



EPA was hammered by both Democrats and Republicans at a joint hearing of Congress Feb. 4 over its proposed Waters of the United States (WOTUS) rule.

EPA Administrator Gina McCarthy was adamant that the rule was needed in order to clarify EPA's jurisdiction under the Clean Water Act. No timeline was given for announcing a final rule as the agency must sift through more than a million comments filed, both for and against the proposed rule.

Meanwhile, the Small Business Administration has come out against the rule, as well.

Congress choked off funding for implementing the additional Interpretative Rule for 2015. In addition, it is threatening to eliminate funding for 2016 to implementing the WOTUS rule.

Washington observers indicate whatever rule is announced will likely face several court challenges.

Our observation: EPA created this monstrosity by trying to extend its reach well beyond the normal definition of "navigable waters" as specified by the act. A retreat on bureaucratic overreach would go a long way on solving this issue.

Cash Rents Decline 5% for 2015

Cash rental rates across the Corn Belt declined about 3% to 7% for 2015, according to our spot-check survey of more than 1,000 producers and landowners in early February.

Talk of sharply lower cash rents dominated discussions at farm meetings, kitchen tables and lender offices this fall and early winter. And we're well aware of anecdotal stories of cuts in rents of \$50 to \$100 an acre across the three "I" states. Those cuts came on high-end rents — generally rents of \$350 and higher. But rents of \$325 and lower tended to remain unchanged with under-market rents rising.

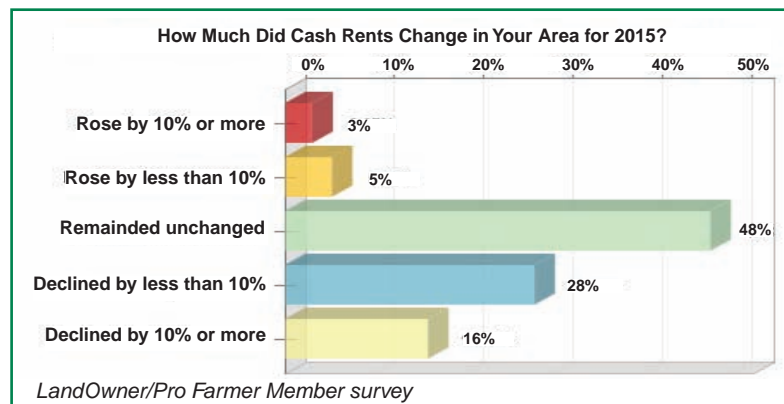
Our survey found 48% of respondents report cash rents did not change and a small group, 8%, indicate rates rose. A total of 44% indicate rents declined, but the bulk (28%) say rents declined by less than 10%. Some 16% say rents decreased by 10% or more. That 16% tends to be the more aggressive operators, pressing rents higher

when the outlook is favorable and pushing rents lower when margins narrow sharply. It's this group that attracts most of the headlines and market chatter.

Our fall survey found this group looking for a much more aggressive cuts in rents. Some 67% of respondents indicated they expected cash rents to decline in 2015, with 27% looking for a decrease of 10% or more. Only 29% expected cash rent to remain unchanged.

Our survey of professional farm managers last fall found somewhat less aggressive results. Some 44% of that group said they expected cash rents to remain stable while 46% said they looked for lower cash rents. Some 31% said they expected average cash rents to decline by less than 10% while 15.5% said they expected a decrease of 10% or more.

These survey results align with our view that cash rents tend to be "sticky" — slow to rise as profits and land values increase and slow to decline when profits and values move south. As we've indicated before, we expect cash rents, on average, to be down about 5% this year (down 3% to 7%) with further pressure likely next year. Considering USDA's call for another 32% cut in net farm incomes for 2015, cash rents will see pressure for a decline of 8% to 12% in 2016.

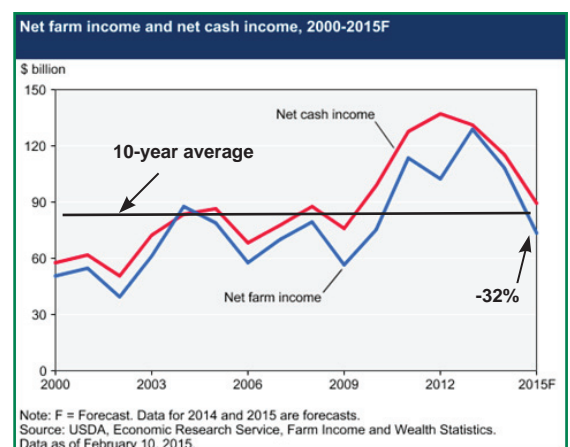


USDA: Net Farm Income to Fall 32%

USDA put a point on the negative outlook for farm incomes with its latest projection of a 32% decline in net farm income for 2015. This dive follows the 16% decline reported for 2014.

