

All answers are from the Webinar transcript

Over and above the present grain price, how much additional dollars per bushel have farms received from the government?

Dick Pringnitz:

"Certainly there's been a lot of government payments issued over the last 12 to 18 months. Some of those were tied to the 2019 crop. In fact, the majority of them were so I'm going to pass those off and we'll just look at what pertains to the 2020 crop year. And that was the most recent CFAP payment which amounted to roughly 30 to \$40 per acre for that payment. So if you figure corn at 200 bushels per acre yield, that is roughly 15 to 20 cents per bushel is what that government payment would amount to."

What parameters do the Hertz Farm managers use when they sell grain for their clients?

Dick Pringnitz:

"At Hertz, we have a marketing committee that meets every two weeks and we talk about current growing conditions, fundamentals, technical aspects of the grain markets, and then as a committee, we develop objectives that we can use to make recommendations to our farm managers for making grain sales. And so we typically like to use a scale-up approach if possible, sometimes the markets don't cooperate and move higher to allow for that. In that case, we will also put in some time objectives so that we're disciplined. If a market doesn't move higher, but we get into let's say the planting time window or the pollination window we want to go ahead and make some sales at that point because those are important times we feel to make sales. Those are some of the parameters that we look at. Each manager then is notified or informed of the objectives but they have the ability to tailor those to specific client farms and what their individual situations are like."

How much of my estimated 2021 corn and soybean production should I have contracted by now?

Dick Pringnitz:

"Obviously we've had a great rally in the corn and soybean market over the last six months. The biggest move has come from the old crop months, so there's a premium to the 2020 crop. But certainly, as we look forward to the 2021 crop year we still have excellent opportunities to start making some sales at the highest levels that we've seen in over six years. So we typically want to make small increments on new crop grain sales, maybe 10 to 15% sales and we'll set objectives and if those objectives are here we'll go ahead and make some sales."

"So currently I think it would be prudent to be 25 to 30% sold. We don't think we want to go beyond that at this point simply because we haven't even gotten into the growing season yet and we don't know what the spring planting season will be like. We want to have some additional bushels to price if this market were to keep rallying here as we get into the growing season in the U.S."

What do you think the long-term impact on corn prices will be if the U.S. vehicle manufacturers follow through and switch to produce 100% electric vehicles?

Dick Pringnitz:

"Obviously U.S. agriculture is very dependent, particularly the corn market is very dependent on ethanol. We grind about 40% of our demand for corn is in the ethanol process so that's a very important part of our demand side. I know the goals are out there for manufacturers to move that direction, I think it's going to be a long-term process to get to that point. If you think about some of the infrastructure that has to be in place in order to charge cars, for instance, instead of filling with fuel or gas like we currently have."

Answer continued on next page

"So I think there's going to be a transition period for that. I doubt if it will happen during my career that we get to the point where we have all-electric vehicles, but certainly, if we get to that point it's going to be detrimental for corn prices. The question is when will that happen and what transition will take place? There are opportunities for other types of demand that may pop up to replace some of that corn use."

What was the program in which you can take 80% of your farm income when paying taxes?

Jeff Troendle:

"That program is called The Qualified Business Income Deduction, and some people refer to it as a QBI. And again, whatever your farm income is, you pay tax on just 80% of it if you qualify. If you're on a share lease or a custom arrangement, it's fairly easy to qualify, not a lot of requirements, you just have to be participating in the crop. But if you're on a cash rent that's where you have to document that you've had 250 hours per year of active involvement in the farming operation."

"I know a lot of the clients we work with have taken advantage of that. It doesn't just apply to farmland. If you have a small business you may be able to qualify for that as well, so it would be a good idea to talk to your tax person just to make sure that first of all, you qualify. Actually, first of all, make sure that they've talked with you about it because there are a lot of tax preparers that don't think about that when it comes to farms, they think about it in terms of a small business but aren't thinking in terms of how it would apply to farmland."

What is the difference between cash rent lease and participation lease when it comes to time spent on administrative work and operational management for the farm owner?

