

AgUpdate

Timely information for a select group of farm owners and investors

Winter '17

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Building a Family Legacy

If you ask Scott Brown how he got involved in owning farmland, he'll tell you that it all started with a blind date. While studying to become a chemical engineer at Iowa State University, Brown's roommate set him up on a date with his now wife Nancy Brown. Brown married Nancy in 1969 and it was from there that he not only started his journey with his new wife but also his investment in farmland.

Growing up in Cedar Rapids, Iowa, Brown had never been on a farm. However, his wife Nancy and her family had a long history of farming. Nancy's father Ben Tomlinson farmed all the family's farmland for 44 years, and before him, his father-in-law did the same. As a result, the family now has two century farms near Clarinda, Iowa, including one that has been in the family for over 150 years.

When Ben Tomlinson retired, Brown and Nancy knew that getting a farm manager was their best bet to keep the farmland as an investment. At the time, Brown was working for Texaco and traveled the world doing business in a variety of different



Scott Brown with Scott Henrichsen, AFM, on the Brown farm near Clarinda, IA.

"I saw what we were buying as an investment, and frankly it's been a very good investment."

areas. "We were mostly remote, and we couldn't do it ourselves," said Brown. "I didn't know anything about farming and after Nancy and I got married we only came back a few weeks a year."

Before Hertz stepped in to manage the farms in 2012, Marty Mattes was the active farm manager for the properties. In fact, Mattes helped Brown buy his first piece of

land. "We were in Belgium when the transaction went through," explained Brown. "That was sort of the start I would say." After that first buy, Brown ended up buying more properties while he and his wife lived around the world in other places like Saudi Arabia, London, New York, Paris, and Texas. "I saw what we were buying as an investment, and frankly it's been a very good investment."

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“What-ever we had, we wanted to make it better”

Improving the Farm

Over the years, Brown has decided to put money back into the land and make improvements. “Whatever we had, we wanted to make it better,” said Brown. “Our intention was to improve the productivity of the land.” Brown and Mattes both agreed in what they referred to as a “three-phase plan” for some marginal ground, which called for clearing off the land, putting in terraces, and installing tile.

In 2011, Hertz acquired Mattes’ farm management firm and took over management of the Brown farm. When Scott Henrichsen took over as farm manager in 2014, he helped to finish up the three-phase plan and continues to make improvements to the farms to improve yield performance and increase value. “We did some refurbishing of several old government bins,” said Henrichsen. “We made the best use without building another bin, which has worked out well.”

In addition to refurbishing bins and fulfilling the three-phase plan, Henrichsen also made some changes to fertility. “We were fortunate because we made some adjustments in how we did our fertility,” he explained. “It was a combination of soil testing and changing up how we were applying the fertilizer.” Because of the change in the fertility plan, that farm had one of the highest yields it had ever seen.

Brown expressed that while he cared a lot about productivity, he also wanted to make sure he was

being a good steward of the land. “We’ve participated in opportunities to use filter strips and things that are conservation oriented over the years,” said Brown. Henrichsen added that Brown wanted to make improvements to the farm and increase investment without jeopardizing the land. “Obviously, we wanted to maximize yield potential,” said Henrichsen. “But you don’t want to sacrifice the stewardship of the ground.”

Growing White Corn

Last year while investigating new ways to increase profits, Henrichsen and Brown both agreed to try something different. “We did a specialty contract last year and we raised white corn,” explained Henrichsen. “The results worked out better than I could have ever hoped for.”

While the decision to raise white corn paid off, getting there was no easy feat. Henrichsen explained how there’s more work that goes into the process of raising white corn compared to yellow corn. “It’s a lot more coordination, it’s probably one and a half times the work but the benefit was significant in terms of what the premium was.”

Brown was pleased with the turnout that came from the decision to grow white corn. “It worked out well for us and it was a good year,” said Brown. When asked if he would grow white corn again, Henrichsen had this to say. “I’d do it again, as long as the premium makes sense.”

