

AgUpdate

Timely information for a select group of farm owners and investors

Teamwork Through the Generations

When you look at what makes a farm operation successful, it all boils down to one thing—teamwork. Through teamwork and trusting relationships, the Felton family, the Diamond family, and Hertz Farm Management have kept the Felton Farms running a successful farm operation.

The Felton Farm Legacy

In many farm families, the parents want their children to continue the operation and stay to farm the land, but sometimes those children have other plans. On the day he graduated high school, George Felton told his father that he wasn't going to be a farmer. In some stories, this is where the legacy would end, but that wasn't the case for the Felton's.

Today, the 360 acre farm in Hardin County, IA is still in the family and falls under the ownership of George Felton's three daughters Dorothy Kerekes, Frances Randal, and Marsha Stevenson. While their father pursued a career as a food chemist, the family spent most of their early years living in Hawaii. "We would go back and visit the farm during the Summer," explained Frances. "But most of the



Back Row Left to Right: Frances Randal, Marsha Stevenson, and Brad Kerekes. Dorothy Kerekes is in the front middle

"We all work together to keep the farm running. Family and teamwork, that's what gets it done."

time, we were away from the farm."

So how did the Felton's manage to keep the farm in the family despite living so far away? "Our Grandpa thought our Dad would sell the land since he wasn't there to oversee the operation," said Marsha. "But Hertz helped him keep it in the family."

Several decades ago, the Felton family and Hertz started working together and helped keep the Felton legacy alive. "I found the

first Hertz Farm Report and it's from 1962," chuckled Marsha. "We have a long-standing relationship with Hertz."

Jim Frevert was one of the first farm managers on the farm and during the Summer's when Felton's were back on the farm he would stop in and say hello. "Our Mother (Ferne Felton) was a great cook," explained Dorothy. "Whenever Jim would stop by, she'd invite him in, and he would join us for lunch. We really enjoyed those times."

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Summer '19

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Left to Right:
Bill Holstine,
Dave Diamond,
Jim Frevert,
Mike Baltes,
& Don Diamond

“If we needed something done, Hertz helped us get it done.”

While food, laughter, and fellowship were fun to Jim, that wasn't the only reason he would visit the farm. There was still a lot of work that needed to be done, and Hertz was able to get several projects accomplished with the help of the farm's operators Dave and Don Diamond.

The Diamond Brothers

The relationship between a farm manager and an operator can be a delicate balance that takes years to build up the trust needed to work like a team. But in the case of Dave and Don Diamond, they just clicked with Hertz. “For us, it just feels like we're working with friends,” explained Dave. “If we needed something done, Hertz helped us get it done.”

Over the years, Hertz and the Diamond Brothers have worked together a lot, especially on the Felton Farms. In fact, it was the collaboration between the brothers, George Felton, and Hertz that helped make all the grain storage on the farms possible. Because of the groups effort to get those built, the Felton farms now have grain storage for 100% of their production.

Grain storage isn't the only thing that the brothers have been involved in on the farms. The Diamond Brothers have also worked on several terrace and tiling projects. “It would be wet

in the Spring and everyone else would be talking about how difficult it is,” explained previous farm manager Bill Holstine. “But these two would be out in a tractor with a little bit of plastic tile. Wherever there was a wet spot, they'd be putting in tile and solving the problem.”

Jim Frevert was the first farm manager that worked with the brothers in 1977 and since then, the Diamonds have gone through two generations of farm managers. “The relationship that we have with these guys is what we try to have with all of our operators,” explained Jim. “When we have an issue, we identify it and work together to get the problem solved. That's how a team works.”

“We have a common goal,” explained Mike Baltes who is the current farm manager. “We're all trying to make this a win-win for everyone, and these guys farm the land like it was their own. That's why it looks so good today.”

While the Diamond Brothers are definitely hard workers you couldn't help but notice from their infectious laughter that they had a mischievous side to them. Bill Holstine let it slip that the brothers had a reputation for being

pranksters. “They're also known around here as the Joy Boys,” he said. The brothers let out a good chuckle after that comment. “We're a little guilty of pulling the occasional prank every now and again,” said Don.

