

AgUpdate

Timely information for a select group of farm owners and investors

Winter '23

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Five Generations of Farmland Ownership: The Dickey Family Legacy

A feeling of legacy spreads throughout the acres of farmland owned by sisters Jennifer Dickey and Cheryl McKittrick. Their family's bond with their land stretches back over 140 years to the pioneering days of their great-grandfather. "There's just something about owning farmland that brings you a sense of pride and legacy," reflected Jennifer.

This was evident during a recent visit with the sisters, along with Cheryl's husband Michael. While touring the well-kept fields and observing the different farm improvements, their devotion to these farms was noticeable.

"Our great grandfather put roots down here generations ago," said Cheryl. "It's our responsibility to make sure that we continue to make the farms better for the next generation."

The Early Days of the Dickey Family Farm

Though records are scarce, the family farm's roots trace all the way back to the 1800s. "I believe it was our great grandfather, F.E. Dickey, who first came into ownership of the land," explained Jennifer.



Keith Smith, Michael & Cheryl McKittrick, Cal Dickson, and Ryan Lockhart

Frederick embodied the grit and determination of those times. Around 1876, he journeyed down to Iowa from Wisconsin by wagon. He spent the first year living under that wagon while building a small wooden building as a home. After he was married in Wisconsin in 1893, he returned to the farm with his wife, Carrie. Over time and through a couple generations of family, more acres were acquired, and the operation grew.

Today, over 140 years later, Frederick's legacy lives on. The family now owns over 560 acres in Grundy County, Iowa and the farms remain as a testament to all the hopes and dreams first planted by Frederick and his wife over a century ago.

Improving the Farms Bit by Bit

In 2014, the family made the decision to work with Hertz to manage their farms, which is when Cal Dickson, AFM took over as farm manager. "They didn't make it easy for me to get the job," joked Cal. "We made sure to check out his references before committing," quipped Michael. "All in all, it was good decision for us at this point in our lives."

Prior to working with Hertz, Jennifer had a passion for farming and making improvements to the land. She helped implement projects like tiling, waterway installations, and building grain bins. When Cal took over as farm manager, he was excited to continue building on the foundation that Jennifer had laid for making ongoing enhancements.

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“There’s just something about owning farmland that brings you a sense of pride and legacy,”

Cal has implemented several farm enhancements, both big and small, to help make the farms as productive and profitable as possible. From widening driveways and installing drainage tile, to adding a grain bin and grain bin sensors, and negotiating seed deals, Cal is always looking for ways to incrementally improve operations.

“We try not to do too many big projects at once,” Cal explained. “The goal is steady, sustainable growth. I want to increase their income gradually over time, not see it spike up and down like a rollercoaster.”

Jennifer explained how she appreciates Cal’s measured approach. “You want profitability but also sustainability,” she said. “We don’t want the farms washing away. Improvements like waterways and drainage tile help on both fronts.”

One of the bigger projects that Cal helped the family work on was negotiating and implementing seed corn contracts on several of their farms. “A good farm is one of the pieces, but you also need a really good operator,” explained Cal. “We struck gold with Keith Smith and his son-in-law Ryan Lockhart.”

Even with seed corn’s demanding seasonal workload, Keith takes it all in stride. “He just rolls with the punches and is so well-respected by the seed companies,” said Cal. “Keith is patient yet meticulous, and does everything right. He’s a pleasure to work with.”

The family wholeheartedly agrees that adding Keith and Ryan has been tremendously valuable. After the devastating 2020 derecho flattened some farms, Michael recalled how Keith went and purchased a rake to put ahead of the combine to pick the crops up. “When your farm operator treats the land like his own, there’s not much more you can ask for,” said Michael gratefully.

With Keith’s dedication and Cal’s leadership, the seed corn contracts have been a big success. The family is thrilled to have such an excellent operator caring for their farms and it just goes to show the magic that

happens when everyone works together.

In addition to a fantastic farm operator, the family is also incredibly thankful to their farm manager.



Jennifer Dickey along with her daughter Shennen and her grandkids.

“You’re not planning on retiring anytime soon, right?” asked Michael to Cal. “He does great work and keeps us involved through good communication. We appreciate him and his expertise.”

Cal responded that he also really enjoys working with the Dickey family. “They’re very passionate about their farmland,” expressed Cal. “They’re willing and want to make the farms sustainable, which makes my job pretty easy. This family is a real joy to work with.”