Working Together

Communication has really been the key for both Brown and Henrichsen as they’ve worked together over the last couple years. Brown expressed that Henrichsen has been helpful at keeping him up to date with what’s going on with the farms. “We appreciate the reporting and data provided. He’s done a great job for us.”

Henrichsen expressed that good communication between not only him and Brown but also former manager Marty Mattes has been the key to success. “There was a positive transition that we’ve been fortunate enough to maintain. I can call Marty up anytime with questions and he’s been eager to help.”

The former chemical engineer also appreciated Hertz’s relationship with local farm operators. “Sometimes we’re storing grain from several different operators in one bin and that can be challenging,” Brown said. “Scott (Henrichsen) does a good job at making sure it all comes together.”

Coming Home

Now retired, Brown and his wife Nancy now live in Clarinda where he enjoys being close to family, working with the Clarinda Foundation, and riding in RAGBRAI. And while Brown’s start in owning farmland happened because of his wife and her family, his investment in farmland has grown into a deep appreciation for the land and the people who work it. 🌾

Cover Crops

Morgan Troendle, AFM

Real Estate Broker - IA
Waterloo, IA

Jeff Troendle, AFM

President of Farm Management

“What are cover crops?” The term cover crop has been used more in the last 3 years than it has in the previous 15. Cover crops are generally considered any crop planted on a field between cash grain crops or during the non-growing season to provide “cover” to the soil. In the Midwest, the non-growing season typically starts after corn or soybean harvest, sometime between September and mid-November. Most cover crops get seeded during this period. Cover crops are terminated (using chemicals or tillage) in early to mid-spring either prior to or immediately following planting the cash crop.

Before the advent of commercial fertilizer, cover crops were used mainly as a “green manure” crop that was plowed under in the spring to provide nutrients for the next crop. Today, the theory behind cover crops is multifaceted, and includes but is not limited to:

1. Improving organic matter and soil structure
2. Protecting the soil from wind and water erosion
3. Suppressing weed pressure
4. Maintaining nutrients in the soil
5. Improving microbial activity
6. Reducing compaction
7. Producing nitrogen

One of the main benefits of planting cover crops is to improve soil and



Oats used as a cover crop on a seed corn farm in Benton County, Iowa.

water conservation. The soil cover provided by the cover crop, along with the roots growing under the soil surface provide a dual level of protection for the soil. The plant cover reduces the impact of raindrops on the soil and protects the surface from wind erosion. The roots open pathways for water to infiltrate the soil instead of running off. To the contrary, water running across the surface often carries soil particles and nutrients along with it, which is not desirable.

In addition to protecting nutrient loss from runoff, cover crops capture excess nutrients remaining in the soil after the cash grain crop is harvested and recycle them for the next crop, as the cover crop will slowly release these excess nutrients as it deteriorates after termination in the spring. Nutrients tied up in the cover crop won't move into streams and creeks and add to nitrate or phosphorus levels in the spring.

Challenges of Cover Crops

Weather conditions and pest pressure can pose challenges to adding cover crops to your management system. In some cases, cover crops may attract pests such as army worm moths to lay eggs early in the Spring, which can lead to increased pest pressure in the following cash crop. Additional management, such as applying an insecticide as part of your cover crop termination program may be required.

If your farm is not well tiled or receives excess rainfall in the Spring, a layer of cover crop residue can slow soil warm up and delay planting significantly. This issue can be resolved by planting a cover crop that does not survive the winter, changing the cover crop termination date, or using tillage to terminate the cover crop. While adding tillage to the program negates some of the soil conservation

“cover crops capture excess nutrients remaining in the soil after the cash grain crop is harvested and recycle them for the next crop”

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Hertz Professionals Update

Nicole Dunn

Nicole joined Hertz Farm Management in the Mason City office in May 2017 as a farm manager and licensed real estate salesperson. She graduated from Iowa State University in May 2017 with a bachelor's degree in Agricultural Business and a minor in Agronomy.