USDA projects total net farm income will drop to \$73.6 billion — the lowest since 2009. Net cash income is forecast at \$89.4 billion, down 22% from 2014. Net cash income is projected to decline less than net farm income primarily because it includes the sale of carryover stocks from 2014.

The drop in net farm income plunges it below the 10-year average of about \$87 billion. It represents a decline of about 43% from the peak of \$129 billion pocketed in 2013.



Corn Belt Farmland Values Post First Decline in 28 Years

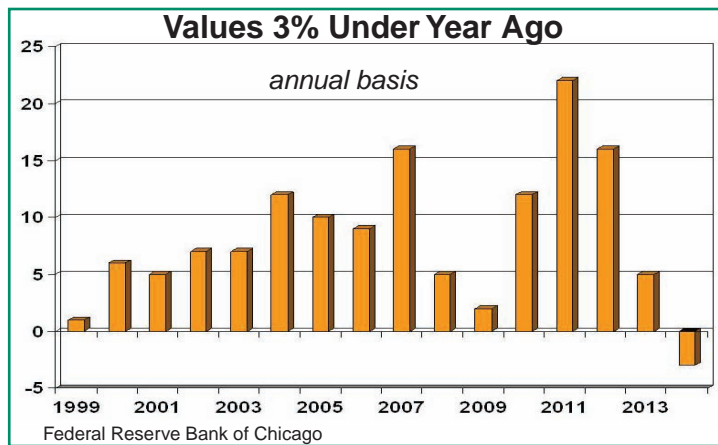
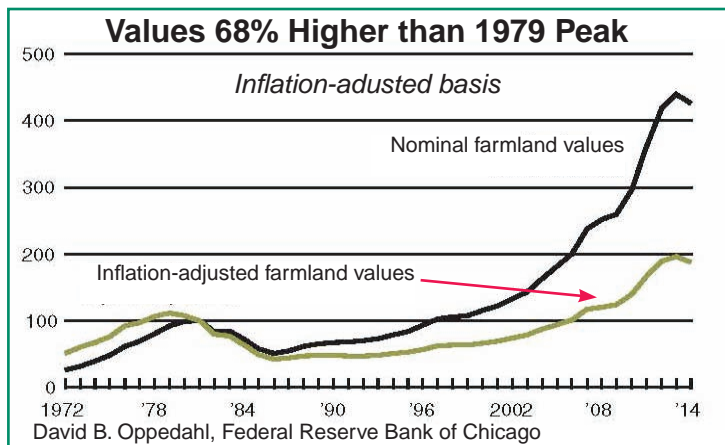
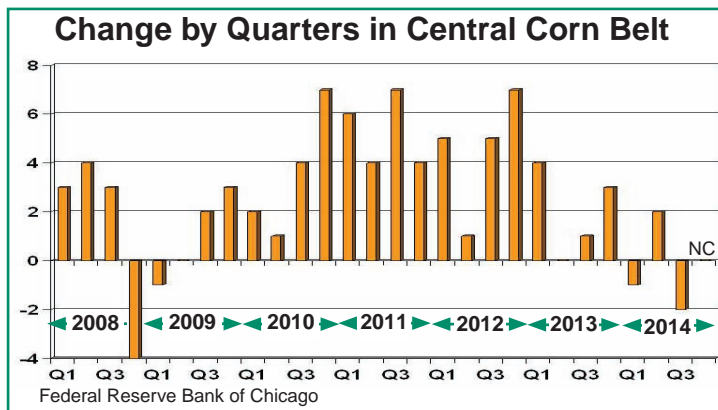
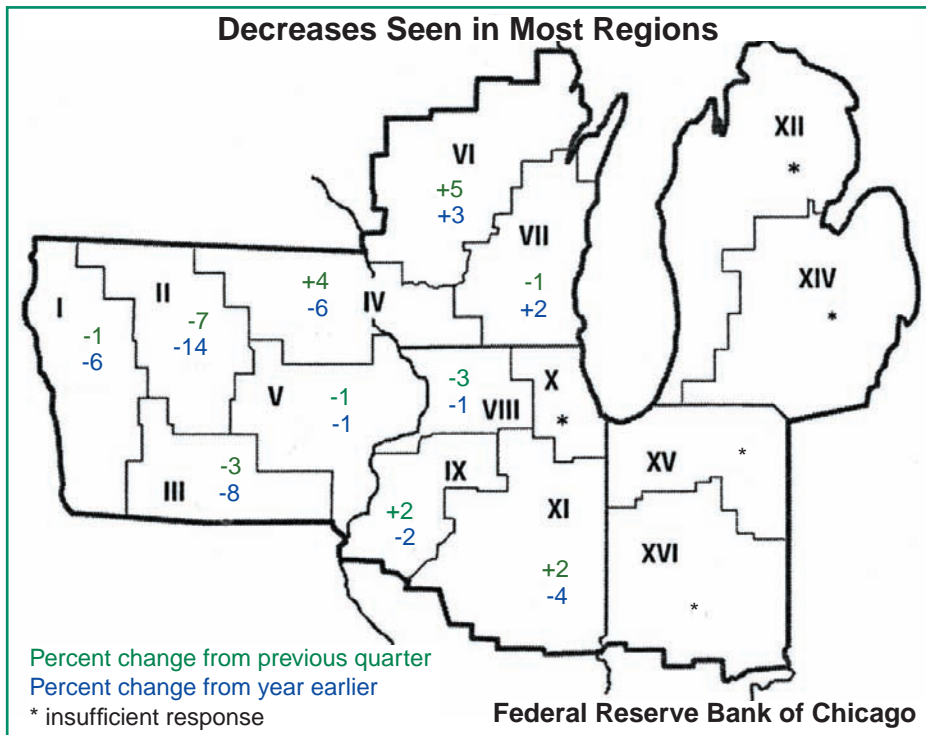
The value of "good" farmland declined 3% in 2014, according to the most recent quarterly survey of ag bankers conducted by the Federal Reserve Bank of Chicago. The bank serves the northern two-thirds of both Illinois and Indiana, all of Iowa, the Lower Peninsula of Michigan and south-eastern Wisconsin.