Jeff Troendle:

"That's very dependent on the size of the farm and what type of an operation you have. If it's a fairly small farm, say 80 acres that you cash rent or that you have on a participating lease, there may not be a great deal of difference in time. You'll have some time spent picking out crop inputs and doing the marketing. But I would say that typically on a cash rent you'd spend about half the time that you would spend on a participating lease if you're going to do a good job of staying involved in the marketing and crop input selection."

Your recommendation is to renegotiate leases every year. What month do you recommend doing this?

Jeff Troendle:

"The month that works the best varies by individual. I know I have worked with individuals that if they didn't have their lease for the following year negotiated by July they were very nervous because they felt like if the grain markets fell apart towards the end of the season, which they often do, they would not get as good of rent. But if you would have done that this year, you would have lost out on the entire rally. So normally we would recommend that leases be negotiated in the fall, it's always good if that operator can see what kind of harvest they had you know."

"If we know going into harvest that we're going to have a good crop you can certainly start a little sooner than that. But usually November, December is when a lot of those leases are finalized and that works well for the operators also because they need to be able to buy crop inputs for the coming year and some of the best discounts on crop inputs occur in the November, December time period."

Is it wise to insist on crop rotation and cash rent leases? Maybe that requires multi-year agreements or is it best to give the operator freedom to make the crop rotation decision?

Jeff Troendle:

“As with many lease terms, the answer will vary from farm to farm. Typically, growing continuous corn for example requires substantial tillage, so on a highly erodible farm, it might be better to rotate to beans on a no-till basis. On a flatter farm, the extra tillage required for continuous corn may be less of a concern. In livestock areas, the need for certain feed stuffs or bedding may dictate the rotation. In general, rotation reduces the buildup of diseases and certain weeds, but there may be good reasons not to rotate in a given situation, which makes it tough to give you a concrete answer on this one.”

In order to help with soil fertility and disease resistance, what do you see as possibilities of crop diversification from only corn and soybeans when there is no local market?

Craig Welter:

“When we think about shifting from corn and soybeans typically you consider going to a forage. So maybe you include alfalfa for two, three, or four years in your rotation with corn and soybeans. Livestock producers in your area can provide you with a market locally. Specialty crops are difficult to work into a crop rotation without a local market. Otherwise, you can consider adding cover crops to your rotation to help with diversity.”

Some tenants are offering a fixed cash rent plus a bonus. How does one determine a fair bonus for both the tenant and landowner?

Jeff Troendle:

“That can be tricky, it depends on where your base rent is set. But a good rule of thumb is that typically over time landowners receive 35 to sometimes as high as 38% of the overall income that's produced on a farm. So that would be a good place to start. If you take the income that's produced on the farm, subtract your cash rent and then determine how you want to share the balance, that would be one way to go about it. You want to make sure that operator still has an opportunity to make money also because you want him to come back and pay rent again the next year, so you have to leave a little room in that.”

Flex leases seem like a way to de-risk the standard cash rent approach. Are there any gotchas to consider with a typical flex lease?

Jeff Troendle:

“Well, it depends on how you define a gotcha. This year, for example, a gotcha might be that if you had your calculations set up to end on September 1st for example you might've missed out on most of the rally. And so you want to make sure that you're setting the time period that you're going to determine the flex rent on long enough so that you capture some of these late-season rallies.”

“I know a lot of folks have taken that December out of their flex lease because they want to have the lease figured out before November. Unfortunately in a year like this, you would have missed out on some of the highest prices of the year if you're doing that. So I think probably the biggest gotcha is making sure that you're setting up your time periods to coincide with the entire crop year.”

What does Hertz charge to manage a farm?

Jeff Troendle:

"We charge on a scale depending on the size of the farm and the type of lease. And that scale runs from on a larger farm that maybe has cash rent, 6%, all the way up to smaller farms that might be on a share at 10%. So that's the range that we have and that the owners share of the gross income. So if you're on a 50/50 crop share for example we would only take the fee on the owner's half of the crop."

Do all cover crops require termination by herbicide? The termination seems to be counterproductive to healthy earth practices.

