



Caring for You and Your Farm®

- Professional Farm Management
- Farmland Sales & Acquisitions
- Farmland Auctions
- Trusted Farmland Appraisals





**Landowner Educational Seminars
Winter 2024**

Land Trends & Values



Agenda



- **Discuss Current Market**
- **Discuss What's Driving this Market**
- **Discuss Expectations for 2024+**
- **Questions?**



Farmland Values

Farmland values are a barometer of the economic health and wealth of the farming economy.



2020 – Early 2023 Midwest Farmland Values



Mid 2023 - 2024 Midwest Farmland Values





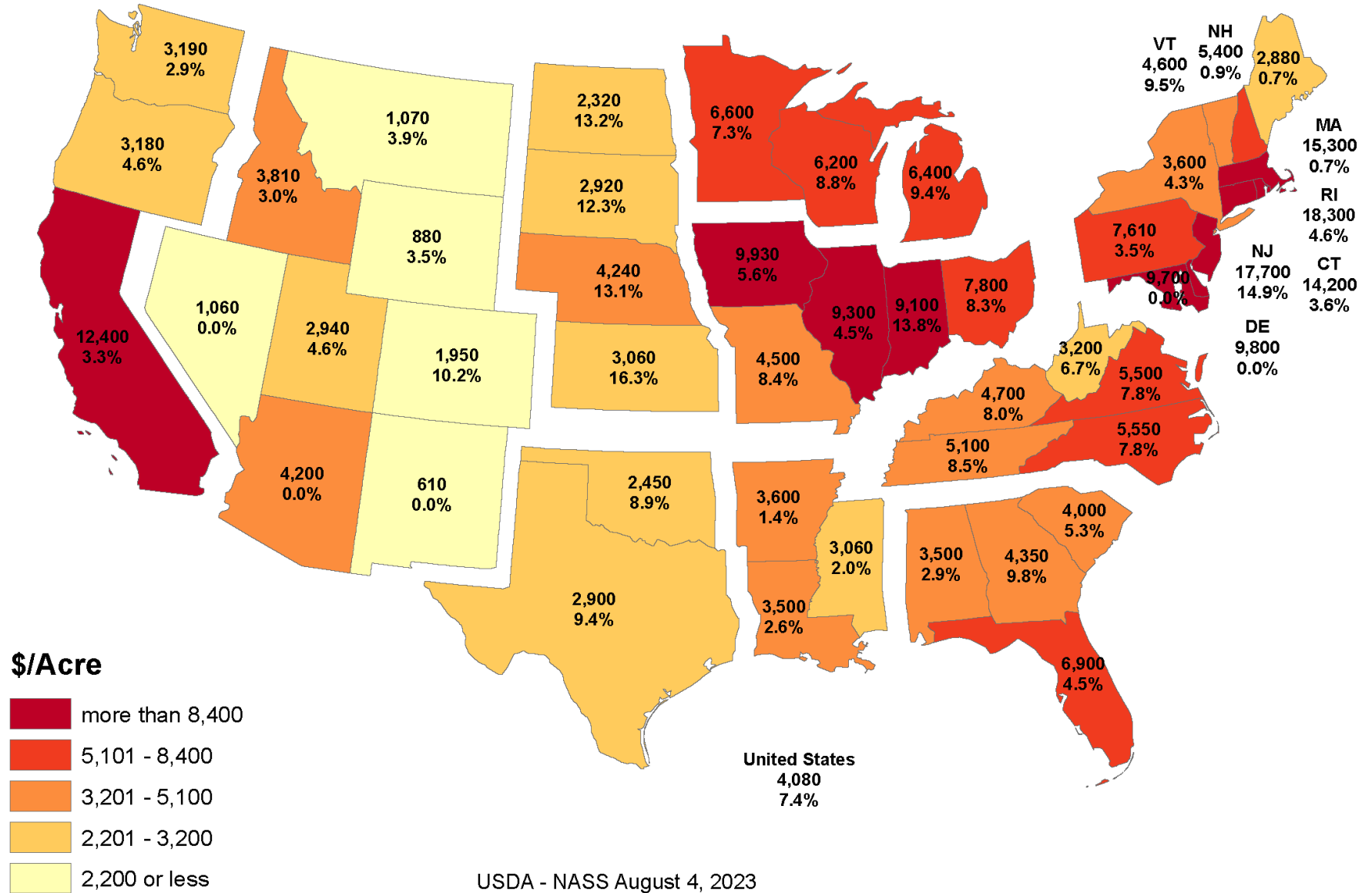
Midwest Farmland Values

THE 2024 FARMLAND MARKET...



2023 Farm Real Estate Value by State

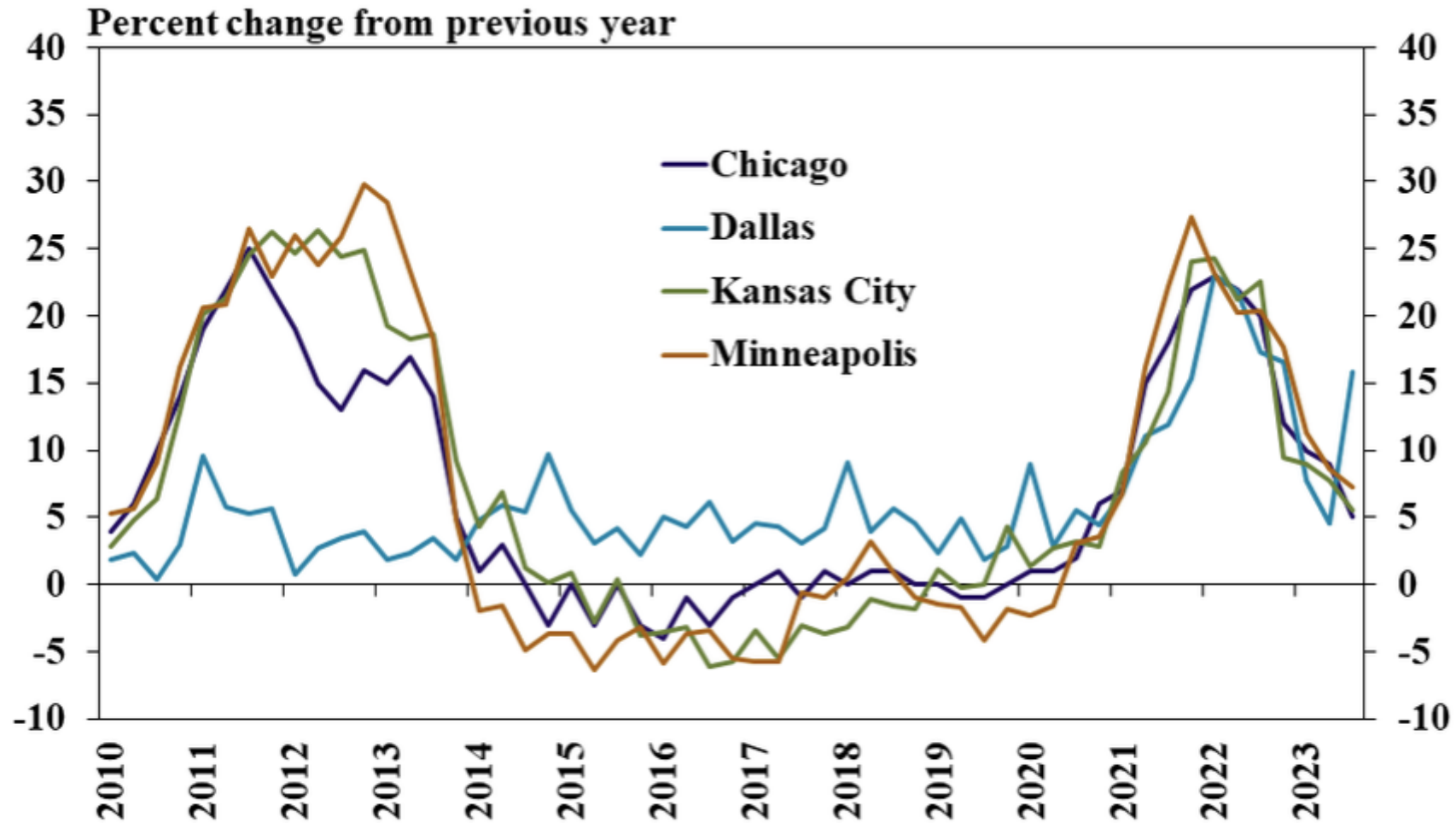
Dollars per Acre and Percent Change from 2022



