
Kansas	47.50	48.00	50.00	15.50	15.50	15.50
Nebraska	121.00	128.00	135.00	15.50	16.00	16.00
North Dakota	42.50	45.50	46.50	13.50	14.00	13.00
South Dakota	64.00	71.50	71.50	15.90	17.00	16.00
Appalachian:	**63.50**	**66.00**	**71.00**	**23.00**	**20.50**	**20.00**
Kentucky	78.50	93.50	103.00	—	—	—
North Carolina	57.50	61.00	63.00	29.00	24.00	24.00
Tennessee	68.50	73.00	78.00	22.00	20.00	19.00
Virginia	40.50	43.50	45.00	21.00	19.00	19.00
West Virginia	28.00	28.00	32.00	—	—	—
Southeast:	**66.00**	**60.00**	**62.00**	**23.50**	**20.50**	**18.00**
Alabama	43.00	48.00	48.00	19.50	19.50	19.00
Florida	40.00	45.00	43.00	25.00	18.00	14.00
Georgia	65.00	76.50	80.00	27.00	25.00	24.00
South Carolina	32.50	34.00	32.50	—	—	—
Delta States:	**78.00**	**80.50**	**84.00**	**21.50**	**17.50**	**16.00**
Arkansas	79.50	82.50	86.00	—	—	—
Louisiana	73.00	73.50	74.50	27.00	16.00	16.00
Mississippi	80.50	82.50	87.50	18.50	16.00	15.00
Southern Plains:	**31.00**	**33.00**	**33.50**	**7.20**	**6.90**	**7.00**
Oklahoma	28.00	28.00	28.00	10.50	10.50	11.00
Texas	31.50	34.50	36.00	6.50	6.20	6.10
Mountain:	**45.50**	**58.00**	**75.00**	**4.50**	**4.40**	**4.30**
Arizona	180.00	170.00	160.00	—	—	—
Colorado	41.00	62.50	62.50	5.50	5.50	5.00
Idaho	98.50	130.00	132.00	—	—	—
Montana	24.50	28.50	31.00	6.50	4.70	4.80
Nevada	—	—	—	—	—	—
New Mexico	—	—	—	2.70	2.40	2.20
Utah	65.00	70.00	73.00	4.80	4.80	5.00
Wyoming	—	—	—	4.00	4.00	4.00
Pacific:	**187.00**	**223.00**	**219.00**	**18.50**	**16.50**	**14.50**
California	360.00	350.00	345.00	15.00	14.00	13.00
Oregon	107.00	141.00	137.00	—	—	—
Washington	250.00	245.00	245.00	—	—	—
48 States	**85.50**	**99.00**	**102.00**	**10.50**	**11.00**	**11.00**

USDA Cites Average 2010 Cash Rents

	Irrigated Cropland			Non-Irrigated Cropland		
	2008	2009	2010	2008	2009	2010
Corn Belt:	—	—	—	—	—	—
Missouri	—	—	—	80.00	90.00	94.00
Northern Plains:	—	—	—	—	—	—
Kansas	92.00	89.00	95.00	42.50	43.50	43.50
Nebraska	158.00	163.00	170.00	97.00	97.00	103.00
South Dakota	—	—	—	64.00	71.50	71.50
Southeast:	—	—	—	—	—	—
Florida	—	—	—	40.00	45.00	43.00
Georgia	125.00	143.00	141.00	48.00	49.00	51.00
Delta States:	—	—	—	—	—	—
Arkansas	97.00	100.00	103.00	60.00	52.00	51.00
Louisiana	97.00	85.00	87.00	67.00	66.00	66.00
Mississippi	103.00	100.00	105.00	73.00	67.00	72.00
Southern Plains:	—	—	—	—	—	—
Oklahoma	—	—	—	28.00	28.00	28.00
Texas	80.00	77.00	75.00	24.00	25.00	26.00
Mountain:	—	—	—	—	—	—
Arizona	180.00	170.00	160.00	—	—	—
Colorado	110.00	110.00	110.00	24.00	24.00	23.00
Idaho	145.00	160.00	160.00	55.00	57.00	60.00
Montana	—	—	—	20.50	21.50	22.00
Utah	65.00	70.00	73.00	—	—	—
Pacific:	—	—	—	—	—	—
California	360.00	350.00	345.00	—	—	—
Oregon	195.00	195.00	190.00	75.00	88.00	80.00
Washington	250.00	245.00	245.00	—	—	—



USDA pegs the national average cash rent for cropland at $102 an acre, up 3% versus 2009's $99. Except for the slight setback in 2007, average cash rent for cropland has marched steadily higher since 2000 — up 46% versus 2000's $70 average. And, it is up 53% from the $66.50 average reported in 1998.



Year-to-year changes in average pasture cash rents are somewhat more erractic than the normal annual increases seen in cropland cash rents. However, 2010's average annual rate of $11.00 per acre is up 29% versus 2000 ($8.50 average) and is up 25% versus 1998's $8.80 national average.

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