Craig Welter:

"Not necessarily all cover crops require a termination. There are some cover crops that will terminate naturally. An oat cover crop can be seeded in the fall and will self-terminate in cold weather, but the drawback is that you do not get the extra spring growth that you would get from something like a cereal rye cover crop that overwinters and continues to grow until planting time. There are also mechanical ways to terminate. One would be tillage which would be counterintuitive to what you are trying to do with the cover crop. You could also roll or crimp the cover crop and terminate it that way. Not all cover crops are terminated with herbicide, but it is a simple way to terminate and allows us to maximize the intended benefits of the cover crop practice."

How common is the practice of using cover crops in Iowa? Is it becoming more mainstream or still a novelty?

Craig Welter:

"That is very dependent on the season. For example, two years ago we had a wet and rainy fall. We didn't get crops out very early, in fact, a lot of corn harvest went into late October and November so we hardly saw any cover crops that were established that year. If you can get a nice, dry fall where harvest is done soon then we see a lot of cover crops growing. Mother nature is definitely in charge as far as usage goes, but on a large scale I would say that cover crop usage is increasing in Iowa as more farmers get experience with them and the practices are more feasible economically."

Can you provide any insight regarding the opportunity to benefit from the sale of carbon credits for a landowner that cash-rents farms?

Craig Welter:

"It will be dependent on every farm and is not necessarily a question that we know the answer to today. The main factor would be the value that the landowner is providing to make those practices happen. So, if you are directly paying for or are taking a concession and rent in order to get a cover crop established or use no-till on your farm, then maybe you would be entitled to getting a share of the carbon credits. By and large, at this time most of the carbon credits systems are set up to benefit the farmer that is implementing those practices."

What are your future expectations of carbon credits revenue for landowners?

Craig Welter:

"Right now we are seeing estimated payments of \$7 to \$40 per acre depending on the practices used, but a more likely average of \$10 to \$15 per acre. This market is so new right now that we do not necessarily know exactly what to expect in the future. If more and more companies are looking to offset carbon and demand grows, then the market could certainly explode higher. Also, consider the possibility of future USDA involvement to help stabilize that market. There is potential to see payments be much higher than they are today."

If you are already doing no-till farming, can you sell carbon credits?

Craig Welter:

"Every company that is offering these credits is different in the way that they're measuring carbon. Most of them do not have a look back period where they see what you have done in the past to measure that carbon sequestered and are only forward-looking in what changes you are making today. However, there are a few offerings that are looking at what was done in the past and how you can be compensated for those practices, so those opportunities are out there."

Can carbon credits be sold on land and CRP?

Craig Welter:

"Right now, it appears that CRP is being excluded from any carbon credit sales."

Are carbon credits going to be widely available in all states?

Craig Welter:

"That is dependent on the companies that are offering them. Some of them are only in your typical corn and soybean-growing states and some of them are being offered nationwide. It all depends on who you are looking at as your carbon broker."

How is climate change likely to affect farmland future productivity in Iowa?

Craig Welter:

"What we have really seen impact us most is the more intense events like extremely heavy rainfall. We can help mitigate those problems with conservation practices to help keep soil in place during those events. As far as changes to the growing season itself, we are unlikely to see a significant adverse change to the types of crops we can grow or their productivity levels in the next several decades."

How important to soil sustainability is having livestock on a land for some portion of a year?

Craig Welter:

"This has been a great solution for some livestock producers. If you have a cover crop or corn stalks that can be grazed, the cattle can help break down residue and leave some manure in the field. The main benefit from integrating livestock has been in cost savings from reducing the need for extra feed rations and time savings in labor needed for the livestock producer."

Is the issue crop dusting and its drift and/or lack of location specificity a consideration being factored into sustainability?

Craig Welter:

"We are being more aware of managing each acre and soon enough it will be every plant within each acre. As we discussed with the improving ground-sprayer technology, that is certainly a consideration with aerial spraying and something that will probably be advanced as we move into the future. There are also additives that are currently being used to improve the accuracy of aerial applications."

What is the risk of using Roundup? The best plan for long-term and is decreasing amounts best?

Craig Welter:

"We have certainly seen Roundup resistance occur in some weed species. That has become an issue across the country and the solution has been to be vigilant about rotating the types of chemistries that are being used. Roundup is not necessarily a bad thing to use – it is still very effective on most grass weed species – but managing any current resistance issues on your farm and being proactive to prevent those problems from occurring is most important."

