Farmland Values and Rents

by: Capital Agricultural Property Services, Inc. (CAPS)

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MidSouth

LAND VALUE MARKET RANGES PER ACRE

Crops	Mo.	Ark.	Miss.	La.
Cotton	$1,500-$2,300	$1,200-$1,800	$1,200-$1,900	$ 900-$1,400
Rice	$1,200-$1,600	$1,000-$1,500	$ 800-$1,200	$ 700-$1,000
Soybeans	$1,000-$1,300	$ 750-$1,000	$ 700-$ 900	$ 600-$ 900
Sugar cane				$1,500-$2,100

- Values for good quality, well-developed land are surprisingly stable. Low commodity prices have not affected values for this type of land as much as expected. Marginal quality land prices have also remained steady. Cotton land and precision-leveled rice land still command the highest prices.
- Market ranges reflect degree of development (i.e., drainage, leveling, irrigation) and government payments.
- Good demand for hunting/recreation land, but buyers are becoming more selective. The market is very anxious for another Wetland Reserve Program/Conservation Reserve Program sign-up.
- Sugar cane land values are fairly stable. Record yields and imports from Mexico are pressuring the market down. Some mills have closed.
- Overall ag economy negatively affected by record low commodity prices and uncertainty of a new farm bill.

RENTS

Cotton	$100-$140 per acre cash rent
Rice	$90-$125 per acre cash rent
Soybeans/Corn	Majority of the land is rented on a 25%-30% net share to owner

- Low commodity prices have pressured rental rates, but additional government payments during the past four years have been a stabilizing factor. Rental rates are expected to be stable for 2002.
- Many owners are continuing to invest in improving irrigation capability, despite low commodity prices.
- Land market was very active early in the year, but has been slow during the second half, especially since Sept. 11.
- Majority of land sale transactions during the second half involve 1031 tax deferred exchanges.

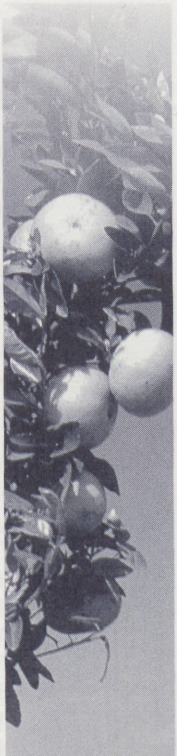
- Owners are continuing to develop property through land leveling, drainage and irrigation. Interest in and implementation of tailwater recovery systems and reservoirs are increasing.
- Changes in state laws have affected landowners' rights as automatic first lien holders, which may impact rent collection. A professional should be consulted.
- Hunting leases continue to expand and are contributing significant income to owners.

Southeast-Florida

LAND VALUE MARKET RANGES PER ACRE

Crops

Native pasture	$ 890-$1,400
Improved pasture	$1,000-$2,500
High prod. orange groves	$6,000-$8,000
Low prod. orange groves	$2,500-$4,500
Grapefruit	$3,000-$5,000
Permitted dev. land	$ 800-$1,500
Timber	$1,000-$2,000
Sugar cane	$3,500-$4,500
Sandy vegetable land	$1,300-$2,300



- **Citrus** land values peaked in 1990 at $12,000 to $13,000 per acre, but by 1998 had declined to below $7,000 due to declining citrus fruit prices associated with larger supplies. Values have remained low, averaging $6,000 to $6,500 per acre for orange groves and $4,000 to $4,500 per acre for grapefruit groves in 2001.
- **Orange** prices have remained low since the mid-1990s, due to excessively large crops in Florida and Brazil. 2000-01 saw the lowest prices in eight years, primarily due to large world orange juice supplies. Many growers have long-term fruit contracts with floor prices that are above these depressed market prices.
- The U.S. OJ market, which has been growing at an annual average rate of 1% to 2% since the mid-1990s, began to decline in 2001. Season-to-date volumes are down almost 7 percent. A small part of this is due to a major retail chain withdrawing from the Nielsen database. Most of the decline stems from a weak economy and lack of a Dept. of Citrus advertising program, which is supposed to start again later this year. Thus consumption is expected to improve.
- Most investors feel that citrus prices and groveland values have bottomed, but there is uncertainty about when prices will improve significantly. Most feel higher prices may be just around the corner. Thus, many potential grove buyers are trying to position themselves into the market while values are still significantly low.
- **Grapefruit** returns peaked in the 1999-2000 season and have significantly declined since, primarily due to weak demand. Grapefruit prices are below many growers' costs of production and grapefruit groveland values remain weak.

