

AgUpdate

Timely information for a select group of farm owners and investors

Winter '22

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Keeping Farm and Family Together

With a farming operation that dates back a couple hundred years, Bob Winders recognizes the importance of keeping the farms in his family. "It's a special family connection," explained Bob. "It's a part of our family history that dates back a long way, so one of our goals has always been to try and keep the farms in the family."

The Evans/Winders farms have an incredible history of ownership that the family has managed to keep track of over the years. But to fully appreciate the depth and richness of this family's farmland legacy, we have to go back to the early 1800s.

Farm and Family History

For his service in the War of 1812, John Evans, Sr., received a land grant for 160 acres in Henderson County, Illinois. His son, John Evans Jr., or "Jack", along with his wife Sarah Young Davis, added farmland to their operation throughout their lives. When Jack passed in 1909, he owned almost 13,000 acres in Iowa, Illinois, and Nebraska.

Sarah's father, Abner Davis, also fought in the War of 1812 and received 160 acres in Henderson County, Illinois. Additionally, Sarah's Grandfather, and



Susie, her two sons, Sharon and Bob at a newly installed tile inlet.

Great-Grandfather, both fought in the Battle of Lexington, the first battle of the American Revolutionary War.

In 1858, Jack and Sarah had a son, Marion Legrand Evans. Marion, "M.L." worked with his father farming at an early age. In the Summer of 1877, M.L. took a wagon, two saddle ponies, and two dogs to Minnesota and purchased 700 head of cattle. The family likes to joke that M.L. chose to take dogs over farmhands because they were more likely to stay sober.

M.L. and his father Jack, were among the first importers of Aberdeen Angus cattle. They also raised Poland-China hogs. At one point, they were marketing 3,500 head of cattle, and 2,500 head of hogs annually, making them one of

the largest livestock operations in the United States at the time.

In 1879, M.L. moved to Mills County, Iowa to manage the family's largest farming operation. There he married his wife Hattie Tubbs, who was a descendant of John Howland, who came to America on the Mayflower in 1620. M.L. and Hattie had six children.

Fast forward a few generations to today, and the Evans farm family legacy lives on through Bob and Sharon Winders, their daughter, Susie and Bob's nephews, Steven and Mike, along with Bob's first cousin, Dave and John Evans. Some of the Illinois farmland has been in the family for more than 200 years, and the Iowa farmland for more than 150 years.

continued on pg. 2...

In this issue:

Keeping Farm and Family Together	1
Hertz Professionals Update	3
Grain Markets	4
Farmland Value Update	5
Sustainability - What Does It Mean?	6
Winter 2023 Landowner Educational Seminars	8



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...continued from pg. 1

“With a family that values legacy, it’s awesome that we get to work with operators that have similar values,”

Keeping the Farms in the Family

Like a lot of families, the children who inherit farmland have other aspirations in life that require them to live away from the farm. This was the case for Bob Winders, a retired doctor in Colorado. “My mother, Jane Evans Winders, and my brother Richard, decided to seek out professional farm management because we knew we would need the expertise. It helped that their cousin, David Evans, whose farm Scott was already managing, highly recommended Scott,” explained Bob.

Today, their farms are managed by Hertz Farm Manager, Scott Henrichsen, AFM. “I’ve been managing the Winders Farms for 7 years now, as well as their first cousins David and John Evans Farms prior to that,” said Scott. “They’ve been a real joy to work with and have such an incredible family history.”

Scott helps facilitate video calls with the family to keep them updated on the farms. “I really enjoy those video calls and the ability to communicate with my cousins more through those calls,” explained Susie. “It’s a great way for us to stay informed on the farms but also stay connected as a family. It’s very valuable.”

In addition to the family ownership legacy, the operators are also the second generation working on the family’s farms. “With a family that values legacy, it’s awesome that we get to work with operators that have similar values,” explained Scott.

“Having Scott be a part of our team has been really beneficial for us,” said Steve Winders. “He helped us with

lease negotiations, which up until that point had just been handshake agreements. It’s really nice to have all of that information formalized. He also helped us with a large tile project which has been fascinating to learn about and see implemented on our properties.”

Underground drainage tile is one of the most efficient ways to remove excess water off farmland. Tile drainage is a management system, which removes excess water from above and below the surface. This system helps bring soil moisture levels down for optimal crop growth.



The image on the left is from 2015. The image on the right shows a much healthier crop in 2021 after the tile was installed.

