

# AgUpdate

Timely information for a select group of farm owners and investors

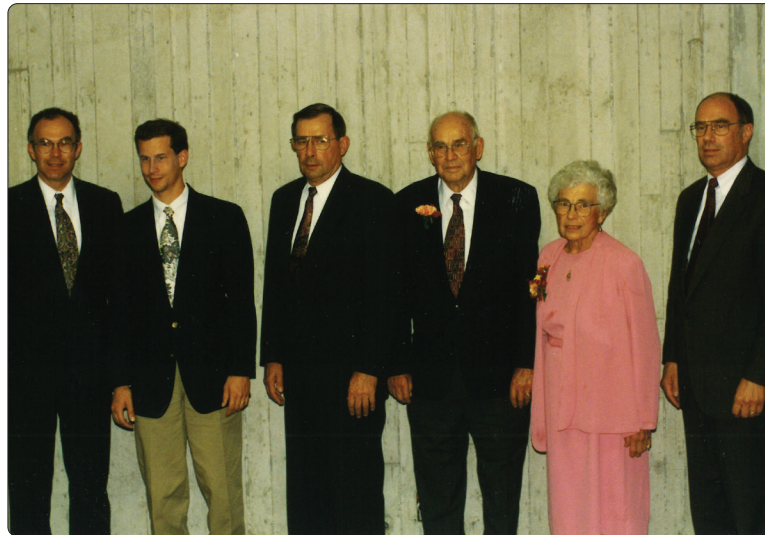
## 75 Years of Building Family Legacies

"His eye always twinkled when he was happy or really pleased with something. I imagine that's how he would look today if he were here," explained CEO and 2nd generation owner Randy Hertz about his dad, Carl Hertz. "He'd sit with my mom, Marjory, feeling humbled, grateful, and just taking it all in."

On March 1, 1946, Carl Hertz opened Hertz Farm Management in Nevada, IA. His goal, to provide the highest level of service, advice, communication, and commitment with integrity and care. Today, 75 years later, that is still our promise and what drives Hertz Farm Management.

### A Foundation Built to Last

When Carl first started Hertz Farm Management, he saw the need for landowners to have a farmland professional that they could trust. He was a one-man shop who had the knowledge and expertise to take care of people and their farms, and Carl felt like he could be that person for landowners.



From left to right, Randy, Chad, Joel, Carl, Marjory, and Tom Hertz

*That simple but incredibly important value of taking care of people is what has made Hertz successful for 75 years.*

"My dad instilled in us that the most important value is taking care of people, listening, and really being client-focused," said Randy. "That's been part of our secret sauce, we really just try to take care of people."

That simple but incredibly important value of taking care of people is what has made Hertz successful for 75 years.

"Our Farmland Professionals work with countless families, helping them enjoy their farmland and do what's right for their farm and their family," explained Randy. "Whether it is how to keep the farm in the family, understand the value of what they have inherited, or to sell their farm to settle the family estate, Hertz is there to help build their family legacy."

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Summer '21

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### Growing Values while Growing Our Footprint

While this has been a time for Hertz to reflect on the past and consider the foundation that the company was built on, it's also allowed the business to look ahead and consider the future.

"One of the things that's exciting about celebrating 75 years is envisioning the next 75 years and being focused on the foundation that Carl built, of standing out to do what's right and take care of people," said 3rd generation owner Chad Hertz.

That foundation that Carl built has been part of the building blocks that have allowed Hertz to grow in people, land, and even new offices.

*Carl lived the way he wanted to be remembered. And it worked.*

### Introducing Our New Mankato, MN Office

We're excited to announce that we have recently expanded our Hertz footprint and we now have an office in Mankato, MN! The Mankato office addition adds to our fourteen other offices across the Midwest.

In early 2021, Hertz acquired Wingert Realty & Land Services, Inc., and the farm management and appraisal division of Upper Midwest Management. The new Mankato office will consist of a combined team of farmland professionals from these acquisitions. These farmland professionals will help serve landowners across Minnesota and the northern region of the Corn Belt.