USDA - NASS August 4, 2023



Land Values – Long Term



Sources: Federal Reserve District Surveys of Agricultural Credit Conditions



Several Mid-Late 2023 Headlines...

Credit Conditions Hold Strong as Interest Rates Rise

Agricultural credit conditions in the Tenth District remained strong and farm real estate values continued to increase, but growth has softened.

District farmers head into planting in solid financial condition, but outlook is uncertain

TAXES AND FINANCE

How Many Bushels Are Needed to Cover Interest Rate Expenses this Year?

Midwestern Farmland - Strong Market, Weakening Fundamentals

TAXES AND FINANCE

High Production Costs Could Weigh on the Ag Economy Through 2024, New Survey of Economists Finds

› Land values held up even as interest rates jumped further

Growth in Farmland Values Slows Amid Higher Interest Rates

Farm real estate values increased considerably in 2022 but showed signs of softening during the final months of 2022 as interest rates rose sharply.

Downward Pressures on Farmland Prices in 2023

Credit Conditions Strong but Softening

Farm income and credit conditions softened in the third quarter alongside a moderation in the farm economy.



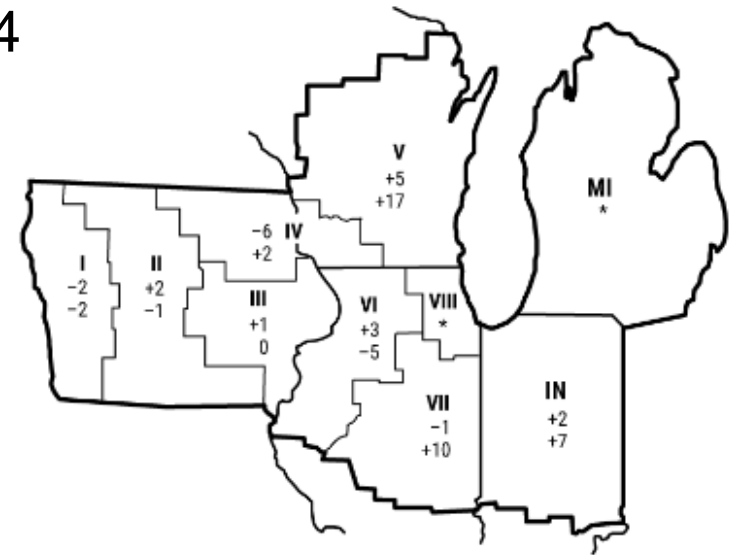
Chicago Federal Reserve Survey

Percent Change in Dollar Value of “Good” Farmland

October 1, 2023
to
January 1, 2024

January 1, 2023
to
January 1, 2024

| | | |
|------------------|----|-----|
| Illinois | +1 | +4 |
| Indiana | +2 | +7 |
| Iowa | -2 | -1 |
| Michigan | * | * |
| Wisconsin | +4 | +14 |
| Seventh District | +2 | +6 |



Top: October 1, 2023 to January 1, 2024
Bottom: January 1, 2023 to January 1, 2024



Source: Federal Reserve Bank of Chicago,
AgLetter, No. 2003, February 2024
www.Hertz.ag

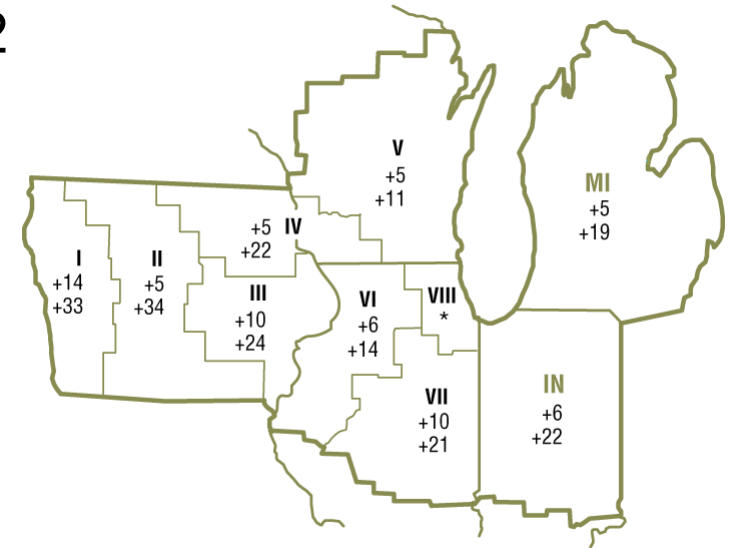


Let's Compare to February 2022...

Chicago Federal Reserve Survey

Percent Change in Dollar Value of "Good" Farmland

| | October 1, 2021 to January 1, 2022 | January 1, 2021 to January 1, 2022 |
|------------------|--|--|
| Illinois | +8 | +18 |
| Indiana | +6 | +22 |
| Iowa | +10 | +30 |
| Michigan | +5 | +19 |
| Wisconsin | +4 | +12 |
| Seventh District | +7 | +22 |



Top: October 1, 2021 to January 1, 2022
Bottom: January 1, 2021 to January 1, 2022



Source: Federal Reserve Bank of Chicago,
AgLetter, No. 1995, February 2022
www.Hertz.ag



Iowa REALTORS® Land Institute

September 2022 – March 2023 +0.8%

March 2023 – September 2023 -0.2%

September 2022 – September 2023 +0.6%



Source: KC Fed Reserve

www.Hertz.ag



[illegible]

- \$7,600 or less
- \$7,600 to \$10,000
- \$10,000 to \$12,000
- \$12,000 to \$14,000
- \$14,000 or more

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FCS Illinois – Benchmark Farms

Late Summer 2023

| Land Class | Productive Index Rating | Average Value Range Per Acre | Average % Change 2023 vs 2022 |
|------------|-------------------------|------------------------------|-------------------------------|
| 1A | 133 - 147 | \$17,500 - \$19,400 | +4.2% |
| 2B | 117 - 132 | \$11,900 - \$17,700 | +14.1% |
| 3C Central | 100 - 116 | \$7,800 - \$11,800 | +12.3% |
| 3C South | 100 - 116 | \$5,400 - \$14,000 | +7.5% |