360-Acre Tile Project

Recently, the family invested in a large tile project on one of their farms in Mills County, IA. The tile project covered over 360 acres, and was a massive undertaking. “This is the largest single project I have ever taken on,” explained farm manager, Scott Henrichsen “Ultimately, it has been a financially wise investment and we’re already seeing a lot of benefits to having the tile installed.” Most notably, adding almost 80 acres of farmland previously viewed as unproductive.

Some of the benefits of an effective tile drainage system include:

1. Helps manage soil moisture capacity thereby reducing soil erosion
2. Improves yield consistency
3. Helps maintain waterways
4. Helps improve operational timeliness
5. Reduces wear and tear on equipment
6. Allows for more consistent no-till production

...continued on pg. 7...

Hertz Professionals Update

New Team Member



Michael Yegge

Licensed Real Estate Salesperson in Iowa and Minnesota

Mike joined Hertz Farm Management in the Mason City, IA office in May 2022 as a farm manager and licensed real estate salesperson.

Mike is an alumni of NIACC and Iowa State University, is a member of Mason City Noon Rotary, and Winnebago County Farm Bureau, and is a volunteer fire fighter with the Scarville Fire Department. He is pursuing his Accredited Farm Manager designation with the American Society of Farm Managers and Rural Appraisers.

Congratulations To Our Newest Accredited Farm Managers!



Carrie Seidel, AFM

Carrie Seidel joined Hertz Farm Management in April of 2018 as a farm manager in Mason City, IA. Prior to joining Hertz, she spent 4 years as a District Sales Manager for Wyffels Hybrids.



Craig Welter, AFM

Craig joined Hertz Farm Management in June 2018 as a farm manager and licensed real estate salesperson in the Nevada, IA office. In this role, Craig manages, sells, and acquires properties for landowner clients across central Iowa.



Jake Miller, AFM

Jake Miller joined the Cedar Falls, IA office of Hertz Farm Management in May of 2019. Jake is an Iowa State University graduate and obtained a BS in Agricultural Systems Technology. He grew up in Nevada, IA where he was active in 4-H and FFA.



Nicole Rustad, AFM

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

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

Hertz Farm Management supports and encourages professional accreditations for all of its farm managers, rural appraisers and real estate professionals.

Accredited Farm Manager (AFM)

Our Farmland Professionals are continually striving to educate themselves to ensure they are providing the best quality service possible to our clients. One of the ways they stay at the forefront is through Professional Accreditations. The American Society of Farm Managers and Rural Appraisers (ASFMRA) offers professional accreditations in both farm management and rural appraising.



Grain Markets

Rich Grever, AFM, CCA,
Office Manager,
Designated Managing Broker
DeKalb, IL

Every crop growing season starts with expectations for total production and grain prices. Price expectations are based on forecasted carryover supplies from the previous year, the outlook for summer weather, and the USDA projections for supply and demand for the current year. Most years, factors change and the outlook can vary greatly throughout the season. Weather and crop development can vary and the USDA's supply and demand forecast can change. Some years, there can be substantial variation from the USDA's early season production and demand forecast to the actual results after harvest.

For 2022 the stage was set for expectations with the annual USDA March Planting Intention Report. It was anticipated that the planted acres could shift substantially from the previous year. The USDA in March estimated U.S. producers would plant 89.5 million acres of corn, a decrease of 3.9 million acres or 4.2% from the 2021 corn acres of 93.4 million

acres. The forecasted corn acres would have been the lowest since the 2018 acreage of 89.9 million. For soybeans, their estimate was a record 91.0 million acres, which exceeded the previous record U.S. soybean acreage of 90.2 million acres in 2017. The projected soybean acres were up approximately 4.4% from 87.2 million acres in 2021.

The March 31st USDA report was based on producer surveys of planting intentions, as of March 1st. However, there is always the potential for planting intentions to change when final planting takes place. Factors causing changes in the actual U.S. corn and soybean planted acres include the relationship between corn and soybean prices and potential planting delays in some areas of the Midwest. In 2022, we also had higher fertilizer costs for corn production, which motivated some producers to shift additional acres to soybeans. Immediately after the report, with the forecasted acres, December 2022 corn futures closed up \$.27 per bushel and November soybean futures closed down \$.49 per bushel.

As the growing season progresses the USDA regularly updates their projections. To start the growing season, total production estimates are based on trendline yields, and actual planted acres. Estimated yields are adjusted throughout the growing season, based on summer weather and growing conditions.