The decrease is the first calendar-year annual decline since 1986. (Note: 1986 was the major low in farmland values during the farmland recession of the 1980s.) Leading the decline was Iowa, which saw values fall 7% in 2014. That is followed by Illinois (down 3%) and Indiana (down 2%). Michigan reports farmland values remain unchanged from a year earlier while Wisconsin reports values rose 2%.

The bank says farmland values during the fourth quarter of 2014 remained steady when compared with the third quarter. Wisconsin posted a 2% gain followed by a 1% rise in Illinois. Iowa and Michigan both report values slipped 1% versus the previous quarter while Indiana lists a decline of 3%.

Looking ahead, half of the survey respondents said they expect farmland values would decline during the first quarter of 2015. While they have peaked, farmland values are 68% above the all-time high posted in 1979 on an inflation-adjusted basis.

	Percent Change	
	Quarter*	Annual**
Illinois	+1%	-3%
Indiana	-3	-2
Iowa	-1	-7
Michigan	-1	0
Wisconsin	+2	+2
District	0%	-3%
Federal Reserve Bank of Chicago		
* versus previous quarter		
** versus year earlier		



Steady Farmland Values in Central, Southern Plains

Despite posting declines in two out of four quarters of 2014, dryland cropland values across the Central and Southern Plains finished the year relatively stable compared to 2013, according to the Federal Reserve Bank of Kansas City. The bank serves Kansas, western Missouri, Nebraska, Oklahoma and the Mountain States, consisting of Colorado, northern New Mexico and Wyoming.

The survey found the value of nonirrigated cropland rose a slight 0.1% across the district while the value of irrigated cropland increased a slim 0.8%. Ranchland values, however, posted a robust 10.5% increase — due to improved pasture and grass conditions and record-high cattle prices.