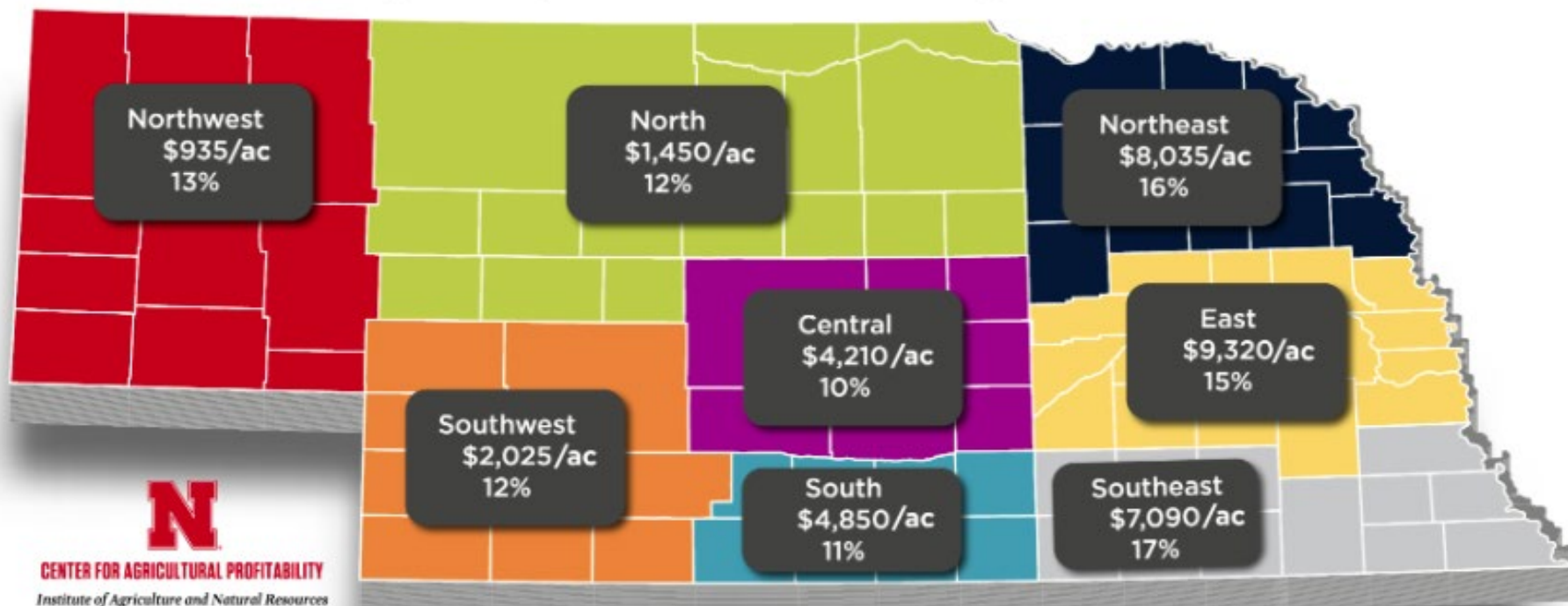
Source: FCS Illinois, Benchmark Farms Study, August 2023

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Nebraska – 2023 Values Release

**Average Value Per Acre of Nebraska Agricultural Land
as of Feb. 1, 2023, and Percent Change from Prior Year**



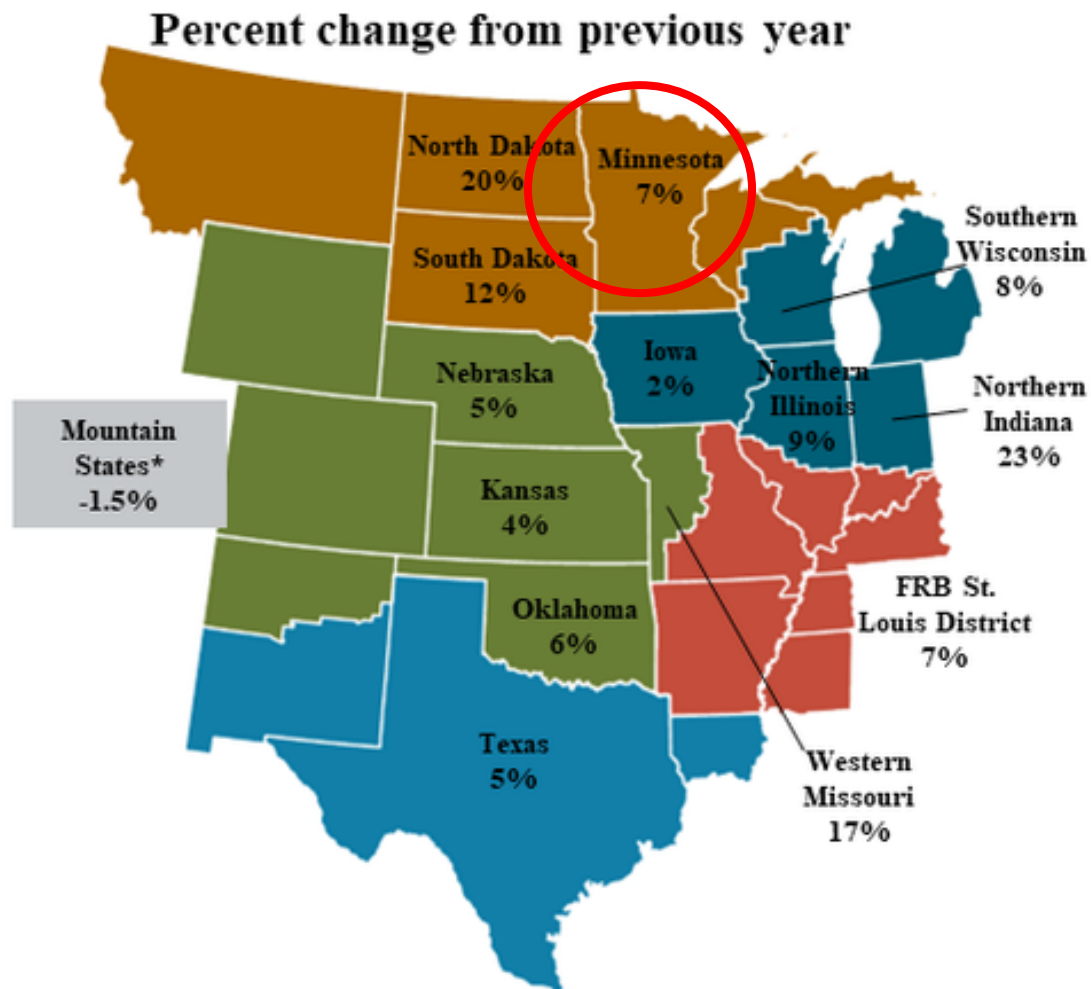
Statewide all-land average: \$3,835 per acre (14%)

Source: University of Nebraska at Lincoln

www.Hertz.ag



Minnesota – Midyear 2023 Values



Source: Minneapolis Fed Reserve Bank

www.Hertz.ag

A Few Recent Sales...

| Acres | State – Co – Date | \$/Acre | CSR2 or PI | %Tillable |
|---------|-------------------------|----------|------------|-----------|
| 800 +/- | IA – Palo Alto – 12/23 | \$16,312 | 83.9 CSR2 | 96% |
| 176 +/- | IL – Piatt – 12/23 | \$21,200 | 143.5 PI | 99% |
| 40 +/- | IL – LaSalle – 12/23 | \$17,000 | 134.5 PI | 97% |
| 165 +/- | MN – Renville – 12/23 | \$16,800 | 93.3 CPI | 99% |
| 200 +/- | IA – Dubuque – 12/23 | \$17,100 | 71.1 CSR2 | 72% |
| 80 +/- | MN – Brown – 12/23 | \$16,200 | 94.3 CPI | 97% |
| 40 +/- | IA – Clinton – 11/23 | \$18,200 | 86.8 CSR2 | 97% |
| 76 +/- | IA – Black Hawk – 11/23 | \$18,500 | 91.0 CSR2 | 95% |
| 90 +/- | IL – Henry – 11/23 | \$19,100 | 140.6 PI | 96% |
| 77 +/- | IA – Marshall – 10/23 | \$21,300 | 94.4 CSR2 | 97% |





Midwest Farmland Values

WHAT'S DRIVING THE MARKET?