- Demand for **pine timberland** is stable. Values appear to have flattened due to decrease in strong wood prices received over the past several years.
- There is good demand for **pasture/ranch** acreage for livestock and recreational use. The improvement in cattle prices resulted in additional demand for pasture lease.

West-California

LAND VALUE MARKET RANGES PER ACRE

North Coast Wine Country

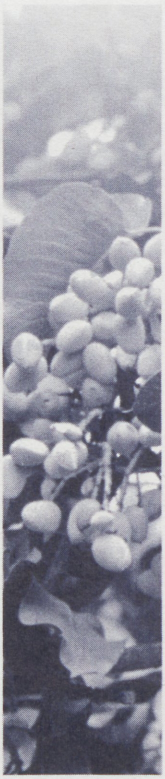
Napa County

Vineyards-Resistant Root Stock	$75,000-$180,000
Open land	$55,000-$120,000

Sonoma County

Vineyards-Resistant Root Stock	$85,000-$105,000
Open land	$55,000-$ 65,000

- Softening trend in the Coastal areas with little potential for growth.
- Large crops past two years and new acreage developments may impact values.
- Global economy could soften some demand, and overproduction may be an issue as young acreage comes into maturity.



Northern San Joaquin

Merced County	Land Values	Rents
Cropland-well water	$1,750-$3,500	$100-$150
Cropland-district water	$2,500-$5,000	$150-$225
Rangeland	$ 400-$ 650	$ 10-$ 30
Almonds	$5,000-$7,000	25%-30% share
Walnuts	$6,000-$9,000	25%-30% share

- Demand is softening for open land.
- Cropland suitable for dairies continues to be strong.
- Lands in Class I - water delivery districts still have stronger sales prices.

Central San Joaquin Valley

	Land Values	Rents
Almonds	$5,000-$7,000	20%-25% share
Tree fruit	$6,000-$9,000	-
Citrus	$6,000-$9,000	-
Raisin grapes	$4,000-$6,500	20%-25% share
Wine grapes	$3,500-$6,000	-
Table grapes	$5,000-$9,000	-
Row and field crops	$1,500-$6,000	$75-$250
Rangeland-west	$ 125-$ 250	$ 2-$ 8
Rangeland-east	$ 300-$ 650	$ 4-$ 15

- Demand for Madera and Fresno County land is declining.
- Quality raisin and table grape vineyard values are softening with a continuing downward trend.
- Overall ag industry is experiencing difficult economic conditions.

South San Joaquin Valley

Tulare County	Market Values	Rents
Row and field crops	$2,000-$5,000	$100-$200
Rangeland	$ 200-$ 700	-
Walnuts	$4,500-$7,500	20%-30% share
Almonds	$5,000-$7,000	20%-30% share
Table grapes south	$5,000-$6,500	-
Table grapes north	$5,000-$7,000	-
Citrus south	$4,000-$7,000	-
Citrus north	$5,000-$9,000	-
Tree fruit south	$4,500-$7,500	-
Tree fruit north	$5,000-$9,000	-
Olives	$4,000-$6,500	-

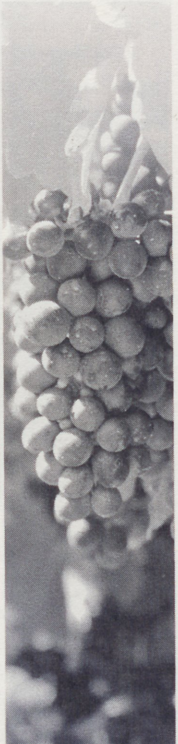
Kern County	Market Values	Rents
Row and field crops	$2,000-$3,500	$100-$200
Rangeland west	$ 100-$ 200	$ 4-$ 8
Rangeland east	$ 250-$ 700	$ 8-$ 14
Almonds	$5,000-$7,000	20%-25% share
Table grapes	$5,000-$7,000	-
Citrus	$5,000-$9,000	-