From Generation to Generation

When discussing the future of the farms, Jennifer, Cheryl, and Michael were all smiles while they talked about passing the farms to the next generation. “Our son is especially interested in the farms, and our daughter will see the value too,” explained Cheryl.

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Seed corn surrounded by soybeans to prevent any cross-pollination from nearby fields.

Hertz Professionals Update

New Team Members



Jennifer Wharton
Jennifer joined Hertz in August 2023 as an appraiser trainee in our Washington, IA office.



Colton Lueck
Colton joined Hertz in August 2023 as a farm manager in our Cedar Falls, IA office.



Tanner Clementz
Tanner joined Hertz in August 2023 as a farm manager in our Mankato, MN office.



Dillon Fevold
Dillon joined Hertz in June 2023 as a farm manager in our Humboldt, IA office.



Brad Ganeff
Brad joined Hertz in July 2023 as a farm manager in our Humboldt, IA office.



Heidi Russ
Heidi joined Hertz in October 2023 as a farm manager in our Mt. Vernon, IA office.

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

Congratulations To Our Farm Managers on their Newest Accreditations!



Brandon Yaklich, AFM
Congratulations to Brandon for earning his Accredited Farm Manager designation! Brandon joined Hertz in 2020 as a farm manager in our Geneseo, IL office. Prior to joining Hertz, Brandon worked in the financial sector for 17 years for a multitude of Commercial and Agricultural clients.



Allison Bishop, AFM
Congratulations to Allison for earning her Accredited Farm Manager designation! Allison joined Hertz in January 2020 as a farm manager in our Mount Vernon, IA office. Prior to joining Hertz, she worked for WinField United as a Product Development Associate.



Spencer Smith, ALC
Congratulations to Spencer for earning his Accredited Land Consultant designation! Spencer has served clients with Hertz Farm Management since the spring of 2016. He serves as both a farm manager, real estate salesman, and auctioneer in Central Illinois.



Terry Kestner, ARA, RPRA, Appointed ASFMRA's Vice President for 2023-2024

Hertz would like to congratulate Terry Kestner, ARA, RPRA, the Director of Hertz Appraisal Services on being appointed the First Vice President position on its Executive Council for the 2023-2024 term.



Grain Markets

Jim Rebhuhn, AFM
Farm Manager,
Licensed Real Estate Broker
Mt. Vernon, IA

Global economic and market conditions will continue to challenge U.S. agriculture.

As I reflect on my career, which began in 1979, it has become very apparent that commodity markets are constantly evolving, reflecting growth, income, and population, as well as changes in weather, technology, and government intervention.

The 1970s brought unprecedented prosperity to American farmers as soaring prices, increased exports, and production generated record income.

As we moved into the 1980s, commodity demand slowed sharply for approximately two decades. In addition to two major droughts, we faced the farm crisis. High interest rates, excessive supply, and significant declines in income had a tremendous effect on agriculture. To mitigate these negative impacts, the government enacted policies that significantly reduced planted acres and developed a grain reserve that further removed burdensome supplies from the market. In 1985, the Conservation Reserve Program was developed to further reduce

planted acres of primarily corn and soybeans. This program continues today, although overall acreage has declined.

The post-2000 demand surge was driven by strong growth, emerging markets, and developing economies- most notably China. China's exceptionally rapid economic growth focused on commodity-intensive manufacturing and investment pushed its economy to grow at near double-digit annual percentages. China's growing economy increased overall personal wealth, which in turn created robust growth in crop exports- especially soybeans and more recently, corn. A key narrative over the past 20 years has been emphasizing the need to feed a rapidly growing population. This rapid growth not only changed diets in China, but throughout much of the developing world.

One of the most significant fundamental shifts in agriculture occurred in the early 2000s with the passing of the Renewable Fuel Standard (RFS) and the ascension of China to the World Trade Organization (WTO). These events changed the nature of supply and demand across all commodity

markets. The production and use of biofuels in the U.S. grew very rapidly, starting around 2005. Two primary factors contributed to this change; 1) the large increase in crude oil prices through 2008, and 2) implementation of the RFS - first in 2005 and then amended in 2007. The increase in crude oil prices was crucial as it made biofuels more competitive in the marketplace and led to a political reaction in passage of the RFS legislation through Congress. As you can see on the charts included in this article, commodity markets experienced a significant rally based on these events.