What happened in 2013, 2014, and 2015, that land prices lost so bad?

Doug Hensley:

"If you'll look back, 2012 across most of the Midwest was a drought year. It was a year that we were relatively tight on corn and soybeans supplies to begin with. And what we saw during the growings of 2012 was we had an enormous run-up in commodity prices. Corn prices went from \$4 a bushel. At the Central Illinois bid, we were actually just talking about this on the break, I remember back to August 22nd of 2012 we saw a corn crisis on a local elevator bid. I think it was up to \$8.42. And of course, over the long-term, that was a situation where corn prices were up that high because supply was so limited."

"As we got into 2013, 14, 15, and 16, we actually had really, really good crop production in those years so we saw commodity prices collapse over that time. And so when you see commodity prices go down as dramatically as we did during that two, three, four-year period, obviously that makes margins much, much tighter at the farm level and that's what put pressure on farmland values during that time, was the fact that we just didn't have very strong commodity prices."

If an investor paid \$7,559 per acre in Iowa, what kind of return could be expected compared to a treasury note of 1.2%?

Doug Hensley:

"I'm going to round off your numbers just a little bit, what we generally see again on a ten-year treasury note, I looked at the bid today we're a little over 1.2% on a ten-year treasury. As of this morning that was a yield. And if you're looking at farmland values in central Iowa, \$7,500 will buy a nice farm, it won't buy you the best farm by any stretch in today's market. So you could expect two and a half to 3% returns two and a half, maybe up to three and a half percent returns for a quality farm in today's market. So farmland returns compared to a 10-year treasury today are 2X what treasuries are."

What is the future of the government supports?

Doug Hensley:

"If you look back, some of the government support that's been offered, for example, the crop insurance products, the PLC and ARC programs that are part of the farm programs, those are known through the farm program that's in place and I believe it's a five or six-year program that we were doing and we're starting in 2018."

"But much of the support that has been offered since 2018 that I mentioned, MFP payments, the CFAP payments, the multiple CFAP payments of 2020 were ad hoc, meaning they weren't planned. And those were payments that were just created and paid out by the Trump administration. I think there's a likelihood that those type of ad hoc payments are not likely to continue in 21 and moving forward. So it'll be an interesting time to see how those payments continue or not."

On average to be profitable in ag is it a reality that income needs to be supplemented by the government?

Doug Hensley:

"Certainly the government support in 20... Let's say 2015 through 2018 has been really important, in 2019 and 2020, frankly. But that's not where agriculture wants to get its income. The reality is I think any farm producer or any farm land owner for that matter would rather make their dollars and their return from the market and our grain and using it domestically as well as globally around the world through trade."

"But with the situation that we've had particularly with the Trump administration and trade policies, the approach that the Trump administration took it hurt us in regards to one of our really important trading partners with China. And so the ad hoc payments and the government support in the last few years have been really, really important while the government went about, took a different tact with our trading partners, and so the government support has been really important to profitability at the farm level."

Farmland finance performance in 1990 to 2019, is the annual average return reflective of rental value or total return for a farmer, which would include his management return?

Jeff Troendle:

"The total return would include the management of the farm. So in most cases when you see those numbers out there that includes not only the return to the land but also the return to the labor that farms the land."

What is the annual average return for cash rent contracts?

Jeff Troendle:

"The average annual return depends a little bit on the quality of the farm. Some of the lower quality farms as Doug mentioned can get down into the 2% range or get up into the three, three and a half percent return range, but some of the higher quality farms that are a little more expensive to purchase, those returns are one and a half to two and a half percent."

How do you receive or sign up for these extra government payments?

Jeff Troendle:

"You can sign up at the local FSA office but in order to be eligible for those payments you have to have a share of the crop. And so if you're a cash rent owner, you're farm operator who is the one that has the risk in the crop, is the one that can sign up for the farm program payments. But if you are participating in the crop, the FSA office in the county that you're farm is in is where you will need to go."

Does Hertz use drones for looking at crops?

