

# AgUpdate

Timely information for a select group of farm owners and investors

Summer '23

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## Investment in Wealth for Generations

The phrase 'be a good steward of the land' is commonly used in agriculture, but what exactly does it mean? Landowners Edward Otrusina and Julie Smith believe they've found the key to stewardship with one simple yet powerful approach: "Leave it better than you found it." Today, this guiding principle has helped the siblings establish a sustainable family legacy that will endure for years to come.

### The Start of a Family Legacy

The Otrusina farm legacy can be traced back to the 1970's. When Anton Otrusina, Edward's and Julie's father, had some money to invest, he believed that farmland was a wise choice because it was a limited resource. Edward recalls, "He always told me that farmland was a good investment because they're not making any more of it."

When Edward was 14 and Julie was 12, they joined their father on a trip across the Midwest, including Minnesota, Missouri, and Iowa, looking for farmland. After considering multiple

options, Anton decided to invest in farmland in southwest Wisconsin. "I was curious as to why he chose Wisconsin over any of the other properties that we explored," shared Edward. "A couple of years later, I realized why."

Edward and Julie got an opportunity to explore Czechoslovakia, where Anton was originally from. "After being there, it started to make sense why he chose Wisconsin. Yes, the topography, geography, and landscape checks all the boxes, but it was more than that. It reminded him of where he grew up, it reminded him of home."

The first farm the family purchased was in Hickory Grove near

Boscobel, Wisconsin, and over time the family has been able to expand their operation. Today, the Otrusina family owns a number of farms in Illinois, Iowa and Wisconsin.

### The Value of Stewardship

The value of good stewardship was ingrained into the siblings from a young age. "We were brought up that no matter what you had, you took care of it. You leave it better than you found it," explained Edward. "When you're brought up that way, you live it."

The siblings have made it a point over the years to take care of the properties and put money back into their farmland asset. From tile drainage, to waterways, grain bins, and even planting over 14,000 trees

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Edward Otrusina and Julie Smith speaking with their farm operator Ron Raisbeck.

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***“When both parties have the same goal to improve and make the most out of the asset, working together becomes a little easier.”***

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to help prevent soil erosion, the siblings do everything they can to maintain or increase the value and productivity of their farmland.

“At first our policy for the farm income was for 1/3 to go to debt repayment, 1/3 go to improvements, and 1/3 go to disbursements,” said Edward. “As we expand, our philosophy is to find property with high potential, improve it, and then once we’ve maximized it, continue to grow our asset.” Edward later elaborated and explained that he’s not the only one who understands the value of maximizing farmland through improvements. “We’ve had multiple instances where we have been approached and asked to sell a piece of land for well above market price because we spend so much time improving it.”

While profit and income potential have certainly been a driving force for Edward and Julie to take care of their farmland, they also have another big motivator to keeping the farms in top shape. “Edward and I both want to leave the farms to our kids someday,” said Julie. “We know these farms have a lot of value and it’s important that we help them understand that value and allow them to split everything equally between them. Hertz has been really helpful in that process.”

### **Building Partnerships through Trust**

When asked about his partnership with Hertz Farm Management, Edward expressed his initial hesitation. “I decided to do a trial period where I asked Hertz to manage one of the properties.” Edward explained that he did not



Edward Otrusina and Julie Smith standing in front of one of their grain bins.

take his foot off one stone until he had firm footing on the other. “As I grew more comfortable with Hertz and found them reliable and trustworthy, I started to give them more to manage.”

Today, Edward and Julie are content to let Hertz manage all their properties, and they have a different outlook on farm management services. “I look at our partnership with Hertz similar to using a tool. You use a wrench to help tighten a bolt, but you don’t give up control to the wrench. You maintain control, but you use the tool to make your life easier,” expressed Edward.

“I’m not sure how I feel about the comparison to a wrench,” laughed Jeff Troendle, AFM, Edward’s and Julie’s farm manager. “But yes, that is the beauty of farm management. Our goal is never to take control away from the families that we work with. We want to help maximize and improve the farmland asset while at the same time offering the owners piece of mind. It’s a partnership.”

Jeff has helped manage the Otrusina properties for over 30

years and aided the family through improvement projects, succession planning through the creation of an equitable ownership entity, and being available for advice. “We trust Hertz and Jeff to do their due diligence and give us the best advice,” explained Julie. “We value his opinion.”