Whether the group is sitting at a picnic table and shooting the breeze or they're talking business, the laughter stays the same. “They have fun and they do a good job,” said Jim. “There's not much else you can ask for from people you work with.”

Continuing the Legacy

Every year, the Felton's hold an annual meeting with farm manager Mike Baltes to talk about the Felton Farm Corporation. After meeting with their farm manager, the sisters would try to make it over and talk to the Diamond brothers at the farm.

Today, the sisters are pretty spread out across the country and visits have become a bit more difficult. “Our visits are not as frequent as they used to be because of the distance,” said Frances. “But we still plan to keep the legacy going.”

The sisters are slowly bringing their children into the ownership process. “We're starting to bring our children into the board meetings,” said Dorothy. “The farm will stay in the family for another generation after us which is the way our Dad wanted it to be.”

“Working with families like the Feltons and the Diamonds makes my job very easy,” expressed Mike Baltes. “We all work together to keep the farm running. Family and teamwork, that's what gets it done.”

Types of Business Entities for Your Farmland Ownership

When setting up a new entity, the owner(s) should consult their team of experts to review their goals and objectives. This article is for information only and is not intended to be tax or legal advice.

The Sole Proprietorship is the simplest form of business. A sole proprietorship is a business entity owned and managed by one person.

A Partnership is formed when two or more people decide to go into business together.

In a “general” partnership, each partner is totally liable for whatever happens to the business, and for whatever the other person does.

In a Limited Partnership (LP), a limited partner is liable only for the amount of money he or she invests into the business, but there must be at least one general partner who assumes unlimited liability for the entire partnership.

A Limited Liability Partnership (LLP) is a partnership which limits

the personal liability of a partner for debts, obligations, and liabilities of the partnership except that a partner cannot eliminate liability for his own negligence.

A Limited Liability Company (LLC) is an unincorporated association with the advantage of limited liability for participants.

A Corporation (C-Corp) is a legal entity. The ownership of a corporation is divided into “stocks.” One person can own all of the stocks, in which case there is only one stockholder.

An S Corporation (S-Corp) is a hybrid corporation that is treated like a partnership for many (but not all) tax purposes.

A Trust is a fiduciary relationship in which one party, known as a trustor or grantor, gives another party, the trustee, the right to hold title to property or assets for the benefit of a third party, the


beneficiary. Trusts are established to provide legal protection for the trustor’s assets, to make sure those assets are distributed according to the wishes of the trustor, and to save time, reduce paperwork and, in some cases, avoid or reduce inheritance or estate taxes.

Revocable Trusts

A revocable trust is a trust whereby provisions can be altered or canceled dependent on the trustor. During the life of the trust, income earned is distributed to the trustor, and only after death does property transfer to the beneficiaries.

Irrevocable Trusts

An irrevocable trust is a type of trust where its terms cannot be modified, amended or terminated without the permission of the trustor’s named beneficiary or beneficiaries.

If you have any questions about choosing a business entity for your farm, please feel free to reach out to one of our Hertz Farmland Professionals. 

“There are pros and cons to each entity, so when setting up a new entity, owner(s) should consult their team of experts...”

*“During the many years the land has been with Hertz, the three farm managers that have **cared for our farms** have brought a wonderful gift of **personal-social** skills, background of **knowledge**, excellent tenant selection, detailed financial statements, absolute **integrity** and excellent **communication** skills.”*


- Arthur Family

Hertz Employees Recognized as Part of RLI's APEX Producers Club

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

Hertz Farm Management is proud to announce that twelve Hertz employees have been recognized as part of the 2018 Apex Producers Club by the Realtors® Land Institute as a part of the RLI APEX Production Awards Program.

The RLI Apex Awards Program is an annual production awards program designed to recognize excellence and performance of the best land real estate agents in the business.

Realtors Land Institute confers the esteemed Accredited Land Consultant (ALC) designation to only those individuals who have achieved the highest level of education, experience, and professionalism. 



Kyle Hansen, ALC



Cal Dickson, ALC



Kirk Weih, ALC



Chad Kies, AFM



Scott Henrichsen, AFM



Mike Krause, ALC



Stan Lierz, ALC



Marv Huntrods, ALC



Matt Vetger



Eric Wilkinson, AFM



Troy Louwagie, ALC



Chris Smith, ALC

5 Conversations to Have with Your Farm Operator

Part of what we do as farm managers is work to keep an open dialogue with our farm operators so we can stay up-to-date with our properties. However, if you don't have a farm manager, it's up to you as a landowner to have those conversations. But if you don't have an agriculture background, it can be difficult to know what conversations are critical.