Midwest Farmland Values

WHAT'S DRIVING THE MARKET? -COMMODITY PRICES



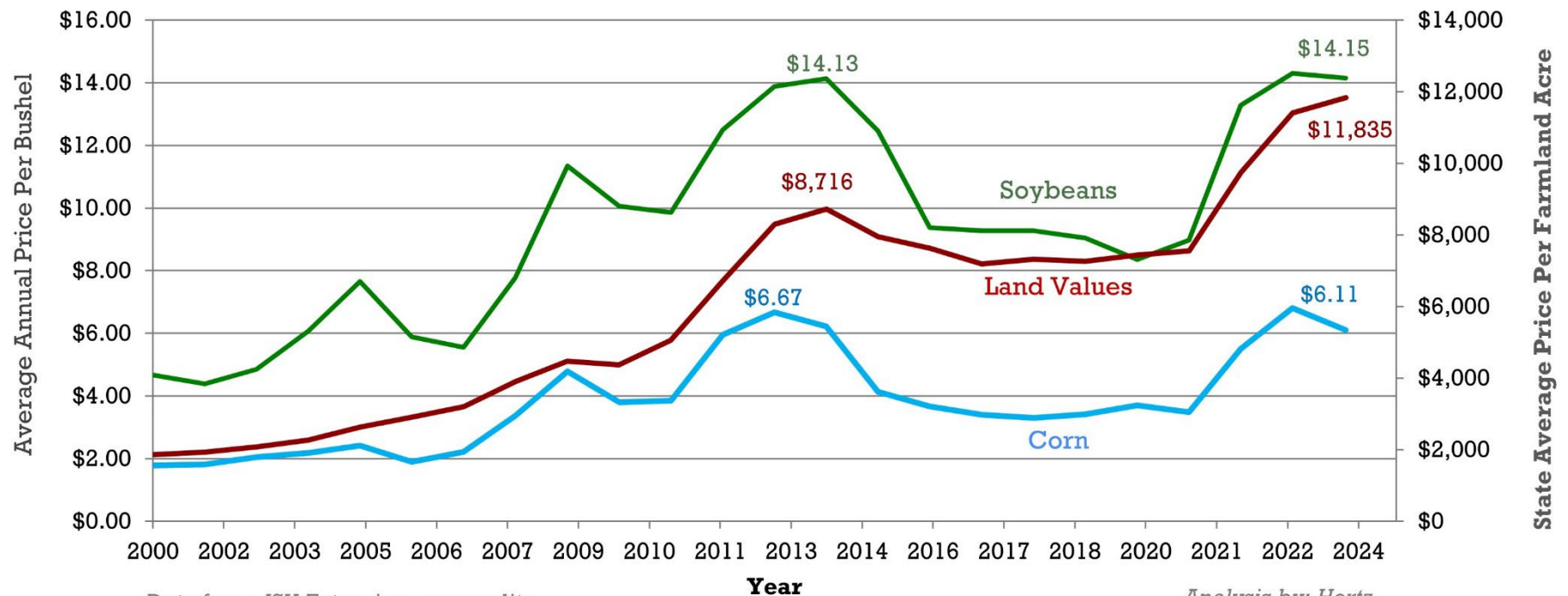
Source: Iowa RLI March 2023 Land Values Release

www.Hertz.ag



Land Values & Commodities

Iowa Average Land Values and Commodity Prices



Data from: ISU Extension commodity

Analysis by: Hertz
Appraisal Services



Source: Iowa State University Extension

www.Hertz.ag



Commodity Prices...

| CONTRACT | LAST | ONE-WEEK Δ | | ONE MONTH Δ | | 52-WEEK Δ | |
|-------------------------|-----------|------------|-------|-------------|--------|-----------|--------|
| Corn (Mar '24) | 4.42-3/4 | -3-1/2c | -0.8% | -21c | -4.5% | -159c | -26.5% |
| Corn (May '24) | 4.53-1/2 | -2-1/4c | -0.5% | -24c | -4.9% | -152c | -25.1% |
| Corn (Jul '24) | 4.62-1/2 | -1c | -0.2% | -25c | -5.2% | -142c | -23.4% |
| Corn (Dec '24) | 4.76-3/4 | +0-1/2c | 0.1% | -22c | -4.3% | -78c | -14.0% |
| Corn (Dec '25) | 4.85-1/2 | +1-3/4c | 0.4% | -12c | -2.4% | -24c | -4.7% |
| Wheat (Mar '24) | 5.99-3/4 | -0-1/2c | -0.1% | -7c | -1.2% | -206c | -25.5% |
| Wheat (Jul '24) | 6.13 | -3-1/4c | -0.5% | -13c | -2.1% | -33c | -5.1% |
| Wheat (Jul '25) | 6.50-1/4 | -4-3/4c | -0.7% | -11c | -1.6% | -104c | -13.8% |
| Hard Red (Mar '24) | 6.25 | +0-1/4c | 0.0% | -4c | -0.6% | -244c | -28.0% |
| Hard Red (Jul '24) | 6.16-1/2 | -6-3/4c | -1.1% | -18c | -2.8% | -210c | -25.4% |
| Hard Red (Jul '25) | 6.54-1/2 | -2c | -0.3% | -5c | -0.8% | -97c | -12.9% |
| Soybeans (Mar '24) | 11.88-1/2 | -20-3/4c | -1.7% | -85c | -6.7% | -177c | -13.0% |
| Soybeans (May '24) | 11.98-1/4 | -18c | -1.5% | -83c | -6.5% | -164c | -12.0% |
| Soybeans (Nov '24) | 11.71 | -14c | -1.2% | -51c | -4.2% | -124c | -9.6% |
| Soybean Meal (Mar '24) | 356.8 | +7.8 | 2.2% | -22.7 | -5.9% | -38.6 | -9.8% |
| Soybean Oil (Mar '24) | 44.73 | -2.20 | -4.7% | -3.56 | -7.4% | -14.47 | -24.4% |
| Board Crush (Mar '24) | 88-1/2c | +13-3/4c | 18.4% | -4c | -4.3% | -67c | -43.2% |
| Board Crush (May '24) | 75-3/4c | -0-3/4c | -1.0% | -11c | -12.9% | -75c | -49.6% |
| Canola (Mar '24) | 592.10 | -32.10 | -5.1% | -51.00 | -7.9% | -219.50 | -27.1% |
| Palm Oil (Mar '24) | 3794 | -209 | -5.2% | +134 | 3.7% | +94 | 2.5% |
| Cotton (Mar '24) | 87.11 | +2.74 | 3.3% | +7.17 | 9.0% | +0.66 | 0.8% |
| Live Cattle (Apr '24) | 183.750 | +2.075 | 1.1% | +9.250 | 5.3% | +12.650 | 7.4% |
| Feeder Cattle (Mar '24) | 244.800 | +5.100 | 2.1% | +18.35 | 8.1% | | |
| Lean Hogs (Apr '24) | 83.825 | +0.575 | 0.7% | +11.325 | 15.6% | -6.375 | -7.1% |