The Otrusina family also works with Hertz farm manager, Rich Grever, AFM to help manage the Illinois properties. “When you have multiple managers involved in a large operation that spans multiple states it’s important that we work together to manage the properties,” explained Jeff. “Rich and I keep an open communication channel to coordinate cash flow, tax planning, and improvements across the farms.”

“When both parties have the same goal to improve and make the most out of the asset, working together becomes a little easier. Our values have always aligned well with Edward and Julie, and it’s been fun to be a part of their farmland ownership journey,” explained Jeff.

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# Hertz Professionals Update

## Welcome to the Team!



**Bryce Carpenter**

Bryce joined Hertz Farm Management as an Appraisal Trainee in our Nevada, IA office in October 2022.



**Donald Putz**

Donald joined Hertz Farm Management as a Farm Manager in our Cedar Falls, IA office in December 2022.



**Jeanne Williams**

Jeanne joined Hertz Farm Management as an Appraisal Trainee in our Mankato, MN office in January 2023.



**Daniel Ganz**

Daniel joined Hertz Farm Management as a Farm Manager in our Mt. Vernon, IA office in February 2023.



**Jared Augustine**

Jared joined Hertz Farm Management as a Real Estate Salesperson in our Mankato, MN office in April 2023.

## 21 Hertz Professionals Recognized as Part of RLI's APEX Producers Club

Hertz Farm Management is proud to announce that twenty one employees have been recognized as part of the 2022 APEX Producers Club by the Realtors® Land Institute as a part of the RLI APEX Production Awards Program, sponsored by The Land Report. The Hertz Employees recognized include:



**Troy Coziahr**



**Terry Dean, ALC**



**Cal Dickson, ALC**



**Kyle Hansen, ALC**



**Rachelle Heller, ALC**



**Scott Henrichsen**



**Darrell Hylen, ALC**



**Ryan Kay, ALC**



**Chad Kies**



**Troy Louwagie, ALC**



**Brian Massey**



**Geoff Mead, ALC**



**Nick Meixell**



**Chad Reifschneider**



**Elliott Siefert**



**Chris Smith, ALC**



**Spencer Smith, ALC**



**Matt Vegter, ALC**



**Kirk Weih, ALC**



**Eric Wilkinson**



**Brandon Yaklich**

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



## Grain Markets

Lawain Biermann, AFM  
Farm Manager  
Cedar Falls, IA

The corn and soybean markets continue to experience significant volatility. Agriculture has been fortunate to experience strong commodity prices for the past several years, and U.S. corn and soybean yields have been relatively consistent during that period. Fortunately, demand for those commodities has also been strong. In 2020, the U.S. enjoyed record quantities of corn and soybean exports. In 2021, the U.S. enjoyed record export values due to strong commodity prices.

The continued strong commodity prices have incentivized increases in global production. Even though crop input prices increased significantly since 2020, the elevated commodity prices have been more than enough to cover these increased costs and provide strong profit levels. At the same time, exports have fallen, and this has been a challenge for the 2022 and 2023 marketing years.

The historical supply and use of U.S. corn and soybeans is shown in the following tables.

For corn, the USDA projects an increase in acres for 2023. This increase in acreage combined with an anticipated record yield of 181.5 bushels per acre will result in the second highest corn production level on record. The USDA yields are based on weather-adjusted trends. Use of corn will increase in 2023, but likely not enough to offset the increase in production. The corn ending stocks to use ratio will increase from 10.3% in 2022 to 15.3% in 2023. If realized,