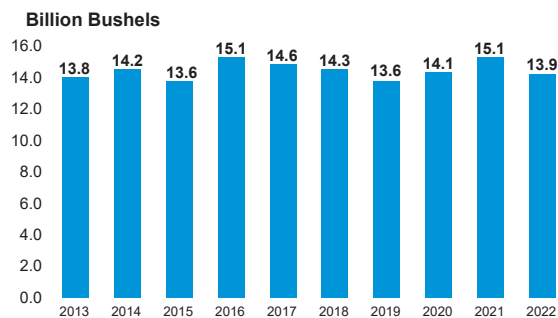
After the 2022 Planting Intentions Report, the next key USDA report was the June 30th Acreage Report. USDA's March Prospective Planting Report projected higher soybean acres than corn, for only the third time in U.S. history. The June acreage report increased corn acres by 431,000 and reduced soybean acres 2.6 million from the March report. The estimated corn and soybean acres in June were 89.9 and 88.3 million acres, respectively. With the change in planted crop acres, the outlook for total corn and soybean total production potential changed from earlier forecasts.

The change in the USDA's projections is an example of why grain marketing plans need to be continuously updated as the fundamental numbers change.

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The 2022 growing season demonstrates how the outlook can change from early season projections.

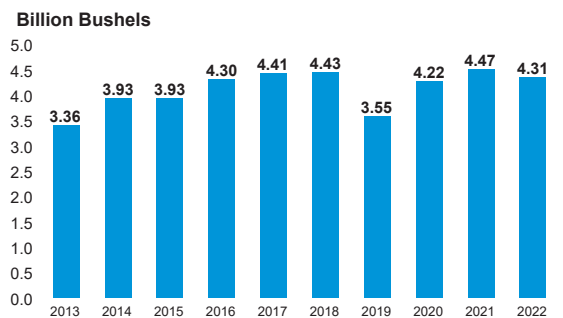
Corn Production in the United States



United State Department of Agriculture
National Agricultural Statistics Service

October 12, 2022

Soybean Production in the United States



United State Department of Agriculture
National Agricultural Statistics Service

October 12, 2022



Farmland Value Update

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

As 2022 winds down, the farmland market remains strong. We're still in a market that can have a record sale, but not every new sale will be a record, and the land market is simply not quite as "explosive" as it was in late 2021. Last fall we had an extreme high volume of farmland sales – and even greater demand for land – and every sale of quality seemed to set a new record for price. However, that was not sustainable in the long-term. This year, there are a few more headwinds as we approach winter, and the most recent land value surveys reflect a market that is leveling out.

Iowa Land Values

The Iowa Chapter of the REALTORS Land Institute reported a slight statewide average gain of 2.8% from March 1 to September 1, 2022, after climbing 14% in the prior six months.

Farmland values in Iowa's north-central crop reporting district showed no gain in the half of year from March to September, while the year-over-year increase in that district topped 12%. Western Iowa crop reporting districts saw the greatest annual strength in farmland values with gains from 18.6% to 22.9% compared to a year earlier, with average six-month gains ranging from 2.5% to 4.4%.

Illinois Land Values

Illinois farmland values also got off to a hot start in the first part of 2022. The survey of Illinois Society of Professional Farm Managers and Rural Appraisers, conducted the first two weeks of August, reported an

18% increase of farmland values compared to a year ago. However, over half (56%) of the survey respondents expected land values to simply remain steady for the rest of 2022, 15% predicted a slight decrease in land values (a drop between 1% and 3%), and just 12% expected a small increase in values of less than 3%.

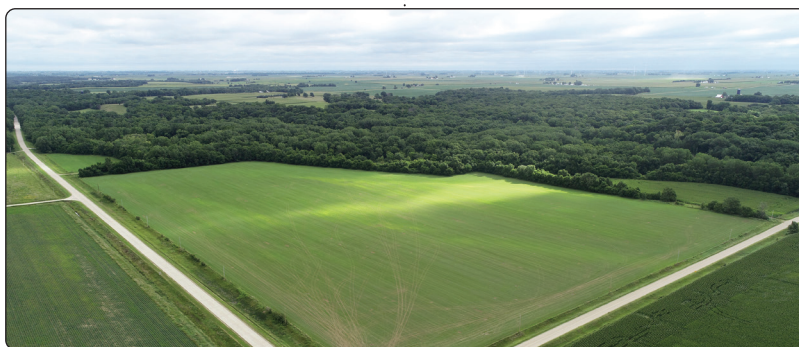
Nebraska Land Values

Drought in the western Corn Belt (western Iowa, Nebraska, south-east South Dakota) may mute land values there. While the University of Nebraska's farmland survey in early 2022 showed an average annual increase of 16%, the Kansas City Federal Reserve (which includes Nebraska, Kansas, Oklahoma and

"The value of an acre of farmland is a window into the fortunes of agriculture, and by that measure, farmers are making hay again." For Minnesota and neighboring states in the Fed District, land values have now exceeded their previous high-water marks from 2014. And coming into the fall of 2022, Minnesota land values were reported to be 23% higher, year-over-year. Based on strong early harvest results, there is an expectation that values will be mostly stable this winter.