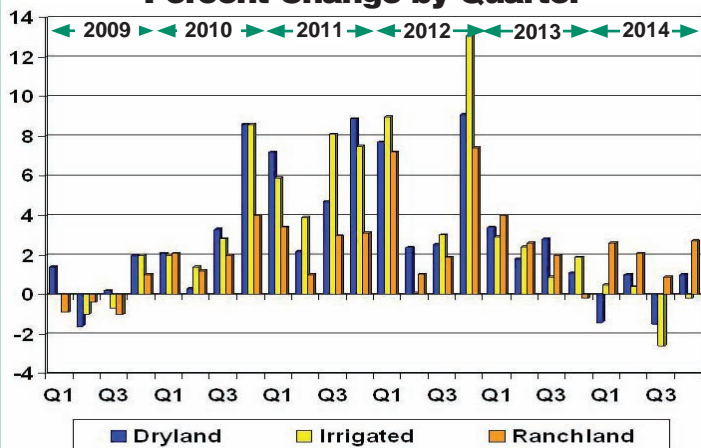
Oklahoma bankers report the strongest gains, with both dryland and irrigated cropland up about 19% and ranchland values up 12%. The largest percentage declines were reported in Nebraska, which has seen sharp upswings in cropland values in recent years. Nonirrigated and irrigated cropland both slipped about 3% for the year. Nebraska

ranch and pastureland, meanwhile, rose 12% compared to a year earlier.

On a quarterly basis, dryland cropland rose 1% across the district while nonirrigated district cropland edged 0.2% lower compared to the previous quarter. District ranch and pastureland values rose nearly 3% in the fourth quarter versus the third quarter of 2014. Oklahoma led gains with a 6.7% quarterly increase in nonirrigated cropland values due to improved moisture conditions, a 2.5% rise in irrigated cropland and a 5.2% quarterly boost in ranchland values. Kansas posted slight quarterly declines in both nonirrigated and irrigated cropland values, while Nebraska saw cropland values remain basically unchanged in the fourth quarter versus the previous quarter.

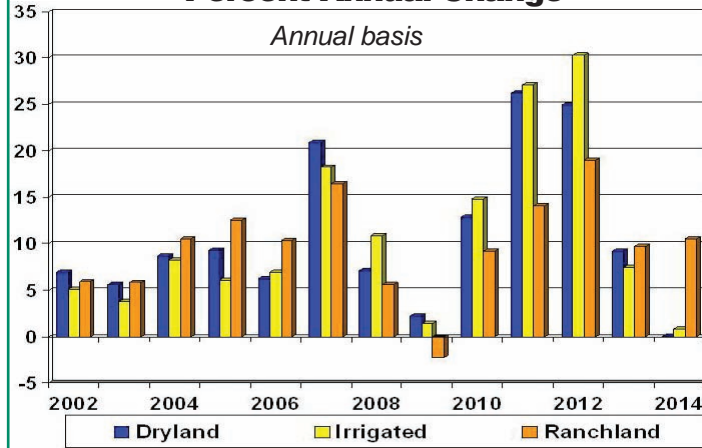
The survey found slight declines in cash rental rates. Rent for district dryland cropland slipped 1.3% on an annual basis while it declined nearly 3% for irrigated ground. Western Missouri reports a 6.7% decline in dryland cropland rent with Nebraska down 2.7%.

Percent Change by Quarter



Federal Reserve Bank of Kansas City

Percent Annual Change



Federal Reserve Bank of Kansas City

Dryland Cropland Up 1% Ranchland Up 3%

(Versus previous quarter)

	Non-irrigated	Irrigated	Ranchland
Kansas	-0.1%	-1.2%	2.9%
Missouri	0.9	-2.0	0.9
Nebraska	0.5	0.9	3.3
Oklahoma	6.7	2.5	5.2
Mtn. States*	2.1	-3.2	-1.7
District	1.0	-0.2	2.7

* Mountain States: Colorado, New Mexico and Wyoming

Source: Federal Reserve Bank of Kansas City

Federal Reserve Bank of Kansas City

Cropland Values Steady Ranchland Up 10.5%

(Versus previous year)

	Non-irrigated	Irrigated	Ranchland
Kansas	0.8%	2.6%	10.7%
Missouri	-1.0	n.a.	4.5
Nebraska	-3.4	-3.1	12.0
Oklahoma	19.0	18.9	12.0
Mtn. States*	3.9	11.8	13.9
District	0.1	0.8	10.5%

* Mountain States: Colorado, New Mexico and Wyoming

Source: Federal Reserve Bank of Kansas City

Federal Reserve Bank of Kansas City

INDIANA: HUNTINGTON Co. —
January 26: 206 acres 3 miles east of Huntington; 150 acres tillable; 41 acres wooded; corn PI 133.9; farmstead; **\$5,218** per acre. Pat Karst, Halderman Real Estate Services, Huntington, 260-224-0415.