Below we have put together a list of 5 things that you should discuss with your farm operator so you can have a better understanding of what's happening with your farm.

1. Issues on the Farm

Sometimes half the battle is just determining where the problems are. Ask your operator 'what are the issues on my farm?'. This is a simple question that can give you a lot of insight into what's happening with your farm. Talking about the problem areas on your property also gives you an opportunity to gain a better

understanding of your farm while simultaneously showing your operator that you care and want to help.

2. Fertilizer & Fertility Programs

As a landowner it's important for you to know what's being put on your farm. Ask your farm operator questions about their fertility practices and what kind of fertilizer they are using on your property. It's also a good idea to ask questions about the soil health of your farm. Find out when the last soil test was done and ask for a copy of the results of those tests. If you would like to learn more about soil health and understanding soil tests, please reach out to one of our farmland professionals.


3. Financial Stability

Is your operator financially stable? Sometimes this can be a difficult conversation to have but it's crucial that you do. The level of risk and volatility in farming has been increasing and the future is full of

uncertainty. You want to work with an operator who manages risk with a strong marketing plan and crop insurance. If you are working with a new operator, ask to obtain financial statements and references from lenders who have a history with the operator.

4. Plan for the Future

If you have an operator that's getting close to retirement, it's important to setup a plan. Do they have someone in mind to take over the operation? How long are they planning to stay farming? Again, this can be an uncomfortable discussion, but as a landowner you need to know who will take care of your farm when the time comes. If neither of you have a plan in place, it's never too late to create one.

We encourage you to engage in regular conversation with your farm operator. If you have questions or concerns, please reach out to one of our Hertz Farmland Professionals at the office location closest to you. 

"We encourage you to have regular conversations with your farm operator."

5. Ask for Documentation

Are you receiving copies of fertilizer bills, yield maps, and insurance records from your operator?

- Having tangible evidence of what's happening with your farm can help you stay in the loop while you're away.
- To the right, are some documents that you can ask to receive copies of from your farm operator.

1. Yield Maps
2. Yield History
3. Soil Tests
4. Copies of Fertilizer Bills/ Receipts for Repairs
5. Planting Maps

2019 Summer Farmland Value Update

Doug Hensley,
President of Real Estate Services,
Nevada, IA

As green rows of corn emerge, the Midwestern farmland market remains mostly stable, with just a slightly weaker bias. High quality farms continue to sell well and out-perform farms with less productive soils, poor drainage, or those farms lacking easy 'farm-ability' (e.g., think waterways and other obstructions). Farmers are still buying nearly 8 out of every 10 farms brought to the market, although non-farming investors still represent a very influential buying segment across the Corn Belt.

On a state specific basis, there are minor contrasts in recent results, with local factors always playing a role.

Iowa Farmland

The Iowa Chapter of REALTORS® Land Institute released its March 2019 Land Trends and Values Survey. The 6-month Survey showed a 1% statewide average decrease of cropland values for the September 2018 to March 2019 time period. Combining this 6-month decrease with the 1.7% decrease reported in the previous 6-month survey, indicates an average decrease of 2.7% from March 2018 to March 2019.

Illinois Farmland

The Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA) recently announced the results of its 24th annual survey, which shows

that the price being paid for "Excellent" quality farmland trended 1% higher for the calendar year ending December 31, 2018, while "Good" quality farmland was reported 1% lower.

Nebraska Farmland

A summary report from the Ag Economics Department at the University of Nebraska-Lincoln reflects a decline in statewide agriculture land values. The average value of Nebraska farmland declined by 3 percent, according to the early 2019 report. This marks the fifth consecutive year of downward pressure. Nebraska land values have broadly dropped ~20 percent since reaching a high in 2014.