Source: Barchart & QT

As of 02/02/2024



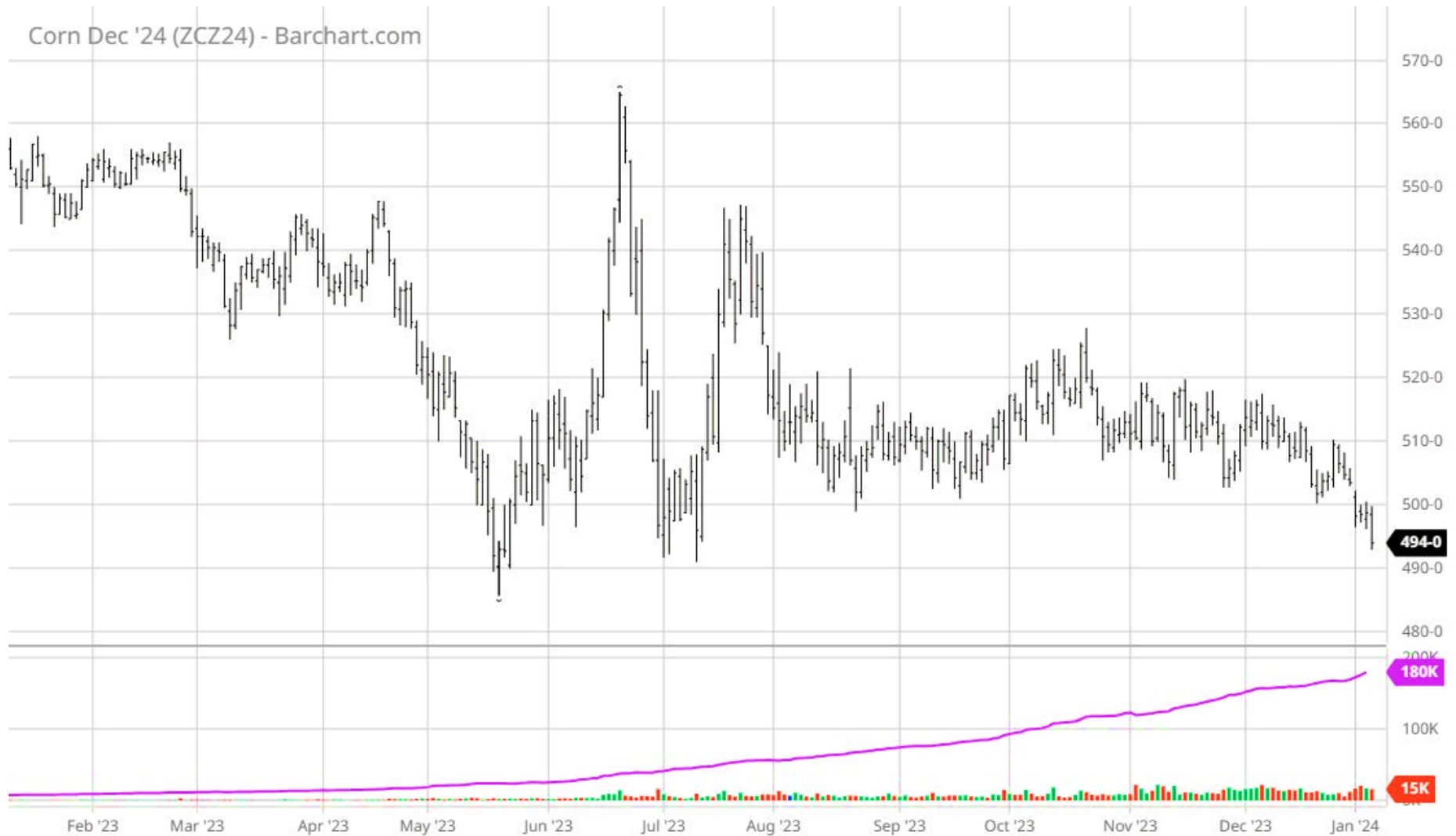
Source: NoBullAg.com

www.Hertz.ag



Commodity Prices...

December 2024 Corn



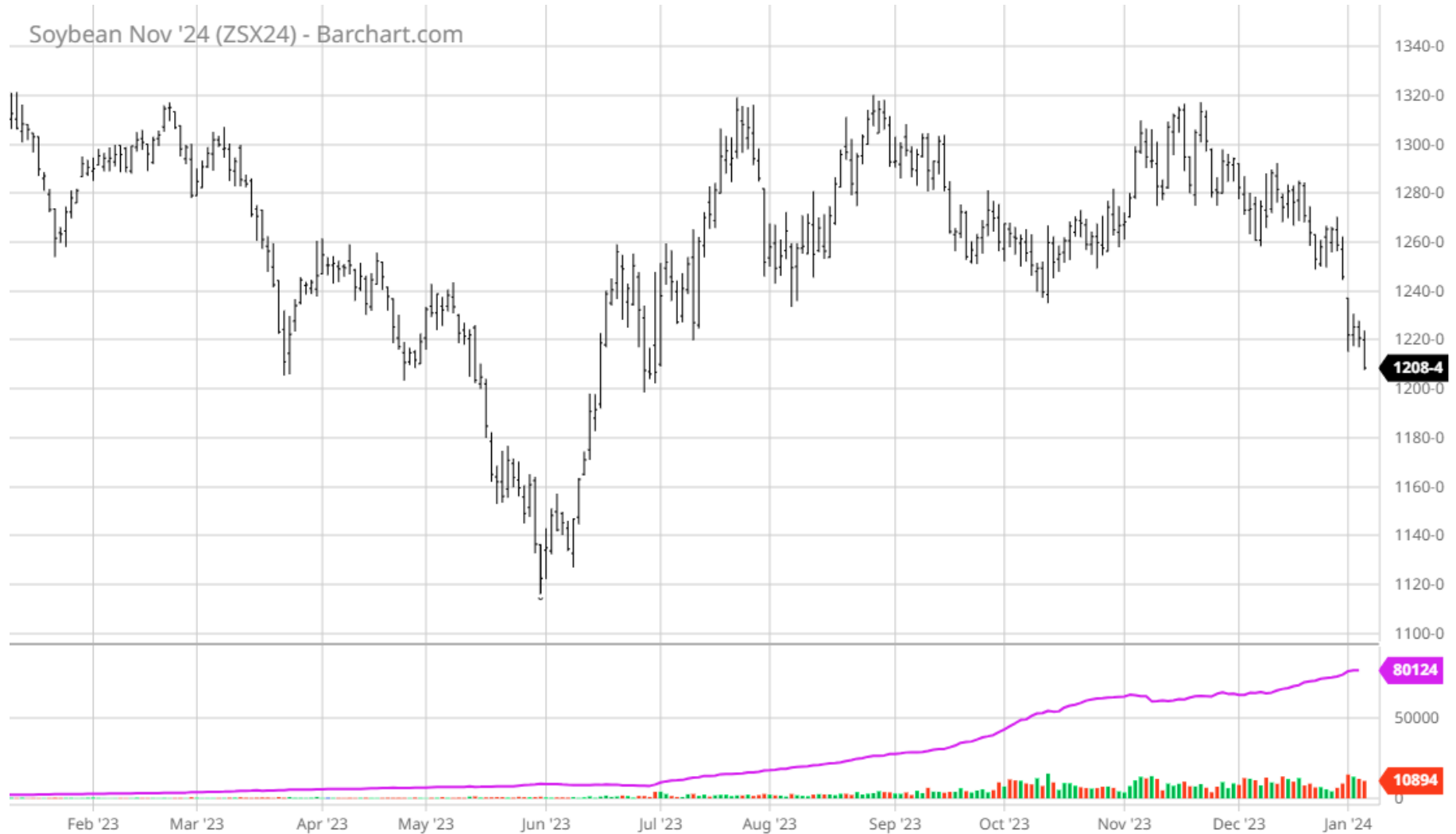
Source: Marketwatch.com

www.Hertz.ag



Commodity Prices...