### U.S. Corn Supply and Use

Marketing Year (2022 = 9/1/22 to 8/31/23)		2019	2020	2021	2022	2023
Area Planted	(mil. acres)	89.7	90.7	93.3	88.6	92.0
Yield	(bu./acre)	167.5	171.4	176.7	173.3	181.5
Production	(mil.bu.)	13,620	14,111	15,074	13,730	15,265
Beg. Stocks	(mil.bu.)	2,221	1,919	1,235	1,377	1,417
Imports	(mil.bu.)	42	24	24	40	25
Total Supply	(mil.bu.)	15,883	16,055	16,333	15,147	16,707
Feed & Residual	(mil.bu.)	5,897	5,607	5,721	5,275	5,650
Ethanol	(mil.bu.)	4,857	5,028	5,326	5,250	5,300
Food, Seed, & Other	(mil.bu.)	1,430	1,439	1,438	1,430	1,435
Exports	(mil.bu.)	1,778	2,747	2,471	1,775	2,100
Total Use	(mil.bu.)	13,963	14,821	14,956	13,730	14,485
Ending Stocks	(mil.bu.)	1,919	1,235	1,377	1,417	2,222
Season-Average Price	(\$/bu.)	3.56	4.53	6.00	6.60	4.80
Ending Stocks/Use Ratio		13.7%	8.3%	9.2%	10.3%	15.3%

Sources: USDA - WAOB and WSDA - OCE

### U.S. Soybean Supply and Use

Marketing Year (2022 = 9/1/22 to 8/31/23)		2019	2020	2021	2022	2023
Area Planted	(mil. acres)	76.1	83.4	87.2	87.5	87.5
Yield	(bu./acre)	47.4	51.0	51.7	49.5	52.0
Production	(mil.bu.)	3,552	4,216	4,465	4,276	4,510
Beg. Stocks	(mil.bu.)	909	525	257	274	215
Imports	(mil.bu.)	15	20	16	20	20
Total Supply	(mil.bu.)	4,476	4,761	4,738	4,571	4,745
Crush	(mil.bu.)	2,165	2,141	2,204	2,220	2,310
Seed & Residual	(mil.bu.)	105	97	103	121	126
Exports	(mil.bu.)	1,682	2,265	2,158	2,014	1,975
Total Use	(mil.bu.)	3,952	4,504	4,464	4,355	4,411
Ending Stocks	(mil.bu.)	525	257	274	215	335
Season-Average Price	(\$/bu.)	8.57	10.80	13.30	14.20	12.10
Ending Stocks/Use Ratio		13.3%	5.7%	6.1%	4.9%	7.6%

Sources: USDA - WAOB and WSDA - OCE

this stocks to use ratio would be the highest since 2018. Higher ending stocks typically reduces the trade's reaction to weather related production concerns during the growing season. The anticipated season average price for corn is projected to be \$4.80 per bushel.

For soybeans, the USDA projects 2023 planted acres will be the same as 2022. The projected yield is 52 bushels per acre, an increase of approximately 5%. Soybean use is

estimated to increase as well with projected ending stocks to use ratio increasing from 4.9% in 2022 to 7.6% in 2023. The anticipated season average price for soybeans is projected to be \$12.10 per bushel.

The 2023 corn and soybean crops were planted at a pace ahead of the 5-year average, and rapid planting is typically key in realizing trendline yields. In the beginning

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...we  
are in a  
period of  
increasing  
ending  
stocks...



## Farmland Value Update

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

Every time I write a land value update, it gives me reason to reflect on all that's occurred across the marketplace. I think most of us will long remember 2020, 2021, and 2022 for the incredible bull market in farmland, led by strong demand for grain, subsequently high grain prices, low interest rates, and very strong on-farm profitability. However, in early 2023, we began to notice that some of the aggressiveness that had defined the land market just a few months earlier, was beginning to slow... just a touch. This does not mean that the market turned weak. To the contrary, we continued to see sale prices that would have been almost unthinkable at the start of 2020 – very strong, but not quite record-setting like we witnessed in the first half of 2022. To me, this was an indication that the market was functioning well and adjusting to new realities – notably, lower forward grain prices for the 2023 crop, and a higher interest rate environment. That said, all the reports and look-back surveys referenced below, continue to reflect steady to higher land prices.

### Iowa Edges Higher in Early 2023

Iowa farmland values still edged higher over the last 12 months, increasing by a statewide average of 3.6%. However, as mentioned above, values have clearly started to level off according to the latest data. The Land Trends and Values

Survey from the Iowa Chapter of REALTORS® Land Institute, released in March 2023, shows an increase of 0.8% for the 6-month period of September 2022 to March 2023. This follows the 2.8% increase from March 2022 to September 2022.