We're also excited to announce that we will be hosting an in-person **Landowner Educational Seminar in Bloomington, MN on July 27, 2021.**

The seminar will serve as both an opportunity for landowners in the local area to learn more about farmland and the agricultural industry, as well as give them the opportunity to meet our new Mankato Farmland Professionals.

### Honoring One Legacy by Building Family Legacies

Carl lived the way he wanted to be remembered. And it worked. Carl made a commitment during his wedding vows and he kept that commitment. Carl made a commitment every day he hired someone. And he kept it. Carl made a commitment every time he was granted new business from a new client. And he kept it.



Jim Frevert (left) and Randy Hertz (middle right) talking with farm operators.

"My Dad never imagined the number of clients we would be serving, or the number of employees that now make up the Hertz team. Even today we're still growing, and it's an honor and a privilege to be a part of that."

"We're excited to add new people to our team who will help is better serve landowners in the Minnesota area," said office manager and professional farm manager Justin Bahr.

To us here at Hertz, there is no better way to honor the legacy that Carl Hertz built than to continue to be committed to our promise and the foundation that Carl built: To provide the highest level of service, advice, communication, and commitment with integrity and care.





# Hertz Professionals Update

## New Members

Hertz welcomes new members to the team:



**Blake Arnold**  
Professional  
Farm Manager  
Washington, IA office



**Kurt Van Norman**  
Professional  
Farm Manager  
Omaha, NE office



**David Krier**  
Professional  
Farm Manager  
Norfolk, NE office



**Dakota Behrends**  
Professional  
Farm Manager  
Kankakee, IL office



**Steve Hiniker**  
Professional  
Farm Manager  
Mankato, MN office



**Darrell Hylen, ALC**  
Real Estate  
Salesperson  
Mankato, MN office



**Geoff Mead**  
Real Estate  
Salesperson  
Mankato, MN office



**Michele Schroeder**  
Appraiser  
Mankato, MN office



**Terry Dean, ALC**  
Real Estate  
Salesperson  
Mankato, MN office



**Rick Hauge, ALC**  
Real Estate Broker  
Mankato, MN office



**Adam Knewtson**  
Real Estate  
Salesperson  
Mankato, MN office



**Jerry Kopel**  
Real Estate  
Salesperson  
Mankato, MN office



**Nick Meixell**  
Real Estate  
Salesperson  
Mankato, MN office



**Charles Wingert, ALC**  
Real Estate Broker  
Mankato, MN office



**Leon Carlson, AFM**  
Real Estate  
Salesperson  
Mankato, MN office



**Chad Reifschneider**  
Real Estate  
Salesperson  
Nevada, IA office

*Hertz Farm Management continues to hire the best and the brightest, to serve the ever changing needs of our clients.*

# The Emerging Market for Carbon

Craig Welter,  
Professional Farm Manager,  
Nevada, IA

It seems that over the first half of 2021, it has been impossible to open a farm magazine without reading mention of carbon credits. The budding market has become the talk of the industry, offering payments to farmers and landowners for implementing conservation practices that are expected to sequester carbon in the soil on their farms, such as reduced tillage or cover crops. Although this concept has been around for years, interest from inside and outside of the agriculture industry now appears to be booming. With nearly a dozen groups offering this opportunity, there is plenty of information to sort through.

## What is the carbon market?

In relation to agriculture, a carbon credit measures an amount of carbon that is trapped in the soil instead of being allowed to escape to the atmosphere. Carbon dioxide emissions are the largest of all greenhouse gases worldwide. Large companies, organizations, and municipalities are becoming more aware of their carbon footprint and have begun voluntarily offering to purchase these carbon credits to offset their own carbon pollution in an effort to become “carbon neutral”. Carbon brokers offer contracts to farmers and landowners to compensate for carbon they can capture and store in their soil. After the carbon is measured and verified, those offset credits are

offered for sale on the market by the carbon broker.