November 2024 Soybeans



Source: Marketwatch.com

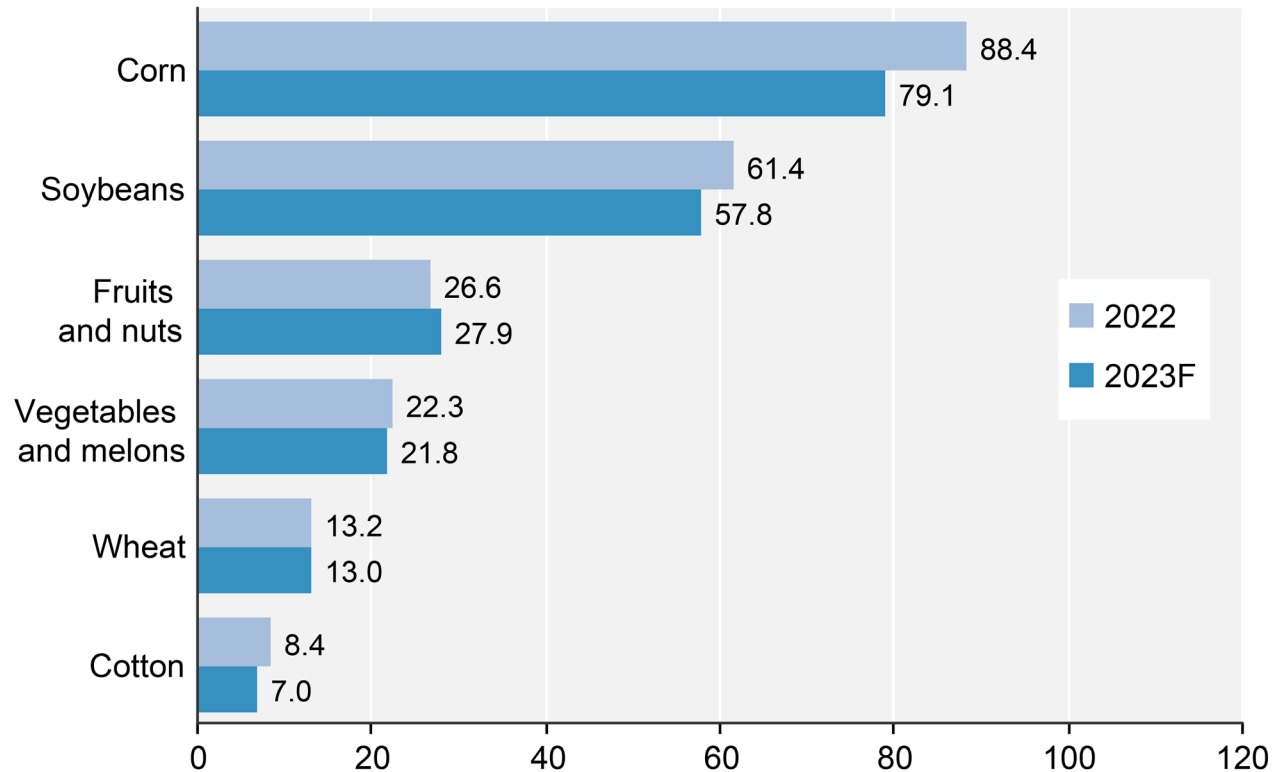
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Corn is King...

U.S. cash receipts for selected crops, 2022–2023F

Billion dollars (nominal)



Note: F = forecast.

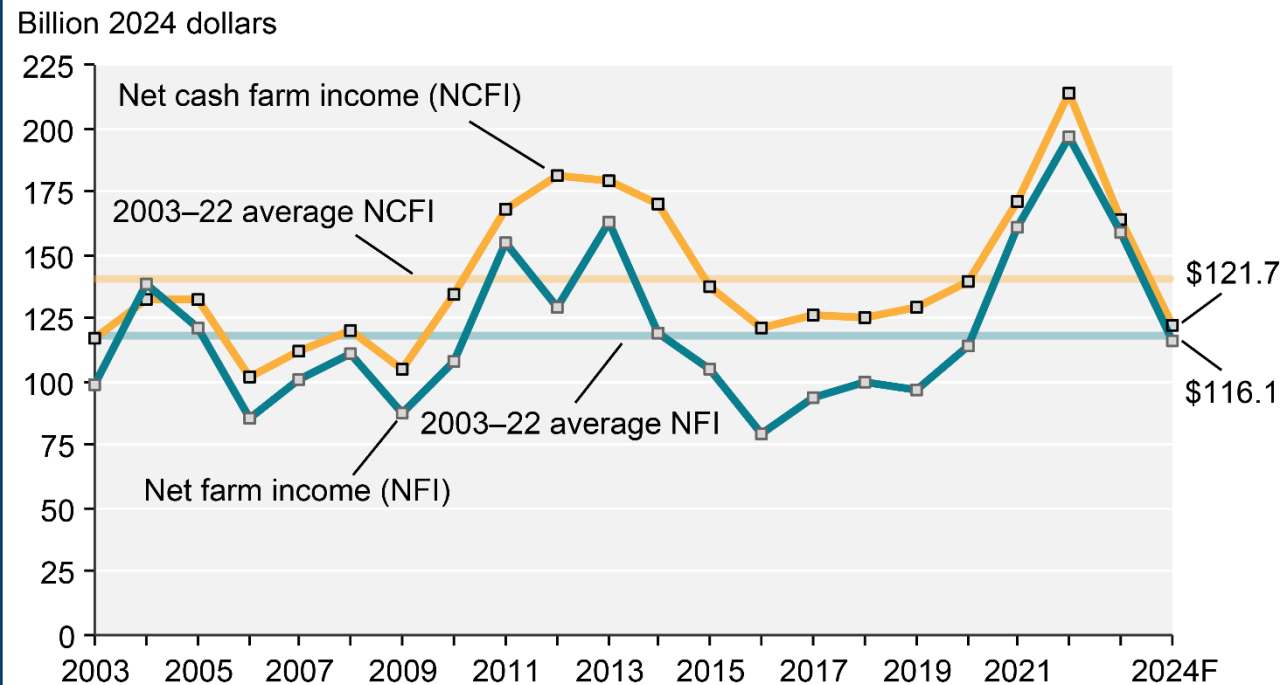
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of November 30, 2023.



Ag was Uber-Profitable in '21 & '22... But 2023 not as much... & 2024???

U.S. net farm income and net cash farm income, inflation adjusted, 2003–24F



Note: F = forecast; data for 2023 and 2024 are forecasts. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 7, 2024.