Jeff Troendle:

"We have started using drones to look at crops. It probably started out as a little bit of a novelty to be able to send some really neat pictures, but we have found over time that it's a great tool for scouting especially after a wind event where you may not have affected the whole field but there may be a back corner that you normally couldn't walk to in August or September very easily and you may be able to get that drone up and see that, "Hey, there was some damage in that back corner, we better make our way back there and take a look at how things are progressing."

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Doug Hensley:

"I was also going to say I think it's important for our viewers to understand we have taken to drone technology over the past several years as it relates to farm real estate marketing as well. It's important to be able to give prospective buyers a bird's eye view. So we go about that in a couple of different ways. Some of it's still photography that we use in our marketing brochures, but we also use videos that will take a buyer or a prospect over the farm and give them a tour of the property that way."

"We've also, with some new entry into our drone fleet, we have the ability to take what we call 360 photos. You can check this out by going to hertz.ag and looking at some of the farms that we have for sale but we have 360 videos where you can click on it. And the drone will be up approximately 400 feet above surface level and it will take a panorama photo that will basically be a 360 view of where that drone is at."

"With your mouse on your screen you can look all around, you can look up, down, and sideways and it can give you a really, really neat one-of-a-kind perspective of both the subject property that you're looking at as well as a neighboring property. So it's become really important both in the management and in the sales aspect of what we do."

What are trends for crop diversification, for example, hemp?

Jeff Troendle:

"There are some trends, anytime a new product comes out there are always some early adopters that want to try those, and that's been true with hemp. But there's also been some difficulty getting a hemp market set up that allows people to move the crop to the right place at the right time and be able to have a manufacturer that can process it. And so I think anytime you bring something to a farmer, farmers are pretty innovative folks and if there's a way to make it work they will figure it out. But in a lot of cases, the logistics of getting the crop to the right place or not having a market in their local area will prohibit them from being able to participate in that."

"I think that's where Craig indicated, that's where some of the hang-ups are with getting some of these cover crops to work well. If there was a market for some of the products that you could produce from those like back in the day when we had a lot of livestock and you could use some of that forage efficiently and effectively, that would make a big difference. But today we have to see what is in demand, and just because we can grow a crop or try a new crop doesn't mean that there are people out there waiting to buy it and buy it at a price that we can make a profit at."

What are the pros and cons of allowing windmills on your farmland?

Jeff Troendle:

"It depends on what side of the fence you're on. I know I've had clients all the way from... I wouldn't even care if they paid me I want to be part of the solution to our energy crisis and so they were more than happy to have a wind turbine on their farm. I've got other folks that it wouldn't matter what you paid them, they're just not interested in going by their farm and seeing a wind turbine out there. So aesthetics is one of the big ones that you have to consider."

"Another one is what effect it will have on the crops that you can produce on the farm. In a lot of cases if you're producing a crop where they need to use airplanes to spray the crop during the season that's not a very good option if you've got wind turbines standing up in the middle of your field, so that's something to consider. Certainly, if you've got a good contract with the wind turbine you can add substantially to your income, and I think Doug will agree with me that in most cases where we've seen wind turbines with a decent contract on them that could easily add a \$1000 dollars an acre to a farm sale, so there's certainly pros and cons to those."

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Doug Hensley:

"I'll add on here too, Jeff. Like you said, actually the Illinois Society of Professional Farm Managers and Rural Appraisers did do a study as to the impact of wind turbines. And the sales that have happened that have included wind turbines at least in the State of Illinois, have shown anywhere from \$1000 to \$1,500 in additional value when those farms have sold with a wind turbine."

"Like Jeff said it will depend very much on the actual payments coming off from that particular turbine and how much energy they're generating is a big part of the dollars that you're paid in a contract. Some of the older turbines were only making one megawatt of power, for example, while some of the new generators that are put on top of these big windmills are up to three or four megawatts, and the more power that you're generating the larger the payment."

"The other thing that I'll add about the wind turbines, especially if you're in the footprint of a new wind energy project has to do with drainage. And that is something that I think a lot of landowners need to be very cognizant of, not only placement of the turbines on your farm, you want it to not necessarily break up the practical flow and farmability of that property but also have an understanding of how the contractors who may be putting in transmission lines and the concrete pilings and footings for these enormous windmills can have an impact on drainage. So make sure you have a good understanding as to what the policies are of the wind energy project before you agree to move forward with it."