ILLINOIS: FORD COUNTY —
January 20: 80 acres northeast of Kempton; 77 acres tillable; farmstead; Class B soils; **\$6,200** per acre. Johnson and Taylor for the estate, Pontiac; Brian Bradley, auctioneer, Streator, 815-674-2543.

NEBRASKA: DAWSON Co. —
January 20: 1,311 acres 9 miles north of Lexington; pastureland with electric submersible well with underground pipeline to 8 tank locations; windmill, 3 dams; **\$2,100** per acre. Marshall Land Brokers & Auctioneers of Kearney, Inc., Kearney, 308-234-6266.

IOWA: APPANOOSE Co. —
January 15: 80 acres northeast of Centerville; 53 acres tillable; CSR2 48.5; CSR 42.7 (41.3 county average); **\$2,650** per acre. Matthew Clarahan, AFM, Hertz Real Estate Services, Mt. Vernon, 319-895-8858.

IOWA: MONONA COUNTY —
January 10: 202 acres south of Turin; 94 acres tillable; CSR2 84.4; CSR 71.3 (50.4 county average); **\$5,200** per acre. McCall Auctions & Real Estate, Onawa, 712-423-1901.

ILLINOIS: KANKAKEE Co. —
January 8: 81 acres 4.5 miles west of Manteno; 81 acres tillable; OPCY 177.8; **\$9,000** per acre. Mark Mommson, Martin Goodrich & Waddell, Inc., Sycamore, 815-901-4269.

S. DAKOTA: MINNEHAHA Co. —
December 18: 80 acres west of Colton; 78 acres tillable; PI 67.3; **\$7,700** per acre. Tom Jass, AFM, Farmers National Company, Brandon, 605-582-2798.



Recent sales reported to...



Here's a listing of recent sales reported to us by real estate brokers and auctioneers across the country. If you have recent sales you'd like to share, call us at 319-277-1278 or e-mail us at landowner@profarmer.com.

IOWA: HARDIN COUNTY — February 17: 96 acres southeast corner of Hubbard, within the city limits; 89 acres tillable; CSR2 80.9; CSR 72.5 (75.9 county average); pipeline easement on west side of property; \$23.41 net taxes per acre; **\$8,085** per acre. Marv Huntrods, ACL, Hertz Real Estate Services, Nevada, 515-382-1500.

MICHIGAN: ST. JOSEPH COUNTY — February 16: 158 acres south of White Pigeon; 146 acres tillable; irrigated with center pivots; grain bins; farmstead; **\$9,177** per acre. Ed Boyer, Schrader Real Estate & Auction Company, Inc., Union, 574-215-7653.

SOUTH DAKOTA: MCCOOK COUNTY — February 12: 160 acres 8 miles northwest of Salem; 154 acres cropland; PI 77.4; **\$5,525** per acre. Chuck Sutton Auctioneer & Land Broker, Sioux Falls, 605-336-6315.

NEBRASKA: SALINE COUNTY — February 10: 361 acres 5 miles southwest of Wilber. Tract 1: 121 acres; 120 acres cropland; SRPG 70.7; flat; **\$7,400** per acre. Tract 2: 240 acres; 220 acres cropland; SRPG 72.1; rolling, terraced with grass waterways; **\$4,425** per acre. Jerry Wiebusch, Farmers National Company, Lincoln, 402-421-1933.

ILLINOIS: PEORIA COUNTY — February 4: 100 acres southeast edge of Hanna City; 97 acres tillable; PI 138.6 (147 maximum per Bulletin 811); **\$11,100** per acre. Norman Bjorling, Soy Capital Ag Services, Peoria, 309-678-1019.

KANSAS: THOMAS & SHERMAN COUNTIES — February 3: 1,040 acres south of Brewster. Tracts 1, 2, 4 & 5: 1,025 acres; 240 acres irrigated cropland; 786 acres dryland cropland; **\$3,058** per acre. Tract 4: Farmstead, grain bins; **\$132,000** total. Donald Hazlett, Farm & Ranch Realty, Inc., Colby, 800-247-7863.