Midwest Farmland Values

WHAT'S DRIVING THE MARKET? -INTEREST RATES

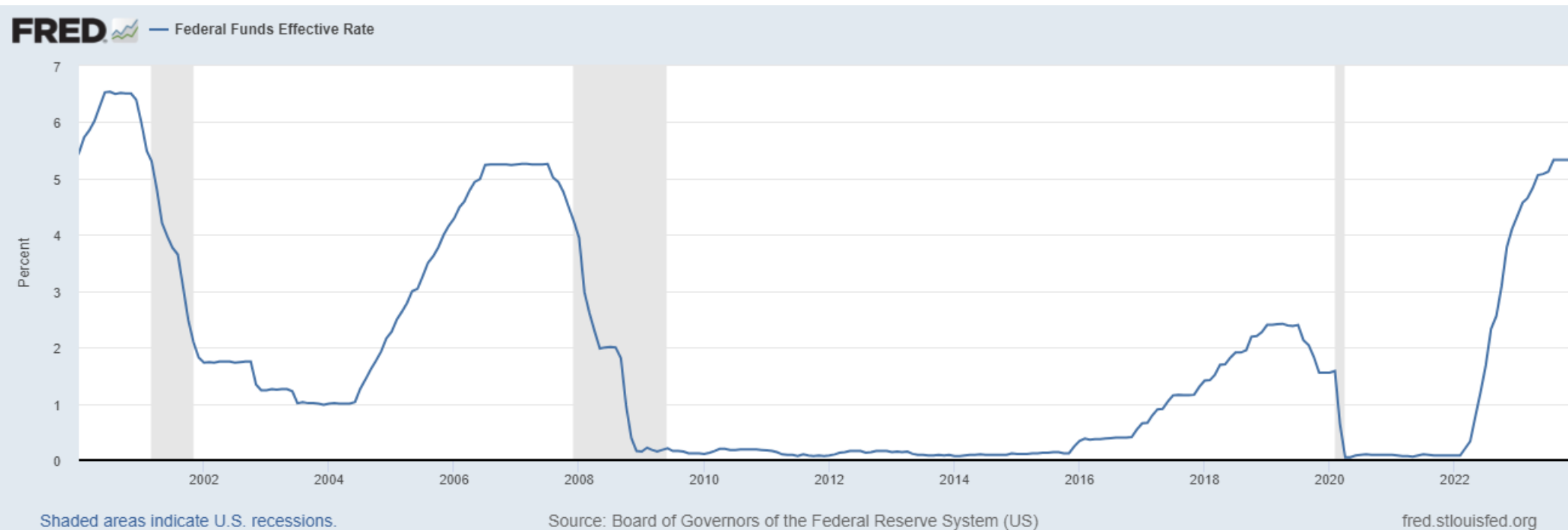


Source: Iowa RLI March 2023 Land Values Release

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Interest Rates – Federal Funds Rate



- Fed Funds Rate (*Noun*)** – the interest rate at which commercial banks borrow and lend their excess reserves overnight. This rate is set by the Federal Open Market Committee (FOMC, “the Fed”).
- Rate used to influence Monetary Policy... 12 Regional Fed Banks meet 8x annually.
 - Directly affects consumer loans and credit cards.
 - Currently 5.25%



Source: St. Louis Federal Reserve Bank

www.Hertz.ag



Interest Rates – 10 Year Treasury



- 10-Year Treasury** – The 10-Year Treasury is the benchmark used to decide mortgage rates across the U.S. and is the most liquid and widely traded bond in the world.
- Currently trading at or near highest level in 15 years, thereby making long-term commercial interest rates the highest we've seen in that time.

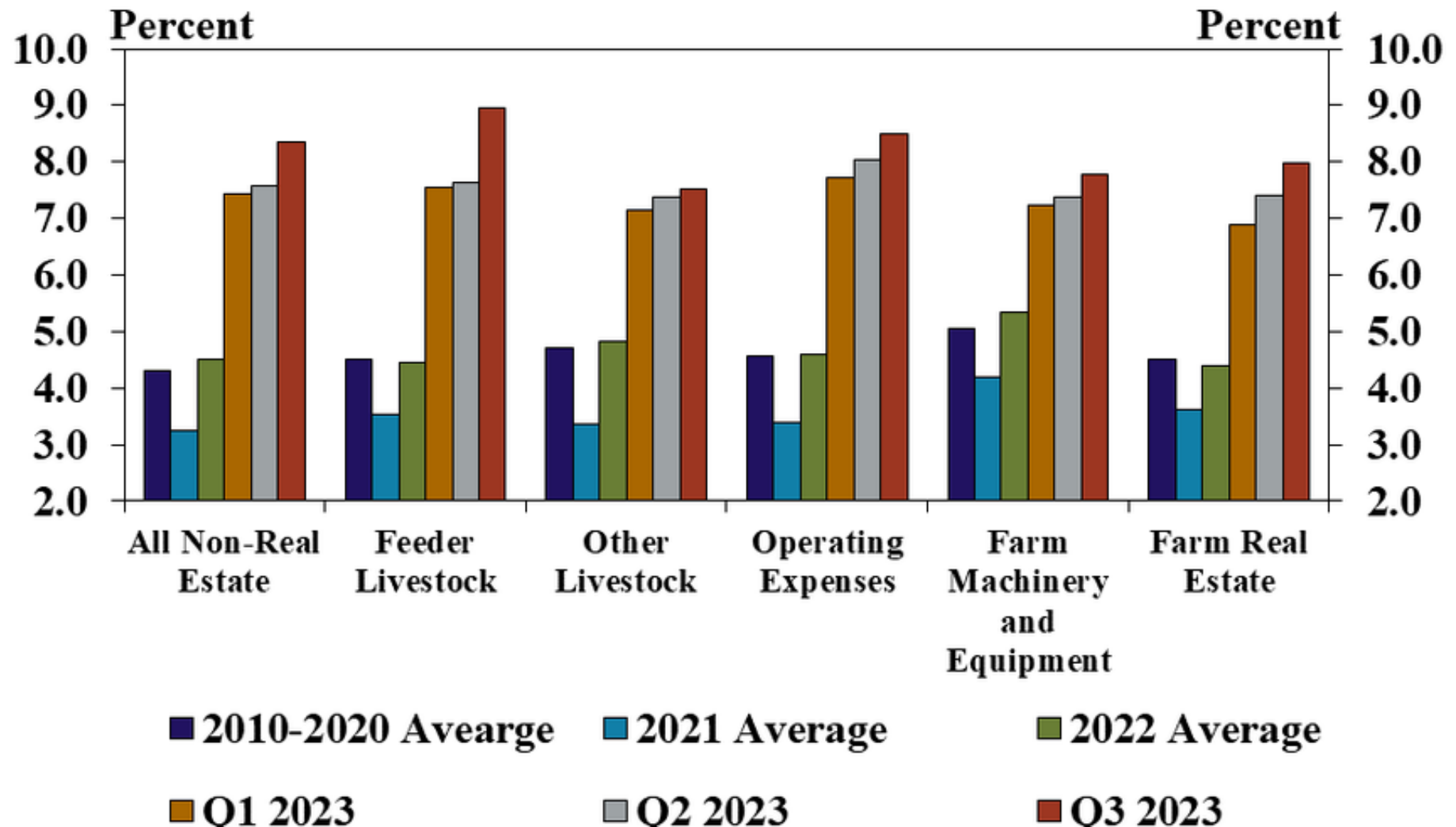


Source: St. Louis Federal Reserve Bank

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Back to Interest Rate Reality...