## Who is eligible and how does it work?

Every offering is different, but most are only accounting for present changes that are made on a farm. If you have not been using no-till or cover crop practices in the past, you will likely be a top qualifier for most of these programs by implementing these practices in the future. Some do provide compensation for a “look-back period” of two to five years, but if you have already been consistently using these practices for longer than that, you are not likely to be eligible at this time. Some offerings have a minimum acreage enrollment, and some are limited to a certain geographic area. If you are currently receiving payments from FSA or NRCS for those conservation practices you may still be eligible, but that, again, depends on the program. Land enrolled in the Conservation Reserve Program is ineligible at this time.

## How is carbon sequestered?

In short, plants absorb carbon dioxide and use it to build carbohydrates. The carbohydrates are exuded through plant roots to feed soil organisms. Soil disturbance, such as tillage, allows the exuded carbon to be released back into the atmosphere. However, if disturbance is minimized, that carbon is more likely to be trapped in the soil. Carbon levels can also be built by plant residue decomposition. Keeping living root systems below ground year-round, allowing plant residue to decompose, and limiting soil disturbance are the primary carbon-building

processes. Cover crops and reduced tillage have been targeted as the main approaches to reach these objectives.

## How is the carbon measured?

Most programs are dependent on tracking yearly farm operations and entering them into a computer modeling system. This may include precision data files, handwritten plans, fertilizer applications, yield records, and more. Satellite imagery or site visits will also be used to verify the practices, and some will require soil testing to be done. Third-party verification is typically the final step towards authenticating the credits for sale on the carbon market. Conservative estimates expect approximately one-half ton of carbon to be sequestered per acre each year when practice changes are made.

## What if carbon is not sequestered or practices change?

Although we have not seen the agreements in writing for each program, most have indicated that models should show carbon being sequestered as long as the practices are in place. If a carbon-building practice is unable to be implemented, there generally appear to be no penalties in place, other than a stoppage in producer compensation until carbon is sequestered again. Intentional discontinuation of a practice will typically qualify as a breach of contract, a loss of rights to future payments, and grounds for termination of the contract.

## How long is a contract?

Contract lengths vary from one, five, ten, and even up to twenty years, depending on the program. Most offerings are for multi-year

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***Carbon brokers offer contracts to farmers and landowners to compensate for carbon they can capture and store in their soil.***

# Farmland Value Update

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

As we have watched the world become a patchwork of green again, it has been interesting to look back at how things have changed from this time last year. The great COVID-inspired uncertainty that blanketed the farmland market throughout much of 2020, left many of us feeling on edge and wondering what might happen next. Today, however, the mindset has shifted towards something much more positive, and farmland markets across the U.S. are showing strength that's being fueled by strong grain prices, generational low interest rates, and a limited number of farms for sale.

## Iowa Land Values Jump Nearly 8%

Iowa farmland values took a big jump in values from September 2020 through March 2021. According to the *Land Trends and Values Survey from the Iowa Chapter of REALTORS® Land Institute*, released in March, statewide Iowa farmland values increased by 7.8%. This followed a period of 12 months in which values remained virtually unchanged across the state.

## Illinois Farmland Holds Firm

Stability has been the name of the game in Illinois. The early 2021 report on farmland values from the *Illinois Society of Professional Farm Managers and Rural Appraisers* showed little had changed for farmland values since early 2020.



The survey also showed, however, that 89% of respondents look for farmland prices to increase in 2021. Basically, the survey hasn't yet caught up to the reality seen in the market.

## Nebraska Land Values Continue Upward

While there is great diversity in land quality throughout the Cornhusker state, a spring 2021 summary report from the *University of Nebraska-Lincoln* showed the average market value of ag land in Nebraska increased by 6% over the prior year. This marks the second consecutive annual market value gain.

## Southern Minnesota Steady to Higher

Crop production income and interest rates remain key factors in the Minnesota market. According to a *Minneapolis Federal Reserve Bank* survey, more than three-quarters of the ag bankers who participated in a Fed survey said farm incomes increased during the last quarter of 2020, and 60% said they expected higher farm income in early 2021. This increase in profitability is quite likely to support higher land values.

## Looking Toward the Future

In each of these regions, there are local factors that can and do come into play to determine the strength and weakness of the farmland

market. However, the major drivers of farmland values have been moving in a direction that has created both strength and optimism across the Corn Belt.