Global economic and market conditions will continue to challenge U.S. agriculture. Inflation, extreme weather events, supply chain disruptions, variable input costs, and Russia's war against Ukraine have pushed commodity prices above historic trends. In addition to these challenges, clean energy technology is advancing at a rapid rate, including cost reductions in generating electricity from renewable sources, battery storage, and electric vehicles. Policies are currently encouraging these changes, which will have an

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Monthly Corn Chart



Monthly Soybean Chart





Farmland Value Update

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

Another harvest season is rolling, and farmland sales across the Midwest continue to occur. It's not the same "go-go" market of 2022, but the market is certainly not weak. Case in point, you don't have to look very hard to find activity at or above \$15,000/acre for the best quality land in most Midwestern states. Even in areas with inconsistent rain and disappointing crops, there seems to be ample liquidity from recent year profits that continues to power many land purchases. Higher interest rates and lower grain prices are both headwinds that have added pressure to the 2023 land market. However, lower sale volumes – thereby supporting demand for land – and lower input prices for 2024 production – thereby supporting potential margins for next year – are both helping to offset the pressure. Full harvest results will influence land sales between now and year-end. But for now, the land market seems to be holding its own, as evidenced by the multiple market surveys referenced below.

Iowa Farmland Leveling Off

The Iowa Chapter of the REALTORS Land Institute reported a minor decrease of -0.2% in land values on a statewide average for the March 2023 to September 2023 time period. This is following the September 2022 to March 2023 time period that showed a 0.8% increase, giving a year-over-year increase of 0.6% for the State of Iowa. After seeing double digit increases in land values for 2021 and 2022, the land market has leveled off in 2023.

Illinois Remains Steady

According to the Midyear Land Values Survey sponsored by the Illinois Society of Professional Farm Managers and Rural Appraisers, farmland values across Illinois showed overall stability for the January to July 2023 period. The survey found that 44% of respondents expect farmland prices to remain unchanged for the rest of 2023, while 36% expect a modest decline of 1-3% through the end of the year.

Nebraska Land Holds Stable

The University of Nebraska's survey released in early 2023 indicated a robust 14% annual increase in farmland values statewide. However, that rate appears to be slowing, as

Minnesota Values Continue to Climb

The Minneapolis Fed's Q2 survey conducted in July 2023 shows a year-over-year decline in farm income, with a slowing increase in farmland values across the region. While incomes slipped slightly, loan demand also fell as repayment rates rose, pointing to robust liquidity and capital reserves among farmers. The survey indicates falling incomes have not yet materially impacted land values or borrowing activity, although they expect loan demand to grow in late 2023 in areas with poor crop production.

Conclusion

In summary, the Midwestern farmland market maintains a position of stability. When we look back on 2023, it is likely to be the year where we see and remember a "flattening" of the market. Higher interest rates and lower commodity prices are the

But for now, the land market seems to be holding its own...



the Kansas City Federal Reserve's late summer survey found that nonirrigated cropland values in the region were up just 5% from the previous year. Similar to other regions, the Fed bank referenced the idea that the potential pressure from higher interest rates is just beginning to take effect.

primary pressure points that were added to the 2023 market, but lower sale volumes and comparatively lower input prices for the 2024 crop year, are seemingly helping to offset at least a part of those pressures. With strong profits and still plenty of "dry powder" available from recent years, we believe stable farmland prices will continue into early 2024. 🌱



Investing in Irrigation: 3 Things to Consider

Stan Lierz, AFM, ALC
Farm Manager
Omaha, NE

Evaluating these helps ensure irrigation pays off in unlocking a land's agricultural potential...

Irrigation has become a critical method for farming success in the drier regions of the United States. According to the USDA, there are nearly 58 million irrigated acres nationwide, with a large chunk of it located in the western Corn Belt. Nebraska currently leads the charge with 9.3 million irrigated acres, followed by Colorado's 2.5 million.

In seasons of little rainfall, much like the drought conditions we experienced across most of the Corn Belt in 2023, irrigation can be a method that helps us fight those tough conditions. But before you consider implementing an irrigation



system on your farmland, you should weigh the following critical factors: water availability, profit analysis, and system selection.

1. Water Availability

First, you'll want to assess if an adequate water source can be accessed. Most irrigated acres get their water from underground streams or reservoirs which is pumped up to the surface via a pump and power source. Other sources of water can be from canals established for that purpose or from other miscellaneous water sources like rivers, streams and ponds. The High Plains states tap into plentiful underground water from the Ogallala Aquifer, which helps enable over 12 million irrigated acres. More arid locations in the Corn Belt may lack an abundant aquifer or other water source. Additionally, water rights also need to be considered.