Future

In looking at these various state-level surveys/reports, it may seem easy to conclude that land values are broadly weaker. However, it is important to note that across much of the Corn Belt, we view the farmland market as being stable, with just a slight bias towards being weaker. The bias comes into play as we consider the major factors driving the market (e.g., lower commodity prices, increasing interest rates over the past year, trade instability, etc). Should one or more of these factors turn positive, it is likely that the direction of the market would also turn. So, as we consider the future for Midwestern farmland values, be mindful of those factors that drive underlying farmland prices.

At the individual farm level, consider the growing season success (or lack thereof) local to your farm. In areas where a strong crop is grown in 2019, land values are more likely to be supported than in areas where things are a struggle. Also, don't forget simple supply and demand concepts in your local neighborhood. In areas where numerous sales occur, land values are more likely to weaken than in areas where nothing has sold for many months.

More broadly, keep an eye on commodity prices. A stronger commodity price environment will generally be supportive to farm incomes, and therefore, farmland values. Pay close attention to interest rates. For the past 2+ years, the Federal Reserve has been inching short-term rates higher. However, the Fed has outwardly signaled no rate increases for the remainder of 2019. So, where interest rates move for the remainder of 2019 will be worth watching. Finally, we're still hopeful for positive news coming from various global trade negotiations, particularly with China. For better or worse, the outcome of trade talks will impact commodity prices and underlying asset values, including farmland.

In nearly every case, please know that a Hertz Farmland Professional with local knowledge and expertise can assist you as you consider an acquisition or sale. And, we welcome the opportunity to serve you! 📞

"The Midwestern farmland market remains mostly stable, with just a slightly weaker bias."

2019 USDA Prospective Planting Report

Lawain Biermann, AFM
Farm Manager,
Cedar Falls, IA

The 2019 USDA Prospective Planting Report was released March 29.

The anticipated U.S. corn acres are 92.8 million, more than 4% greater than last year. The anticipated U.S. soybean acres are 84.6 million, approximately 5% less than last year. If these acreage numbers are realized, the corn acreage amount would be the highest since 2016, and soybean acres would be the lowest since 2016. This would be the third consecutive year of declining soybean acres in the U.S.

The nearby corn futures contract closed over \$.17 lower on March 29 in reaction to the larger-than-anticipated acreage estimate and large corn stocks value. Even though the soybean acreage report was positive, the nearby soybean futures contract closed \$.05 lower in sympathy with the corn trade. Commodity markets have been confined to a fairly

narrow trading range since last fall. U.S. Corn and Soybean Supply and Use for the last 5 years are shown in the charts below. The national yields for both corn and soybeans have been very consistent during this period. Current corn demand for Feed and Residual, Ethanol, and Exports have been somewhat disappointing. This reduction in usage has increased estimated ending stocks for 2018 to more than 2 billion bushels. The forecast for 2019 corn using a trendline yield and intended acres shows a slight increase in estimated ending stocks for 2019. The corn stocks to use ratio for both 2018 and 2019 are near 14%. This level of stocks typically reduces the trade's reaction to weather related production concerns during the growing season.

For soybeans, estimated 2019 usage is larger than 2018, but the extremely large 2018 ending stocks level will offset the increased demand. Estimates show a slight reduction in 2019 ending stocks, but the stocks to use ratio will remain at 19%. Overall soybean fundamentals remain negative. The lack of any trade agreement with China is also pressuring soybean prices. If the U.S. and China reach an agreement, the soybean market should

respond favorably.

Some areas of the Midwest experienced strong basis levels during the winter and early spring because weather conditions made it difficult to deliver grain to the market. Buyers had to increase cash bids to entice producers to deliver grain.

Many areas of the Midwest experienced wet weather in the fall of 2018 and the winter of 2019. Continued cool and wet weather in April and May delayed planting in some areas.

Looking forward, continued growth in demand for corn and soybeans will likely reduce ending stocks over time. Negotiations regarding a trade agreement with China continue, and a resolution to the trade dispute will be positive for trade. In addition, production problems caused by weather concerns that could reduce yields will also be supportive to prices. During times of market volatility, a disciplined marketing plan based on fundamental and technical analysis is essential to capitalize on marketing opportunities. Managing price risk and maximizing production will be critical to profit margins again in 2019. 📈

“Looking forward, continued growth in demand for corn and soybeans will likely reduce ending stocks over time.”