Looking Ahead

Recent land sales continue to reflect overall strength (and depth) in the marketplace. This strength is supported primarily by a still strong commodity price environment, while the depth of market is supported by a generally healthy ag sector. Having said that, higher interest rates and high prices for 2023 inputs are both



western Missouri) reported that the 2% gain in the second quarter in the value of farmland was the slowest increase since the end of 2020. Non-irrigated land in the district rose less than 1% in value in the second quarter of 2022. And the drought in the Kansas City Federal Reserve district has continued.

Minnesota Land Values

A quote from a recent report from the Minneapolis Fed tells the story here:

beginning to factor into the farmland market. These divergent realities – good crop prices vs. high interest rates and high input prices – are somewhat offsetting to equate to a farmland market that has leveled off and is beginning to chop sideways. As mentioned in the opening paragraph, a record land sale is still possible here in late 2022, but not every sale will be a record like it was 12 months ago. 🌱

the most recent land value surveys reflect a market that is leveling out.

Sustainability - What Does It Mean?



Morgan Troendle, AFM
Office Manager, Managing Broker
Cedar Falls, IA

sustainability is a word that incorporates three different aspects of farmland ownership:

Sustainability is a word being heard more and more in the agricultural business arena. While not a new concept, it is getting more attention from consumer-focused corporations in both ag and non-ag sectors. From our perspective, sustainability is a word that incorporates three different aspects of farmland ownership:

- Environmental Sustainability
- Generational Sustainability
- Economic Sustainability

Environmental Sustainability

This aspect is receiving a majority of the focus lately. It typically applies to soil conservation and responsible nutrient management. There are many ways to achieve both through a number of practices ranging from simple to complex. A few practices we have successfully implemented, which were chosen based on the specific needs of the farm and goals of the landowner, include:

- Reduced tillage
- Cover crops
- Grass Waterways
- Nitrogen application adjustments
- Variable rate dry fertilizer application
- Nitrogen Bioreactors/Saturated Buffers
- STRIPS - Science-based Trials of Row crops Integrated with Prairie Strips (Iowa State University)

Not every farm is a candidate for every practice, but typically there is

an opportunity on every farm to place the right practice in the right place and make a difference in the environmental sustainability of the farm.

Generational Sustainability

This aspect describes facilitating the transition of a property to the next generation. Every family farm deals with this issue at some point during the ownership tenure. Many families work with a team of knowledgeable advisors to successfully navigate a transition. The following are suggested areas of focus to develop a team to assist with:

- Minimizing tax liability (estate tax, capital gains tax, inheritance tax)
- Providing options for the next generation to transfer ownership interests
- Allowing for flexibility for the next generation to make decisions in a structured format
- Facilitating communication early, before emotions are involved, regarding the wishes of involved parties

Rather than sell a family farm out of frustration or conflict, there are solutions to avoid this circumstance such as:

- Open and respectful communication
- Proper tax planning and advice
- Proper ownership structure
- Active, qualified management committed to treating all parties involved (owner/operator/off farm heir/on farm heir) fairly, honestly, and equitably.

Economic Sustainability

This is typically the primary objective for most operations. However, sustainable profits result from a combination of the first two items being managed well. A well cared for farm, operated within the context of a

long term plan, combined with open communication, has a good chance to be economically sustainable. The following are a few significant practices or improvements that can impact a farm's economic sustainability:


- Improvement or installation of drainage tile
- Determine feasibility and implementation of storage/drying facilities
- Development of a fertility management or improvement plan

In addition, there may be alternatives to increase income and/or decrease expenses:

- Pursuit of specialty crops
- Pursuit of manure easement to provide lower cost fertility
- Analysis to determine if every acre is producing positive income
- Determine if your current lease is the best fit for your farm

Economic sustainability alone can be achieved in the short term; however for long-term sustainability, all three aspects need to be managed.