Nicole Dunn



Kayse Jenkins



Josh Peak

Kayse Jenkins

Kayse joined Hertz Farm Management's Nevada office in January 2017 as a marketing coordinator. She graduated from the University of Northern Iowa in December 2016 with a degree in English and minors in Professional and Creative Writing.



Kathy Pettinger



Brian Olson



Kirk Weih

Josh Peak

Josh joined Hertz Farm Management in the DeKalb office in May of 2017 as a farm manager and licensed real estate broker. He previously interned with Hertz in the summer of 2016.

Kathy Pettinger

Kathy Pettinger is now a Certified General Real Property Appraiser (CGRPA) in Iowa. Candidates must accumulate a total of 3,000 hours of appraisal experience in a minimum of 30 months in addition to 300 hours of education.

Brian Olson

Brian Olson, Humboldt, IA, received his Accredited Farm Manager (AFM) designation from the American Society of Farm Managers and Rural Appraisers® (ASFMRA®).

Kirk Weih

Kirk Weih received the distinguished D. Howard Doane Award from the American Society of Farm Managers and Rural Appraisers.

The D. Howard Doane Award is presented to a member or non-member who has made an outstanding contribution in the field of agriculture, with emphasis on farm management and rural appraising.

Scott Henrichsen

Scott Henrichsen, AFM, Hertz Farm Management, Inc., Omaha, NE, has been awarded the Accredited Farm Manager (AFM) designation from the American




Scott Henrichsen



Troy Vincent

Society of Farm Managers and Rural Appraisers (ASFMRA).

Troy Vincent

Troy Vincent, Mt. Vernon, IA, received his Accredited Rural Appraisal (ARA) designation from the American Society of Farm Managers and Rural Appraisers (ASFMRA). 

To learn more about all of our Hertz Professionals, visit our website, www.Hertz.ag

Benefits of On-Farm Grain Storage

Cal Dickson, AFM, ALC, CCA,
Chairman of the Hertz Farm Management
Grain Marketing Committee

After drainage tile or irrigation, the highest returning improvement to mid-west landowners is most often on-farm grain drying and storage. This fact became apparent again in the fall of 2017 as interior basis levels at river locations in the corn-belt reached historically wide levels for corn and soybeans, resulting in lower than expected cash prices.

Dry conditions in the eastern corn-belt in late summer led to a drop in the Mississippi River resulting in limited and even eliminating barge traffic during harvest. The barges that did travel had smaller load sizes to be able to navigate the shallow waters. This led to a spike in barge rates that were double to triple normal rates. Storage and logistical problems were magnified by a large amount of 2016 corn delivered by farmers to the market just prior to the 2017 harvest. Facilities were already short of storage as a large 2017 crop harvest began.

Producers who did not have on-farm storage were at the mercy of the local grain elevators and merchandisers. With an over-abundance of grain at their facilities, many buyers forced farmers to sell upon delivery at the discounted prices. Selling at the normal harvest low was thus compounded by the record wide basis and lower than expected cash prices.

Producers who had on-farm storage did not face the same dilemma. They could store their crop during this unfortunate time and weather



the storm. Basis levels still remain wide, but they are narrowing. Also, the carry in the market is attractive, allowing these same farmers to forward contract their sales for next spring or summer at significantly higher prices. On-farm grain storage puts you in control of your harvest and grain marketing decisions as noted by:

- Harvesting 24/7 if you are hauling to your own storage versus a grain elevator.
- Taking advantage of the carry in the market. You can delay sales three to six months into the future and be paid well for your patience (\$0.20 – \$0.40 per bushel)
- Who you sell to. Sometimes your highest net price will come from a local elevator, at other times an ethanol plant or processor will have the advantage. If your crop is stored with the grain elevator,

your only option is to sell to them.