KANSAS: HODGEMAN COUNTY — February 2: 720 acres near Jetmore. Tract 1: 160 acres; dryland cropland; **\$950** per acre. Tract 2: 160 acres; 100 acres dryland cropland; 60 acres CRP at \$1,695 per year through 2020; **\$975** per acre. Tract 3: 160 acres; 143 acres CRP at \$4,879 per year through 2020; **\$995** per acre. Tract 4: 240 acres; 211 acres CRP at \$6,219 per year through 2020; **\$850** per acre. Carr Auction & Real Estate, Inc., Larned, 800-503-2277.

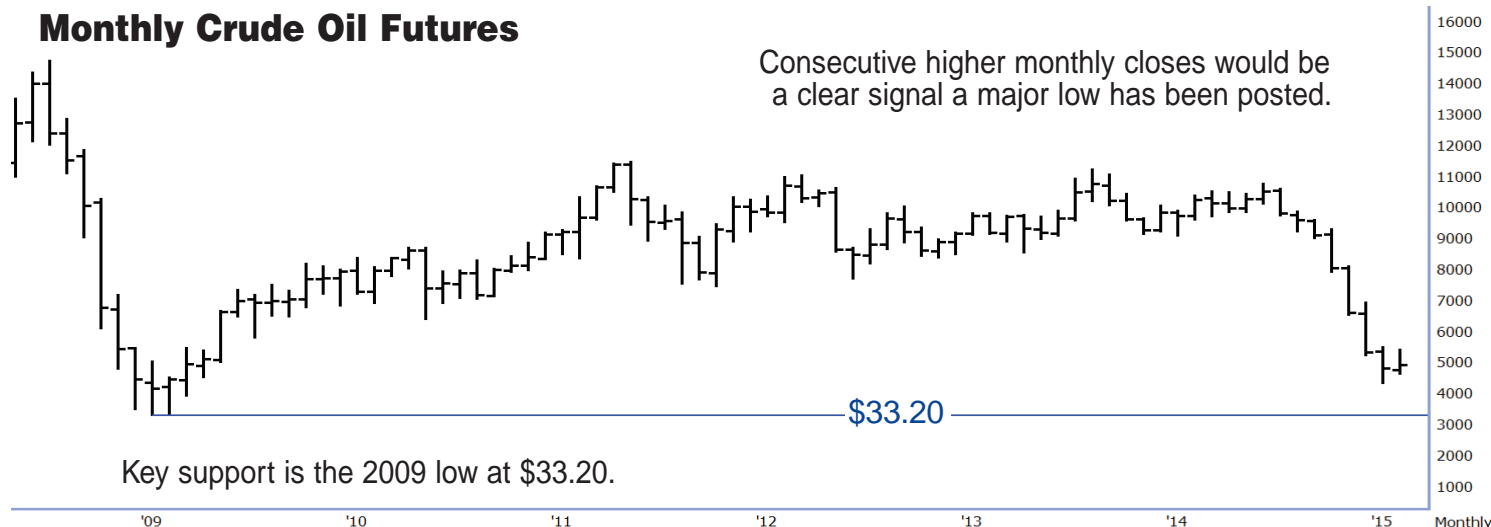
ILLINOIS: CHAMPAIGN & VERMILION COUNTIES — January 30: 298 acres on the county line east of Ogden. Tract 1: 80 acres; all tillable; PI 143.4 (maximum 147); **\$11,400** per acre. Tract 2: 59 acres; all tillable minus 2 acres CRP; PI 143.4; **\$11,900** per acre. Tract 3: 91 acres; 88 acres tillable; PI 141; **\$11,000** per acre. Tract 4: 68 acres; all tillable; PI 142.3; **\$8,650** per acre. Jeff Lee, Lee Realty Group, Inc., Bloomington, 309-662-5751.

IOWA: WEBSTER COUNTY — January 28: 78 acres southeast of Clare; 76 acres tillable; CSR2 88; CSR 80.4 (county average 74.8); 10 acres CRP at \$171.48/acre through 2017; classified NHEL; **\$8,500** per acre. Jeffrey Obrecht, Peoples Company, Iowa Falls, 641-648-5065.

ENERGIES

Working on a major low?