In our experience, these three aspects are necessary to maintain a productive and viable farm. It is critical to understand that all farmland owners and their farms have their own needs within each category.

At Hertz we focus on determining how to maximize the sustainability of each farm and help each owner implement the strategies necessary for his or her situation. 

Keeping Farm and Family Together

...continued from pg. 2

In addition to these benefits, having an effective drainage tile system in place can help increase farm income and is a great long-term investment for farms with poor drainage retaining excess water prohibiting plant growth.

Scott and the family knew the payoff to the project would be almost immediate. However, the greatest challenge confronting the property was how to get the water off the farm, as there was no route to drain the water. Scott was able to identify a contractor with an extensive history of working on complex drainage projects. The solution became the talk of multi-county area. At no cost

to the family and invoking a little-known state law, the State of Iowa hired a contractor to tunnel bore a 30" pipe under the state highway, which provided an outlet for the water on the farm to drain to a creek.

The benefits were two fold; most notably the value of the farm likely doubled by adding almost 80 acres of farmland, as well as sharply increasing the consistent productivity of the farm. Secondly, the tile project is a major risk mitigation initiative by reducing the likelihood of a field being drowned out or simply not being able to plant a field because it never dried out. The expected increase in corn yields is 40 to 50 bushels per acre and soybeans 10 to 15 bushels per acre. This has allowed the family to move to a more favorable modified cropshare lease arrangement.

Family Reunions on the Farms

Everyone in the Winders/Evans family agree that having the farms has been a great way to keep the family connected and, in some cases, helped reconnect family members. "Another good thing about these farms is it's reconnected us with Dave Evans and his family," Susie explained. "Now, we have family reunions with them frequently. It's pretty special."

For Sharon, that's what matters the most. "Having this connection and tangible asset that bonds our family together, that's what makes it all so special. It's a great way for our family to stay in touch and I'm thankful for the legacy that our families have left us with and hope we can continue it into the future." 🌱

*I'm thankful
for the legacy
that our
families
have left us*

Grain Markets

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During a typical crop season, several of our grain marketing objectives for our client's farms will be reached after a volatile reaction to a monthly USDA report.

Beyond acreage shifts, the 2022 growing season also demonstrates how the outlook can change from early season projections. As the summer progressed, the USDA continued to lower expectations for the national average corn and soybean yields. When harvest started, the forecast yield for corn was lowered to an average yield of less than 172 bushels per acre for corn, and for soybeans less than 50 bushels per acre. For comparison, the national average corn yield in

2021 was 176.7 bushels per acre, and for soybeans 51.7 bushels per acre. Summer weather and crop growing conditions varied greatly throughout the U.S. With the lower estimated 2022 corn and soybean yields, the forecasted 2022 total corn production is below 14 billion bushels, and the forecasted 2022 soybean production is approximately 4.3 billion bushels. This level of corn production is down approximately 8% from last year and the soybean production total is approximately 3% lower.

Because of the lower than anticipated U.S. corn and soybean production, the outlook for grain prices improved. Carryout for U.S. corn and soybeans stocks are comparable to last year at approximately 1.2 billion and 200 million bushels, respectively. While possible, this does not

guarantee we will have a repeat of the high grain prices we had during the summer of 2022.

Grain price direction over the next several months will depend on the USDA's final production numbers that will be published in January 2023, and long-term demand, which will be influenced by many factors including the U.S. and Global economies, world production, and exports. The conflict in Ukraine also continues to be a major factor influencing grain prices, crop input costs, and crop exports.

The 2022 grain marketing year is a classic example of how quickly the price outlook can change, and the importance of having a marketing plan in place, which is continually updated and modified based on changing market conditions. 🌱

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Landowner Educational Seminars Winter 2023 Schedule

All landowners are invited to attend one of a series of Winter seminars.

Our seminar topics will include Grain Markets, Farm Lease Trends/Leasing Alternatives, Land Trends and more!

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

Registration Available Online!
www.Hertz.ag/seminars



Early/Online

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
- Call 515.382.7979 Ask for Seminar Registration
- Email: Seminars@Hertz.ag

Dates & Locations



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

Feb. 13 Anaheim, CA
Feb. 14 Palm Springs, CA
Feb. 16 NW Phoenix, AZ
Feb. 17 Chandler, AZ

Feb. 27 TBD
Feb. 28 West Palm Beach, FL*
March 2 Sarasota, FL*
March 3 Naples, FL*

**Florida dates and locations subject to change.*

Please visit www.Hertz.ag/Seminars for final dates and locations.