### Illinois Still Very Strong Year-Over-Year

According to the annual survey conducted by the Illinois Society of Professional Farm Managers and Rural Appraisers, Class A (Excellent) Illinois farmland saw a 16% year-over-year increase in values from 2022 to 2023. This compares to a 26% year-over-year increase the year prior (e.g., from 2021 to 2022). Class B (Good) and Class C (Fair) quality farmland also showed increases in year-over-year values in early 2023. Several market professionals indicate that price increases have slowed in early 2023.

### Nebraska Maintains Strength

Nebraska farmland values increased by 14% over the prior year, according to the March 2023 release of Cornhusker Economics from the University of Nebraska – Lincoln. This marks the second-largest increase in the market value of agricultural land in Nebraska

since 2014. However, it's important to keep in mind that Nebraska values can vary significantly from region to region. For example, quality center-pivot irrigated land in eastern Nebraska can sell for well above \$12,000 per acre, while non-

irrigated cropland in the North/Northwest Sand Hills region can still sell for less than \$1,000 per acre.

### Minnesota Generally Stable in 2023

The Minnesota farmland market was strong throughout 2022. High old-crop commodity prices helped to create a very profitable year coming out of 2022 and into 2023. Bankers and farmland professionals in the northern Corn Belt report currently healthy farm finances, although few are excited with early-season cash flows for 2023 production. Nonetheless, according to a survey conducted by the Federal Reserve Bank of Minneapolis, lenders are generally optimistic about the outlook for 2023.

### Looking Ahead

It has been an incredible 3-year bull market in agriculture and farmland. Net-farm incomes have reached record levels, and we continue to see a healthy farmland market. However, with higher interest rates and lower current commodity prices for 2023 production, the farmland market appears to be



leveling. Our expectation is that we will continue to see good competition for the best quality land, with market participants who use a very sharp pencil to determine how far they will go in pursuit of new farmland acquisitions. 📐

*Our expectation is that we will continue to see good competition for the best quality land...*



# Landowner Considerations for Wind Turbine and Solar Panel Contracts

As renewable energy becomes increasingly popular, more landowners are being approached with offers to lease their land for wind turbines or solar panels. While these contracts can provide a reliable source of income, landowners should be aware of several important factors before signing on the dotted line.

First and foremost, landowners should carefully review the contract terms and seek legal advice if necessary. Contracts may vary widely, and it's important to ensure that the terms are fair and favorable to the landowner. For example, contracts should specify how long the lease will last, the specific acres and parcels involved, what happens if the equipment is damaged, accessibility, and how much the landowner will be paid for the use of their land.

In addition to reviewing the contract, landowners should also consider the potential impact of the equipment on their land. Wind turbines and solar panels can take up significant amounts of space, and they may also require access roads, power lines, or other infrastructure. Landowners should think carefully about how the equipment will affect their ability to use the land for other purposes, such as farming or recreation.

Another important consideration is the potential impact on wildlife and

## Wind or Solar?

The decision to install solar panels or wind turbines on your farm depends on a variety of factors, such as the availability of sunlight or wind in your location, the cost and feasibility of installation, and the potential savings and income from generating renewable energy. It's important to conduct a thorough analysis of these factors before making a decision.

The number of acres you have available for such a project also plays a major factor into this decision. For example, depending on the size of the wind turbine you are comparing against, you may need to have 20-40 acres of solar panels to generate the same amount of electricity that a turbine with less than ½ acre footprint would generate.


Additionally, you should consider any local regulations, zoning requirements, and potential environmental impacts. Consulting with renewable energy experts and other farmers who have installed solar panels or wind turbines can also be helpful in making an informed decision.

the environment. Wind turbines can pose a risk to birds and bats, while solar panels may require clearing of vegetation or other changes to the local ecosystem. Landowners should work with developers to minimize any negative impact on the environment and ensure that the project is in compliance with local regulations.

Finally, landowners should consider the long-term financial implications of the project. While renewable energy contracts can provide a reliable source of income, they may also limit the landowner's ability to use the land for other purposes in the future. Landowners should carefully weigh the potential benefits and drawbacks of leasing

their land for renewable energy and consider whether the contract is in their best long-term interests.

In summary, landowners should carefully review the contract terms with their attorney, consider the potential impact on their land and the environment, and weigh the long-term financial implications before signing a wind turbine or solar panel contract. By taking these factors into account, landowners can make informed decisions and ensure that they are getting a fair deal.

If you have questions about wind turbine or solar panel projects, please reach out to a Hertz Farmland Professional near you. 