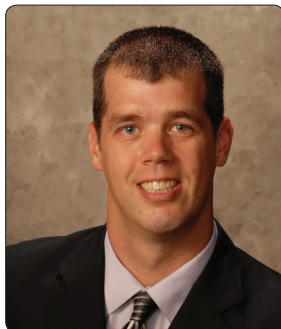
The cost of installing an on-farm corn drying and storage bin is in the \$2.50 to \$3.50 per bushel range, depending upon the size of the bin and the amount of equipment. Historically, a grain bin has paid for itself within four to eight years of its construction. The combined benefit of lower drying costs, lower storage costs, less shrink, timely harvest, and more marketing options result in a quick pay back of the investment. Also, current IRS guidelines allow the option of either depreciating a grain bin over seven years or using it as an expense against income in the first year by utilizing IRS Section 179.

If you are looking for that next 12-20% return on your investment, consider on-farm grain drying and storage to put you back in control of your harvest and grain marketing decisions. 📈

“Historically, a grain bin has paid for itself within four to eight years of its construction.”

“I appreciate all of your knowledge of the farm history sales in the area.”

“It was such a good outcome for our family!”



Kyle J. Hansen, ALC
Licensed Real Estate Broker in
Iowa and Missouri
2018 National Vice President -
REALTORS Land Institute (RLI)
Hertz Real Estate Services
Nevada, IA

Dear Kyle,

After a very long September, I am finally having a chance to sit down and reflect on all of the wonderful help you have been in selling our family farm in Greene County.

When we first spoke in the spring of 2016, I didn't know if we would be able to sell the land from the existing family trust. You pulled together reports on the land valuation, recent sales, forecasts--all of the information needed to give our family an accurate overview of what the land was worth in the current market.

I appreciate all of your knowledge of the farm history sales in the area. You explained the auction process to my family, so that we had confidence in your experience and advice. It was such a good outcome for our family!

You and your team did a strong marketing campaign for the auction. The community interest and participation the day of the auction reflected that. We could not have done this without your help!

Again, thank you from the entire O'Brien family. This was what our dad wanted for all of us, and somewhere he is smiling.

*Warmest regards,
Sharon O'Brien Herring*

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benefits of cover crops, it may be necessary in some instances. Even with tillage, the additional organic matter incorporated into the soil will help water holding capacity and soil tilth, so there will still be some conservation benefits versus the same field without a cover crop.

Another challenge, especially in the upper Midwest, is the timing of the seeding. If your farm is located in the Dakotas, Wisconsin, Minnesota, or the northern tier of counties in Iowa, the cover crop may need to be inter-seeded while the commodity crop is still in the field, to allow the cover crop adequate time to grow and gain the benefits prior to winter weather. This can be accomplished in a number of ways including aerial seeding of


the cover crop from a plane.

Cover Crop Options

There are a number of effective cover crops that can be used depending on what your goals and objectives are for the cover crop seeding. Most commonly these cover crops are cereal rye, oats, turnips, and radishes. Additional options would be hairy vetch, sweet clover, rye grass, lentil peas, sugar beets, and soybeans.

Certain cover crops such as sweet clover and hairy vetch will fix/add nitrogen for use by the following cash crop. Fall cover crops, such as rye, can make great forage for livestock during the fall/winter and again in the spring. Some cover crops, such as tillage radishes

can help manage compaction and aerate the soil better than others. Other cover crops, like oats, die during the winter, which eliminates the need to terminate them in the spring allowing for earlier planting of the cash crop and reducing the need for tillage in the spring.

Cover crops can be a great tool in the stewardship of your land, but the right type of cover crop can vary depending on your overall crop rotation, field conditions, and location of the farm. All these factors and more need to be considered when determining which cover crops may fit best for your farm. Please feel free to contact a Hertz Farmland Professional if you would like additional information on cover crops for your farm. 

Farmland Value Update

Doug Hensley

President of Real Estate Services
Nevada, IA

In the heart of the Corn Belt this summer, the farmland market showed signs of stabilizing. However, contrasting results from Iowa, Illinois, and Nebraska show local factors playing a role.

September 2017: Iowa Farmland Values Rise 2%

The Iowa Chapter of REALTORS® Land Institute released its September 2017 Land Trends and Values Survey, which showed a statewide average increase of cropland values of 2.0% for the March 2017 to September 2017 period. Combining this increase with the 0.9% increase reported in March 2017 indicates a statewide average increase of 2.9% from September 1, 2016, to September 1, 2017.