As mentioned early in this article, strong commodity markets have created a very positive profit outlook for the 2021 growing season. In addition, generationally low borrowing costs, coupled with a lack of farms for sale, have also proven to be key ingredients for creating great competition for those farms that are offered to the market. This recipe has clearly moved the land market higher in early 2021, and in many cases, has set the stage for new sale price highs.

Yet, there are several policy-related questions from the recent administration change that are just beginning to come into focus. Specifically, the proposed Biden Administration plans for capital gains, estate-related policies, and tax rates for individuals and corporations alike, could have some painful effects on agriculture, in general, and farmland owners, in particular. While nothing has yet changed significantly enough to move the land market off its current course, we are certainly keeping our eyes on these potential policy changes. And for now, I remain optimistic about land values in 2021. 🌾

***...strong commodity markets have created a very positive profit outlook for the 2021 growing season.***



# A Myriad of Positives for Grain Markets

Cal Dickson, AFM, ALC, CCA,  
Professional Farm Manager,  
Mason City, IA

Many things have occurred in the past year which have led to dramatic increases in the corn and soybean markets. The Covid-19 low of April 2020 found corn at \$3.00/bu. and soybeans at \$8.00/bu. A year later in April 2021, we found corn futures rising above \$7.00/bu. and beans exceeding \$16.00/bu.

Coming out of the Covid-19 lows we had an excellent start to the 2020 crop season and projections for near-record crops and carryover levels. This began to change with:

1. The August 10th Midwest derecho which removed hundreds of millions of bushels of corn from the supply-side of the market.
2. At the same time, the Chinese began purchasing record amounts of U.S. corn and soybeans.
3. Carryover supplies at that point started to dwindle and today the corn carryover is 50% and

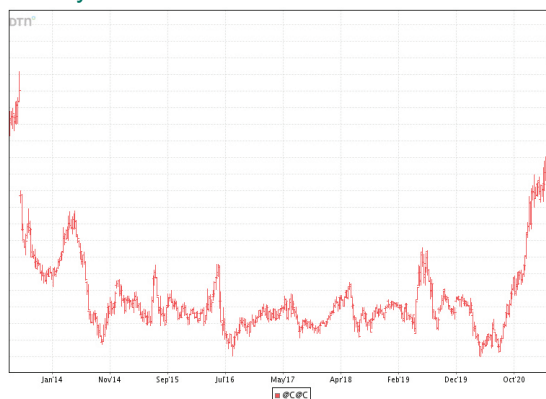
4. soybean carryover 30% of what had been projected last summer.
5. Now with the higher commodity prices, common knowledge was that the U.S. corn and soybean acres in 2021 would increase substantially... but this did not happen in the March 31 USDA report. With only a modest increase in corn and soybean acres, it appears that carryover levels will not increase... even with higher yields this fall.
6. It is now possible that record corn and soybean yields will be needed in 2021 to prevent a further eroding of the carryover supplies.
7. Over the past several months we have had drought conditions in North Dakota spread to other western states, resulting in approximately 37% of the corn belt classified as abnormally dry.
8. The job of the market is to increase prices to ration the supplies available. This is becoming more difficult with reports of tight farmer holding of inventory.
9. We are seeing increased ethanol demand with automobile driving picking up again.
10. Brazilian corn yield concerns from dry weather affecting their second

crop (safrinha) yields.

10. As farmers enjoy the prospects of \$6.00+ corn, a look at the long-term charts reminds us that markets can turn on a dime, often without warning. Managed investment funds are at near-record levels of long positions. These have been supportive of the markets going up and result in the market going much higher than it typically would. When the market turns, many of these positions will be squeezed trying to exit their positions, causing the market to fall much lower than it typically would.

In volatile market times as these, our grain marketing strategy is to make additional sales of smaller percentages to scale into the rallies we are seeing and lock in profits for our clients. This strategy usually results in a blended profitable price and a few sales near the top. For the time being, our clients who participate in corn and soybean sales are enjoying the additional profits, while our cash rent clients will likely enjoy additional upward movement on cash rent levels for the 2022 crop year. 📈

Weekly Corn Futures



Weekly Soybean Futures



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contracts. Early termination is possible in most cases, but penalties may vary. Some programs may also require commitment to practices for longer than the payment period or after contract termination.