- Almond orchards have been in demand for the last several years; however, with the increase in acreage, orchard prices may soften.
- The 00-01 citrus crop industrywide was marginally profitable. Valencia groves are not profitable and generate no demand.
- Factors impacting naval orange segment are ability of orchard to produce high volumes of good quality fruit at a profitable time – generally early or late season.
- Rangeland values in the cattle industry are unsettled.
- California cotton industry is experiencing its most difficult times in the past 40 years, due to the inequality in supply and demand. FSA programs continue to support cotton plantings in this area.

Central and South-Central Region - Monterey County

Row Crops	Land Values	Rents
Salinas Area	$20,000-$37,000	$1,000-$2,000
Chualar-Gonzales	$13,000-$17,000	$ 800-$1,000
Soledad-Greenfield	$ 7,000-$17,000	$ 500-$ 700
King City	$ 9,000-$19,000	$ 500-$ 750
Wine grapes	$ 9,000-$25,000	n/a

- Quality vegetable parcels are on the market for only a short period of time and demand is quite high. In many cases tracts don't reach the marketplace at all and are privately purchased.



- Demand for quality produce ground continues strong in all locations.
- Rental values for high-quality vegetable land have increased in most locations.
- Vineyard development has slowed considerably due to a softening in grape prices.

Midwest

LAND VALUE MARKET RANGES & RENTS PER ACRE

	Land Values	Rents
Ill. - Class A Soils	$2,700-$3,400	$165-$190
Ill. - Class A & B Soils	$2,200-$2,700	$125-$165
Ind. - High quality (150 bu. corn)	$2,200-$3,200	$135-$165
Ind. - Ave. quality (125 bu. corn)	$1,500-$2,200	$120-$135
Minn. - S. Central, High quality	$1,500-$1,800	$120-$135
Minn. - W. Central, Ave. quality	$ 800-$1,400	$100-$120
Minn. - Red River Valley	$ 900-$1,200	$100-$120
Ohio - High quality (A & B Soils)	$2,000-$2,500	$135-$165
Ohio - Mixed (A, B quality)	$1,400-$2,000	$115-$135
Wis. - Central, sands, irrigated ac.	$1,800-$2,300	$125-$180

- Midwest land values are stable, with little change over the past year. Even though commodity prices are low, government payments remain high and are capitalized into the income stream, giving support to the basically unchanged land market and rents. Competition is strong among farmers seeking to lease additional land.
- Residential and commercial land development markets continue to involve land owners who are seeking 1031 tax deferred exchanges to trade into additional farmland. Their financial strength is felt when competing for quality farmland.
- Housing starts have slowed some, but still have a strong effect on 1031 exchanges. There are a number of exchange buyers seeking larger, quality farms.
- Recreational use land with some woods and perhaps water remains in strong demand. Prices vary from $800 to $1,500 per acre for land of this type in the Midwest.
- Even though there is talk of a recession, buyers remain abundant for recreation land and retreats - perhaps a sign of the times.
- The Eastern Cornbelt (Ohio, Indiana) has experienced good crop production in most counties. This suggests stable land values and stable to slightly increasing rents.
- Potato yields were above average in 2001, but without contracts, economics of open marketing is causing some hardship and is contribut-

ing to consolidation of the industry, whereby a few larger producers with contracts are surviving.
- Minnesota had excellent potential for above average yields; however, strong winds during maturation reduced yields significantly.
- The Freedom to Farm Act of 1996 remains intact through 2002. Government subsidies will remain much the same as 2001. At the present time, a new farm bill is being debated in Washington, D.C., with the outcome yet unknown for 2003 and beyond.

CAPS is a nationwide manager and broker of agricultural real estate. The company currently manages approximately 350,000 acres in more than 20 states, and is one of the nation's largest managers of cropland. Since 1986, CAPS has brokered more than 900,000 acres of farmland, totalling more than $1.3 billion. The company is based in Lisle, IL.