Do you see any trends in wind and solar leases, particularly in Northern Illinois?

Doug Hensley:

"So there has been a development really across all of Iowa and Illinois as it relates to wind energy. We've seen a lot of windmills and the development of wind farms. It's windy obviously across much of the Midwest, but Illinois and Iowa particularly. As it relates to the solar projects, it seems like that has been more focused on the State of Illinois, and I do believe part of that has to do with the population base where they need to power and the concentration of those solar panel projects. There has been a limited amount of development in the State of Illinois for solar panels. There are a lot of parameters that these projects have to meet. You have to be within I think a mile and a half of a transmission base or a substation to be able to get to power in."

"The other thing about the solar projects with the solar panels on your farm, these are very, very long-term contracts that they are in many cases proposing. And while some of the rental payments and some of the rental payments can sound very handsome in today's world, several hundred dollars per acre, but if you're agreeing to four or \$500 an acre payment on an annual basis, that sounds good today, 15 years or 20 years from now is \$500 an acre going to be good? Not so sure. So the long-term impact is just frankly unknown as to the solar projects, so again, another thing to be aware of, but be careful in the decisions that you're making, it will impact the property for the long-term."

Jeff Troendle:

"Two things I would add to that, Doug, is it's easy to get caught up in what the payments are going to be but as with a lot of things you need to start with the end in mind and you need to really look at the contract and have your attorney review what happens at the end of this contract? Who's responsible for cleaning this land up and putting it back in condition? That's a big deal on the turbines, it's also a big deal on the solar panels."

"The other thing that we've seen with the solar panels is you're putting a lot of flat area out there that doesn't absorb water anymore, and that water has to go somewhere. So in a big rain event, you want to make sure that you've figured out where's all that water going to go and make sure you've found a way to keep the soil from going with it. We've seen some of those start some pretty big channels where concentrated water flow has just cut into the soil and when that gets under the fence, it won't stay with the solar project it goes out into the field around it. So that's a watch out when you're looking at those."

Are there any tax credits associated with alternative energy that can be leveraged to reduce taxes?

Jeff Troendle:

"There are a number of tax credits that are associated with wind turbines and with solar, but most of those are going to go to the people that are putting those projects up. As far as I'm aware there aren't any that go to the folks that have the land underneath those projects. So when a wind turbine project comes in, any tax credits would go to the people that are putting the project together."

Where is South American production (Argentina, Brazil, etc.) for corn/soybeans heading?

Jeff Troendle:

"For the foreseeable future, as South America continues to improve their transportation infrastructure, we would anticipate that they will continue to expand production. There is support for new laws that would restrict how quickly certain areas can be converted to crop production, but there is still a lot of potential for increasing production on existing crop acres, so I would expect to see more, not less production."

If you were a first-time farm buyer looking to lease the purchase immediately (cash or participating lease type still to be determined), do you have a personal recommendation on acreage size and state/region to focus your search for this first investment?

Jeff Troendle:

"There are opportunities for good returns throughout much of the Midwest, so it really depends on what geography is of most interest to you. Because of differences in RE taxes and state income taxes, there are some advantages to Iowa and Illinois, but there are opportunities in most of the Midwest states."

Are there restrictions on who can purchase American farmland? Can China invest in Iowa land as an example? Also, are there restrictions on what type of corporation can purchase farmland?

Jeff Troendle:

"There are restrictions on who can purchase land in certain states, and/or how long they can own it for certain purposes, but there are more regulations than we can fit into this forum. If you have some specific concerns, please feel free to reach out to us through our website for additional discussion."

What are farm leases bringing in Woodford county, Illinois? Do you have any data on this for 2020 and 2021?

Doug Hensley:

"The Illinois Society of Professional Farm Managers & Rural Appraisers releases an annual report for Illinois Farmland Values and Lease Trends. The 2021 report, which will include data from the 2020 crop year, will be out later this spring. In saying that, please know that Woodford County is a very competitive market. As for a lease value on any specific farm, the answer will depend heavily on the characteristics of the subject property. To answer this question more specifically, we would recommend contacting one of our Illinois offices for a detailed discussion."