### What kind of payments are expected?

Some programs offer flat-rate payments and others provide the producer the ability to sell their accumulated credits on the market at their choosing. At this time, payments are expected to vary widely from \$5 to \$40 per acre depending on the program and the conservation practices used. Most are likely to fall in the \$10 to \$15 per acre range. These current payment levels will only cover a portion of the typical cost of implementing a new practice like cover crops. There are hints of a possible USDA program in the coming years, and market demand is only beginning to develop. We might merely be scratching the surface of where carbon payments could end up in the future.

### Who are the market players?

The so-called “carbon brokers” include Bayer, CIBO Technologies, Corteva, Ecosystem Services Market Consortium, Indigo Ag, Gradable, Nori, Nutrien Ag Solutions, The Soil and Water Outcomes Fund, Truterra, and others. Carbon offset buyers include companies such as Barclays, JPMorgan Chase, Microsoft, IBM, New Belgium Brewing, PepsiCo, Shopify, and many more.

### Are there payments available for other practices?

Some programs also promote practices to improve water quality. Those changes are primarily tied

to using cover crops and reducing tillage to limit erosion. Changes to fertilizer applications such as using nitrogen stabilizer, split-applying nitrogen, and timing nitrogen applications in-season aim to limit nitrate pollution. Edge-of-field practice improvements such as saturated buffers or woodchip bioreactors that limit excess nitrates from flowing into local streams, may also be eligible for water quality credits, although those credits are not widely available yet. Future programs may include other greenhouse gases. In order to encompass all of these factors, you may hear carbon credits also referred to as “ecosystem credits”.

### What considerations should landowners take?

Before you sign a contract, ask some of the following questions: How will the carbon be measured? What is the payment schedule? Will payment be calculated per acre or will you sell the credits yourself? What is the contract length and is there an exit clause? What rules or policies are being committed to, and for how long? Are there any costs associated with the program? What data are you required to provide? Is there a penalty if the practice is not able to be implemented? There are many factors to consider in finding the right fit for your farm. If you lease your farm, be aware that not all carbon brokers are

requiring landowner permission for a tenant to participate in their program. We suggest taking initiative to include terms in your next lease outlining how you will grant permission to participate. Other considerations may be whether carbon program payments will be shared by tenant and landowner, how costs associated with implementing new practices are shared, and what would happen if the lease were terminated. However, due to the many differences between the programs offered, it may be prudent to include those terms in an agreement separate from the lease if a carbon credit program is ever in place on your land.

It is exciting that agriculture has been identified as part of the solution to limiting greenhouse gas emissions. Farmers and landowners have a great opportunity to be financially rewarded for soil and water conservation efforts that can also benefit a farm’s health and stability in the long-term. Keep in mind that there are no one-size-fits-all conservation solutions. Each farm will respond to practice changes differently, so take time to plan carefully prior to implementing new practices on your land. As you consider how a carbon credit program might fit on your farm, be sure to thoroughly evaluate all aspects prior to committing to a contract. 🌱

*It is exciting that agriculture has been identified as part of the solution to limiting greenhouse gas emissions.*





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## Hertz Online Educational Webinar



To keep everyone safe and healthy during the time of COVID-19, we have decided to move our summer 2021 seminars online. Our current plan is to return to in-person seminars in Winter 2022.

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

**Three easy steps to register:**

1. visit [www.Hertz.ag/Seminars](http://www.Hertz.ag/Seminars)
2. Complete online registration
3. Click the link in your confirmation email on the day of the webinar

**Dates and Times:**

- **Friday, August 6, 2021**  
10:00 AM – 12:00 Noon CST
  - Farmland Values
  - Sustainability
- **Monday, August 9, 2021**  
10:00 AM – 12:00 Noon CST
  - Grain Markets
  - Farmland Leases