U.S. Corn Supply and Use

| | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------|--------------|--------|--------|--------|--------|--------|
| Area Planted | (mil. acres) | 88.0 | 94.0 | 90.2 | 89.1 | 92.8 |
| Yield | (bu. acre) | 168.4 | 174.6 | 176.6 | 176.4 | 176.0 |
| Production | (mil. bu.) | 13,602 | 15,148 | 14,609 | 14,420 | 15,020 |
| Beg. Stocks | (mil. bu.) | 1,731 | 1,737 | 2,293 | 2,140 | 2,035 |
| Imports | (mil. bu.) | 67 | 57 | 36 | 40 | 40 |
| Total Supply | (mil. bu.) | 15,401 | 16,942 | 16,939 | 16,600 | 17,095 |
| Feed & Residual | (mil. bu.) | 5,120 | 5,470 | 5,304 | 5,300 | 5,500 |
| Ethanol | (mil. bu.) | 5,224 | 5,432 | 5,605 | 5,500 | 5,575 |
| Food, Seed, & Other | (mil. bu.) | 1,422 | 1,453 | 1,451 | 1,465 | 1,465 |
| Exports | (mil. bu.) | 1,898 | 2,294 | 2,438 | 2,300 | 2,475 |
| Total Use | (mil. bu.) | 13,664 | 14,649 | 14,799 | 14,565 | 15,015 |
| Ending Stocks | (mil. bu.) | 1,737 | 2,293 | 2,140 | 2,035 | 2,080 |
| Season-Avg. Price | (\$/bu.) | 3.61 | 3.36 | 3.36 | 3.55 | 3.60 |

U.S. Soybean Supply and Use

| | | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------|--------------|-------|-------|-------|-------|-------|
| Area Planted | (mil. acres) | 82.7 | 83.4 | 90.2 | 89.2 | 84.6 |
| Yield | (bu. acre) | 48.0 | 52.0 | 49.3 | 51.6 | 49.5 |
| Production | (mil. bu.) | 3,926 | 4,296 | 4,412 | 4,544 | 4,155 |
| Beg. Stocks | (mil. bu.) | 191 | 197 | 302 | 438 | 895 |
| Imports | (mil. bu.) | 24 | 22 | 22 | 17 | 20 |
| Total Supply | (mil. bu.) | 4,140 | 4,515 | 4,735 | 4,999 | 5,070 |
| Crush | (mil. bu.) | 1,886 | 1,901 | 2,055 | 2,100 | 2,105 |
| Seed & Residual | (mil. bu.) | 122 | 146 | 113 | 129 | 130 |
| Exports | (mil. bu.) | 1,936 | 2,166 | 2,129 | 1,875 | 2,025 |
| Total Use | (mil. bu.) | 3,944 | 4,214 | 4,297 | 4,104 | 4,260 |
| Ending Stocks | (mil. bu.) | 197 | 302 | 438 | 895 | 810 |
| Season-Avg. Price | (\$/bu.) | 8.95 | 9.47 | 9.33 | 8.60 | 8.80 |

Source: USDA-WAOB and Iowa State University

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Landowner Educational Seminars Summer 2019 Schedule

All landowners are invited to attend one of a series of Summer seminars. Our seminar topics will include Grain Markets, Farm Lease Trends/Leasing Alternatives, Future of Agriculture, Land Trends and Values, Agriculture Trends including Organic Production, GMO Update and Hemp Production.

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

Seminar Online
Registration Pricing:
\$30 per person, \$50 per couple.

**Register and
Pay Online to Save!**

Save \$5 per person, \$10 per couple when you register and pay online.

Walk-in price:
\$40 per person, \$75 per couple.

Registration includes:
Lunch, break refreshments and handouts of the presentations.

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

- For your discount, register Online at www.Hertz.ag/seminars
- Call 319.449.6116 Ask for Seminar Registration
- Email: Seminars@Hertz.ag
- Mail the enclosed postcard

Dates & Locations



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

July 30, Cedar Rapids, IA
July 31, Rock Island, IL
July 31, Fort Dodge, IA

August 1, West Des Moines, IA
August 6, Ames, IA
August 7, Mahomet, IL
August 7, Bloomington, MN

August 8, Minooka, IL
August 8, Rochester, MN
August 9, Omaha, NE