First, consider a small sample of recent headlines and comments gleaned from professionals about the farmland market in 2009:

"...quarterly decrease of 6% (...in 2009) ... the largest quarterly decline since 1985" (Chicago Fed AgLetter).

"It's Confirmed: Farmland Prices are Correcting". Continuing with an attribution to USDA, "...both Bloomberg and the WSJ are reporting the first annual drop in U.S. farmland prices in 20 years of an average of -3.2%". (www.seekingalpha.com)

Various sources have cited declines in Iowa farmland values from last year ranging from about 5% to nearly 7.6% (HPJ Land Journal, ISU Ag Decision Maker, others).

In its mid-2009 survey, the Illinois Society of Professional Farm Managers and Rural Appraisers found high quality land to be down 2.38%, lower quality land off 5.6%, and were among the first to note evidence of expectations of declining cash rents.

USDA sources show farmland values in Illinois down .4% from the same period in 2008, with steeper declines in IN and IA, though surveyed cash rents paid were still up into 2009 from a year earlier.

These and more alarmist "sky falling" comments have prompted us to provide a bit of additional perspective on the relative performance of farmland investments, and to suggest a few additional forces to consider when forming opinions about this asset class. We do not claim to be presenting a forecast, only to keep the sky above and the ground below where we think each belongs.

Rather than considering farmland in isolation, we thought we should first provide some benchmark alternatives that share some investment features with farmland. Relevant comparisons might include equities or direct financial investments in alternative income producing assets. For comparison, we provide our estimates of the total return (capital gain and operating income) for like-period holdings of Illinois farmland using the mid-year conventions of USDA.

The comparisons shown are for a decade ending in 2008, and for recent annual periods.
<table>
<thead>
<tr>
<th>Year</th>
<th>Dow Index</th>
<th>Case-Shiller House Price Index/year</th>
<th>Chicago House Price Index</th>
<th>Illinois Farmland Total return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2008</td>
<td>1.1%</td>
<td>5.89%</td>
<td>3.0%</td>
<td>12.7%</td>
</tr>
<tr>
<td>2007</td>
<td>6.2%</td>
<td>-</td>
<td>10.3%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>2008</td>
<td>-</td>
<td>10.3%</td>
<td>-</td>
<td>-4.7%</td>
</tr>
<tr>
<td>2009 to date</td>
<td>4.9%</td>
<td>-7.1%</td>
<td>-9.9%</td>
<td>-.5%</td>
</tr>
</tbody>
</table>

Thus, while there is considerable evidence of less decline to date in farmland returns than in equities or house prices, we do note suggestions that the decline has only begun and could continue. However, there are also several forces buffering a potential precipitous decline including:

- farmers with strong cash positions and recent high incomes are supporting local farmland markets,
- low interest rates - it is not as costly to secure financing and equity penetration remains strong,
- less attractive returns on alternative investments,
- sticky real markets, shaky financials - land markets simply seem to move slowly
- increased institutional interest in farmland holdings - especially by those with long term interests (insurance and pension sources in particular),
- low debt levels, unlike conditions at the outset of the decline in the 1980s.

There will remain downward pressures if margins continue to shrink, and there seems to be building pressure for renegotiated rental arrangements, but the sky is not falling, and the ground remains firm in farmland markets.