*Landowners should carefully weigh the potential benefits and drawbacks of leasing their land for renewable energy...*

# Investment in Wealth for Generations

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In addition to Hertz, the Otrusina family also places high value in their farm operators. “We enjoy working with our operators to make improvements and keep the properties running smoothly. Without their hard work and drive to help us make the farms better, things just wouldn’t happen. We really value and appreciate the work that they do,” explained Edward.

## Equal Shares Among the Heirs

Dividing a farm among heirs can be a complicated process. It’s tempting to divide the land so each heir has the same amount of acres, but that doesn’t mean each section of land will have the same value and profitability. Factors like inflation, input costs, timber, and access to waterways and roads could affect each section’s profitability. So, how

can you divide the land to ensure that each heir gets an equal share of the profits?

For the Otrusina family, they successfully used a family Limited Liability Limited Partnership (LLLP), a type of business structure that provides benefits such as limited personal liability and flexible management. With the help of their farm manager, Jeff Troendle, AFM, they established a family partnership to ensure that profits were distributed equitably among their heirs. As Jeff explained, the partnership agreement specified how profits would be distributed, ensuring that each heir received an equitable share, regardless of their involvement in the farm’s management.

## A Tribute to Family

Whether they’re monitoring progress, working, or just enjoying the view, Edward and Julie like to visit their properties several times each year and spend time being connected to the operators and their farmland asset. “Legacy is

one of our big goals as landowners. Understanding that we have this incredible asset and leaving it in good shape for the next generation, there’s something pretty special about that,” said Julie.

With a goal to pass the farms on to their children and their families, Edward and Julie make it a point to keep some perspective and remind themselves where it all started for them. “Our father started the family’s farmland investment, and we’ll always remember our road trip across the Midwest. The farm investments have always been a family effort. We requested Lilacs be placed on the properties in recognition of our mother Mary’s unconditional love and her contributions to both the family and the investments.”

Today, the lilac bushes serve as a reminder to the family effort to build and maintain a legacy that will live on for future generations. 🌸

***“Legacy is one of our big goals as landowners.”***

# Grain Markets

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of 2023, there was a transition from a La Nina weather pattern to a neutral weather pattern. The NOAA Climate Prediction Center is forecasting a further shift to an El Nino weather pattern this summer. During El Nino patterns, the Midwest U.S. typically experiences slightly warmer weather with above average precipitation which is also favorable for U.S. crop yields.

On a global scale, the Russia – Ukraine war continues to have an

impact on the supply of corn and wheat. The volume of production and exports from this region have been reduced significantly since this war began, and this reduction has supported commodity prices. How long will this war continue? Drought in Argentina has reduced their corn and soybean yields, but excellent weather conditions in Brazil have led to near record crop production which will likely offset the yield reductions in Argentina.

After extended bull markets in both corn and soybeans, we are in a period of increasing ending stocks

which will pressure season average prices. Weather concerns during the growing season typically initiate market rallies, and producers should take advantage of these selling opportunities during these rallies. We will likely not see commodity prices as high as the past several years due to increasing carryover stocks. Fortunately, producers can still make considerable profits when selling on these rallies. 🌾

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## Landowner Educational Seminars Summer 2023 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, Land Trends and more!

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

**Register Online!**  
[www.Hertz.ag/seminars](http://www.Hertz.ag/seminars)



**Early Registration Price:**  
\$25 per person, \$40 per couple

**Walk-in/Pay at the Door Registration 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 three ways:**

- For your discount, register Online at [www.Hertz.ag/seminars](http://www.Hertz.ag/seminars)
- Call 515.382.7979 Ask for Seminar Registration
- Email: [Seminars@Hertz.ag](mailto:Seminars@Hertz.ag)

## Dates & Locations



*All seminars will be from 8:30 a.m. – 3:00 p.m.*

**Jul. 25** Rock Island, IL  
**Jul. 26** Fairfield, IA  
**Jul. 27** Cedar Rapids, IA  
**Jul. 28** West Des Moines, IA  
**Aug. 2** Ames, IA

**Aug. 3** La Vista, NE  
**Aug. 8** Mankato, MN  
**Aug. 9** Okoboji, IA  
**Aug. 10** Rochester, MN  
**Aug. 11** Normal, IL