Monthly Crude Oil Futures



Fundamental trends

CRUDE OIL: Oil prices plummeted late last year as supplies overwhelmed demand and Saudi Arabia announced it would not cut back on production despite collapsing prices. Since 2005, weekly correlation of crude oil to the euro suggests the two were of similar behavior 55% of the time, but since late 2014, the correlation rose to 92%. The severe drop in

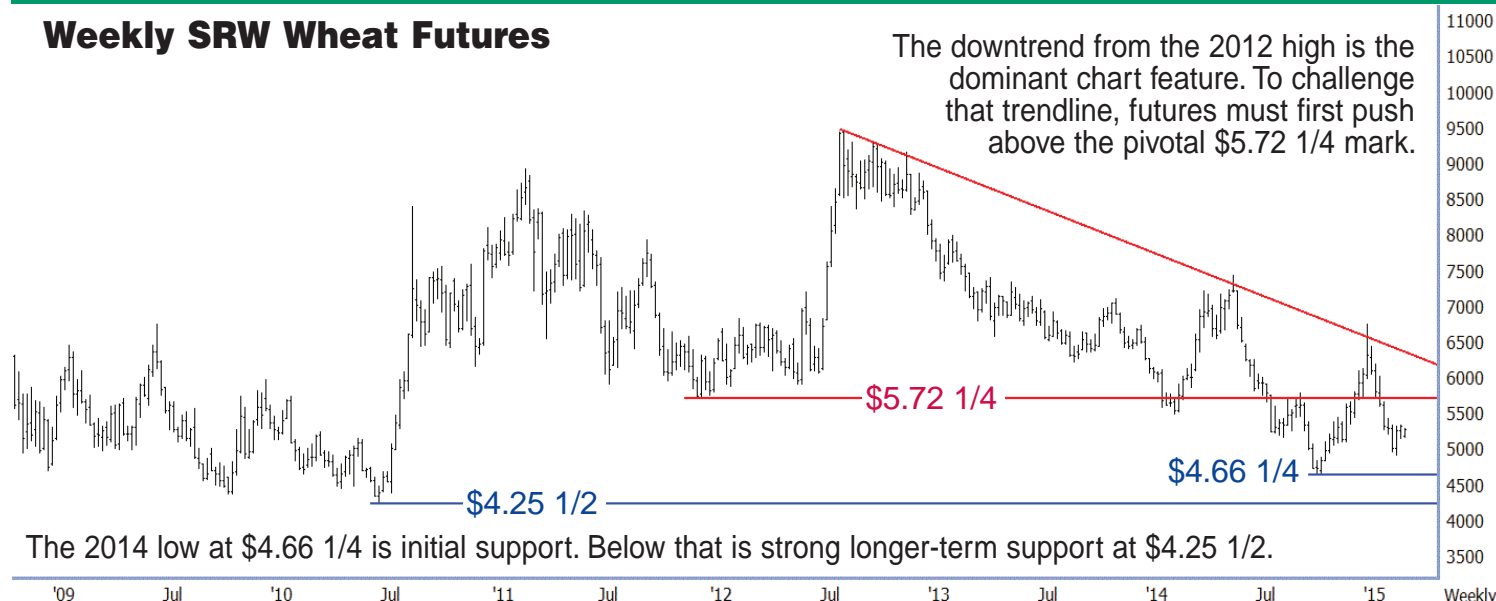
the euro and strong U.S. dollar played a part in the aggressive selling of oil futures.

Since last month, oil prices have found support in the mid-\$40.00 area, which may be a sign the market has found a value level. With the pace of economic growth, oil prices are likely to rise as the summer driving season approaches.

WHEAT

Export demand needed

Weekly SRW Wheat Futures



Fundamental trends

SRW: Wheat futures are due for a seasonal rally, but support must come from export demand. Global export news has picked up, but demand for U.S. wheat is still lacking. A rolling over of the dollar after the recent price surged would start to build demand for U.S. wheat as global milling wheat supplies tighten.