2. Profit Analysis

Another consideration is to understand whether it is cost effective to irrigate land versus letting it remain a dryland farm. For example, let's take a look at growing corn in western Nebraska versus growing corn in northern Illinois.


By adding water to a dryland farm in western Nebraska, a corn producer can, on average, increase their yield from around 80 bushels per acre to around 250 bushels per acre. The farm in Illinois may only increase

their average corn yield by 10 bushels per acre, as there are some years when the irrigation system would never be used due to plentiful rainfall. Knowing that it would cost approximately the same amount of money per acre to develop both farms, the return on the irrigation investment in Nebraska is much higher than the Illinois farm.

3. System Selection

Once the two factors mentioned above have been considered, a producer may move forward with developing the land into an irrigated parcel. There are three main types of irrigation used for row crops. The most common is a center pivot irrigation system. This type of system is highly effective at applying an even amount of water to every acre on a timely basis. The second most common is the age old flood irrigation system, sometimes called gravity irrigation. The third type is a sub-surface drip irrigation system. All three types have their pros and cons and a producer would need to understand the parcel being developed to be able to choose the type that fits the best.

In summary, water availability, profitability analysis, and system selection are the three critical factors when investing in irrigation. Evaluating these helps ensure irrigation pays off in unlocking a land's agricultural potential, especially for arid regions dependent on irrigation for profitable farming.

If you have questions on irrigation and whether it would be a good fit for your farm, we encourage you to reach out to a Hertz farmland professional near you to discuss your options. 

Investment in Wealth for Generations

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“We can definitely see the farms staying in the family for generations.”

Jennifer fondly recalled her daughter Shennen spending time on the farm when they lived in Iowa. “She helped out growing up. I know she understands the legacy that she’ll inherit someday.”

“We’re the fourth generation owning this land,” said Cheryl proudly. “Our kids will be the fifth - how incredible is that?”

“And the sixth generation is already waiting in the wings with our grandkids!” Michael added with a chuckle.

Succession planning extends beyond the family too. Farm operator Keith Smith’s son-in-law Ryan is following in his footsteps. “Hopefully, that relationship continues into the future,” said Cal.

With the families’ shared passion and dedication, the farm’s future looks bright. The sisters have witnessed firsthand how farms can anchor families. Jennifer and Cheryl now hope to preserve the farm’s legacy while advancing it for the next generation. By honoring the past while embracing the future, the sisters are adding a new chapter to an enduring family legacy more than 140 years in the making. 📱

Grain Markets

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impact on corn demand based on ethanol usage.

Agriculture will survive, as we have detailed in the past four to five decades, but we will continue to see challenges, which will reset the market. Renewable diesel from soybeans and continued development of alternative uses for crops are reasons for optimism in the next 10 years. We are extremely confident that the U.S. agriculture economy will continue to adapt to all these challenges and continue to meet the overall demand of a growing world population. 📱

“She helped out growing up. I know she understands the legacy that she’ll inherit someday.”

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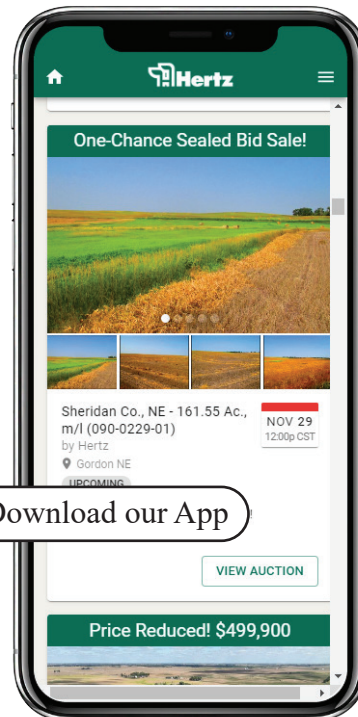
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Landowner Educational Seminars Winter 2024 Schedule

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!
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Dates & Locations



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

Feb. 12 Anaheim, CA
Feb. 13 Palm Springs, CA
Feb. 15 Glendale, AZ
Feb. 16 Chandler, AZ

Feb. 26 Daytona Beach, FL
Feb. 27 West Palm Beach, FL
Feb. 29 Bonita Springs, FL
March 1 Sarasota, FL