On the "Where are rents headed" slide, are those rent numbers corrected for inflation?

Jeff Troendle:

"The rent numbers are not adjusted for inflation. They are the average dollars per acre for that particular year without any adjustment for time."

If we terminate the lease in September in Iowa is there any reason we can't wait until December to renegotiate?

Jeff Troendle:

"There is no reason that you couldn't wait until December to negotiate the new lease. Your farm operator may want you to at least assure him/her that they will have the first chance to say "no" to your new lease and that you aren't using the time to "shop" the farm, just wanting time to collect more information."

Considering the commodities prices and markets in general, is there a reason for rent of land in eastern Iowa to go down this year?

Jeff Troendle:

"In general, there would not appear to be a reason for a lower rent in Eastern Iowa, but there may be some unique situations around the Derecho areas where improvements were badly damaged that could lead to a lower rent. Short of that, unless the land has been affected by an outside force, like development or easements of some kind, rents should be steady to slightly stronger."

Iowa State announced a partnership with Palo Alto recently in looking at various environmental planting to benefit soil. Is this something Hertz is exploring for its clients?

Jeff Troendle:

"We are doing some work with Iowa State and the STRIPS program to look at the effect of certain plantings and try to balance the conservation and water quality improvement potential with the very real effects on long-term profitability. It will take some time to sort it all out and come up with the best combinations."

The last slide that Jeff T. posted on cash rents for Illinois, was that an overall average of independent leases and Hertz ag, managed leases? Please elaborate.

Jeff Troendle:

"The lease data is from state surveys and does include Hertz data, but our leases would be a relatively small part of the sample for any state."

Are Hertz managers now purchasing Carbon Credits for the farms Hertz manages? Should we bring it up with our manager?

Jeff Troendle:

"At Hertz, we are still in the investigation stage with both Carbon Credits and Water Quality Credits. The market is very young and still developing. We are hesitant to commit our clients to a long term contract (often 10 years or more) before the market has determined the true value of the credits, what it will cost to monitor and prove the level of credits produced and who the long-term, reliable players will be in the market. The development of a national carbon program may help with that process, but is not available today."

Whatever happened to your Farmland LLP? Was it not viable in the land market, or not enough subscription interest to meet the minimum threshold?

Jeff Troendle:

"Our initial Farmland Fund did not generate enough interest to meet the threshold. We did have a number of clients that were interested, but in the end, decided to buy another farm on their own rather than invest in a fund with others. We are in the process of putting together a different fund with a slightly different investment objective, so if you are interested, please feel free to give us a call."

What is the impact of the glyphosate litigation going to have on agricultural producers? Has Bayer reached a settlement yet with the trial lawyers ganging up on them?

Jeff Troendle:

“As of this writing, there has been no settlement reached in the glyphosate litigation. As far as the impact on ag producers, it will probably be minimal. Because of growing weed resistance to glyphosate, we have had to pivot to other technologies to effectively control some weed species. Glyphosate is still very effective on most grass species, and we would hate to lose it as a tool for weed control, but a number of alternative products are available if that were to happen. Of course, the cost of the other alternatives is higher, so weed control costs will go up, and as with any litigation, the cost of settling the lawsuit will eventually trickle back into the ag sector, increasing production costs in other ways.”

Are You behind the marketing push for Biometrics?

Jeff Troendle:

“While we are watching the development of biometrics with interest, because of the initial cost of this technology, the specialty crop/permanent crop industries like fruits, vegetables and nuts will probably be the first to use the technology successfully. Currently, It is not a viable option in commodity crops beyond the research level.”

Do you provide seminars for your LAND RENTERS? I would like them to have an idea of what LANDOWNERS are looking for.

Jeff Troendle:

“We have discussed having seminars, but have concluded that our managers spend a significant amount of time with the farm operators, and that message is getting through to them as part of our normal business interaction.”

Is self-driving farm equipment being developed?

Jeff Troendle:

“Several of the machinery manufacturers are working with prototypes of self-driving vehicles. There is research being done in Europe on a farm trying to produce crops without ever having a human physically enter the field. Today, we are still in the novelty/proof of concept stage, but we anticipate that it will be a very real option on a larger scale sooner than we might anticipate.”