"Land prices vary greatly depending on quality and location. With harvest in full swing and even wrapping up in some areas, yields have been "better than anticipated" in central Iowa, considering the lack of rain and tough growing conditions. With higher yields and so many variables that determine land prices, the next 6 months will be interesting to see what happens. Currently, there is low supply and high demand," said Kyle J. Hansen, real estate broker for Hertz Farm Management and Vice President of the Realtors® Land Institute (RLI).

Major factors contributing to current farmland values include lower commodity prices, limited amount of land on the market and

growing conditions in the regions. Other factors include lack of stable alternative investments, cash on hand, and increasing interest rates.

2017 Illinois Farmland Prices Flat to Slightly Weaker

According to a survey by the Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRMRA) REALTORS® Land Institute (RLI), the value of Illinois farmland and sales activity was basically flat during the first half of 2017. The survey shows good-quality land dropped 3.0% while average quality land saw a 3.8% decline and fair-quality land fell back 4.4%.

"The land market in Illinois varies a great deal based on location. Although the market is a bit weaker on average, excellent quality farms are still commanding strong prices, while lower quality farms are showing the most variability and the greatest decline. Knowing where the market really is today can be quite difficult with the low volume of sales we are experiencing in some areas," said Eric Wilkinson, President of ISPFMRMRA and Managing Broker-Farm Manager for Hertz Farm Management.

2017 Trends: Weakness Continues in Nebraska

The Kansas City Federal Reserve reports the value of Nebraska dryland cropland declined 8% for the year ending July 1. In addition, the bank reports irrigated cropland decreased 7% while pasture land decline 8%.

"The market within Nebraska has proven to be light and variable throughout the state. The main contributing factors for the variability are the number of listings down significantly with few property owners willing to sell. The main contributing factors to the lower market are: Overly high property tax valuations and levies, lower commodity prices, and cash on hand," explains Steven Fish Farm Manager for Hertz Farm Management.

Future

Across the Midwest currently, the overall farmland market is experiencing what is referred to as a 'push-pull' environment. In most areas crops are above expectations in terms of yields, but much of this year's harvest may be sold at prices which are below the farmer's cost of production. This situation especially impacts farm operators that cash rent a high percentage of their farmland.

For owners concerned about farmland values dropping in the future, now may be a logical time to consider selling, as most farmland sales in any given year occur following fall harvest. Investor interest in land remains strong, as investors seek diversity from traditional financial instruments and the safety in owning a physical asset.

Please call your Hertz Farmland Professional if you would like to discuss farmland values, what is for sale in your area, or if you have interest in discussing a prospective sale of your farm. 📞

"Land prices vary greatly depending on quality and location."

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Landowner Educational Seminars Winter 2018 Schedule

All landowners are invited to attend one of a series of Winter seminars. Our seminar topics will include Grain Markets, Farm Lease Trends/Leasing Alternatives, Land Trends & Values, Improving Value/Productivity and Tax/Succession Planning.

If you are planning for the next generation, you're encouraged to invite your children to attend with you.

Register Early, Pay Online and Save!

Cost is \$30 per person or \$50 per couple, but you can **save \$5 per person, \$10 per couple,**

when you register and pay online at least 14 days prior to each seminar.

The fee is waived for existing Hertz clients.

Registration includes:

Lunch, break refreshments and handouts of the presentations.

For your convenience, you can register one of three ways:

- For your **discount**, register Online at www.Hertz.ag/seminars
- Contact:
Denise Vallandingham
Phone: 1.800.593.5263
E-mail: DeniseV@Hertz.ag
- Mail the enclosed postcard

Dates & Locations



All seminars will be from 8:30 a.m.-3:15 p.m.

February 5, Anaheim, CA
February 6, Palm Springs, CA

February 8, Tucson, AZ
February 9, Mesa, AZ

February 20, Orlando, FL
February 21, Sarasota, FL
February 22, Fort Meyers, FL