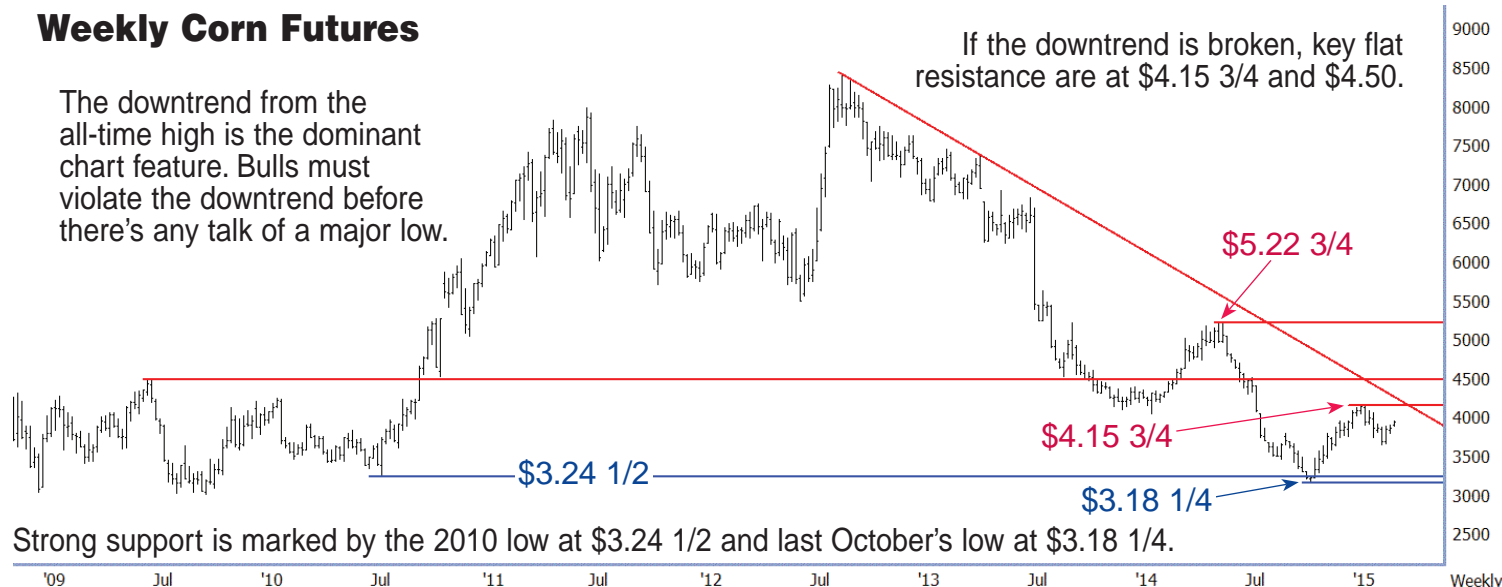
HRW: In its Feb. 10 Supply & Demand Report, USDA cut total supplies and reduced exports by a larger amount, which raised carryover by 5 million bushels. HRW was the weaker of the wheats during the December to January drop and its pace of recovery is slower.

CORN

Corn demand chewing through supplies

Weekly Corn Futures

The downtrend from the all-time high is the dominant chart feature. Bulls must violate the downtrend before there's any talk of a major low.



Strong support is marked by the 2010 low at \$3.24 1/2 and last October's low at \$3.18 1/4.

Fundamental trends

CORN: Export demand for U.S. corn is building, signaling prices hit a value level on the January decline. In its monthly report, USDA lowered carryover by 50 million bu., but it wasn't due to an increase in projected exports. Instead, USDA raised food, seed and industrial use (all to corn-for-ethanol production). Traders were surprised

by the increase in corn-for-ethanol production as the consensus signaled low ethanol prices were pinching margins. Gasoline prices continue to show signs that a seasonal rally is underway. Ethanol prices are following gasoline prices. Analysis still suggests a seasonal rally in corn prices is likely through this month.

SOYBEANS

U.S. export window remains open

Weekly Soybean Futures

Support is heavily layered under the 2014 low at \$9.04.



Fundamental trends

BEANS: Export sales remain strong despite the strong dollar. But traders anticipate export sales will slow due to the Brazilian soybean crop coming to market. While China will eventually shift away from U.S. beans, that hasn't happened yet as it waits on the Brazilian crop. Active Brazilian bean exports are not anticipated until sometime in

March. In its Feb. 10 report, USDA lowered carryover more than traders expected due to an increase in crush and exports. USDA lowered its Brazilian crop estimate by 1 million MT due to adverse weather. The rollover of the dollar last week also assisted bulls. Analysis suggests a seasonal rally is due this month.