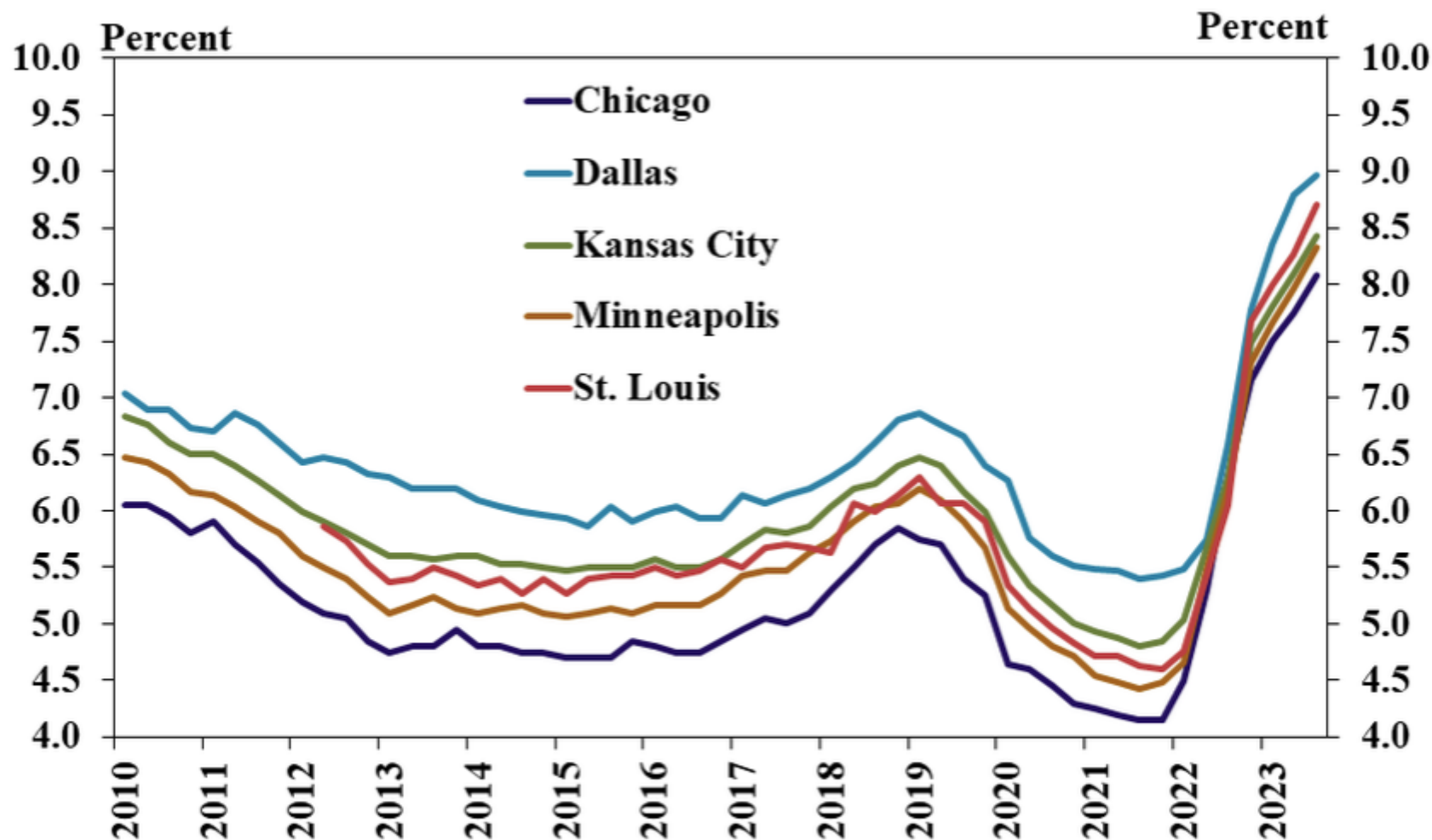


Source: KC Federal Reserve

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Back to Interest Rate Reality... Long-Term



*Average fixed rates on agricultural loans of all types – operating, intermediate and real estate

Sources: Federal Reserve District Surveys of Agricultural Credit Conditions



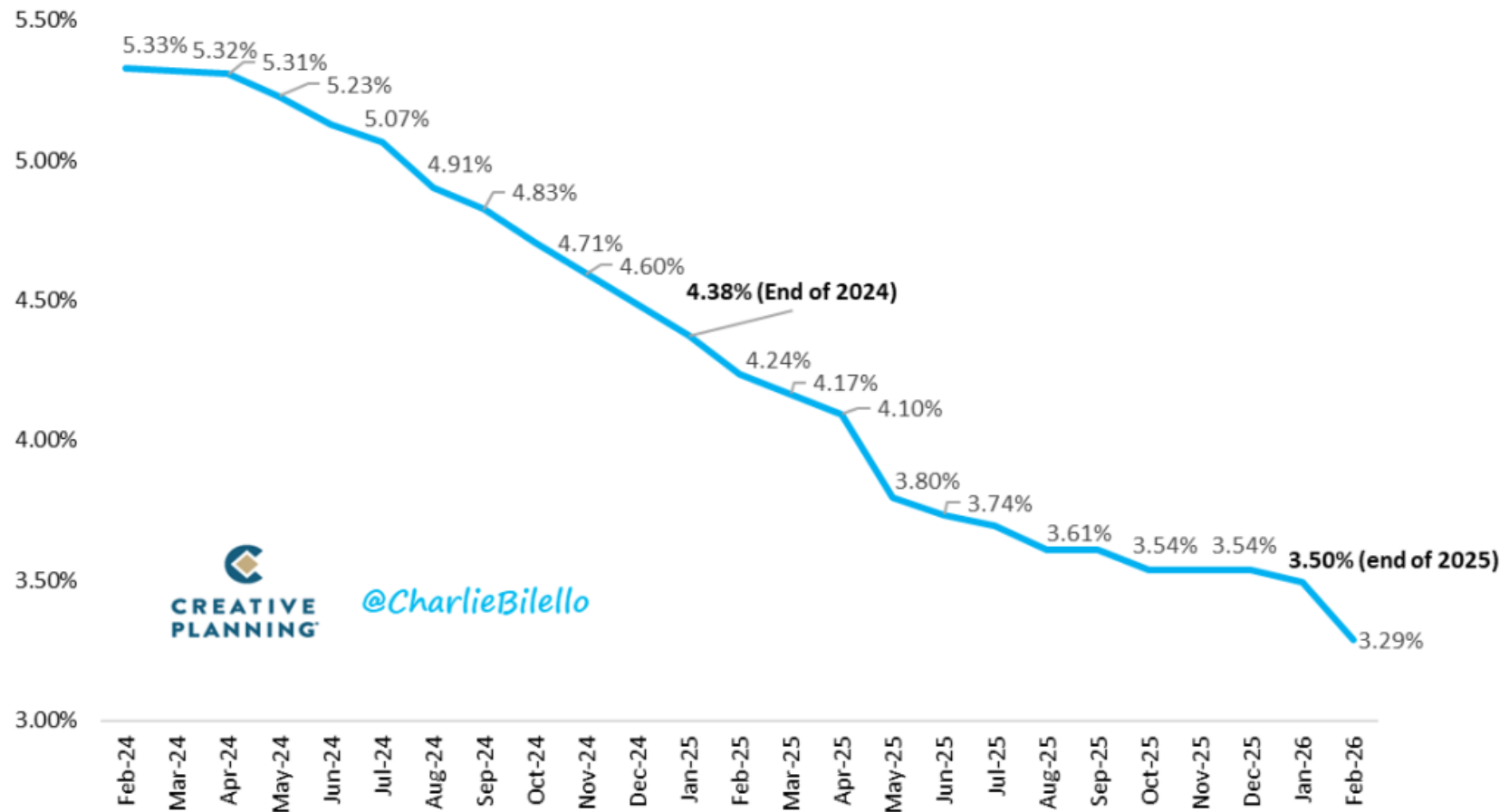
Source: KC Federal Reserve

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Which Way for Rates in Near Future?

Market Expectations for Fed Funds Rate
(Data via Fed Funds Futures, Feb 2024 - Feb 2026)



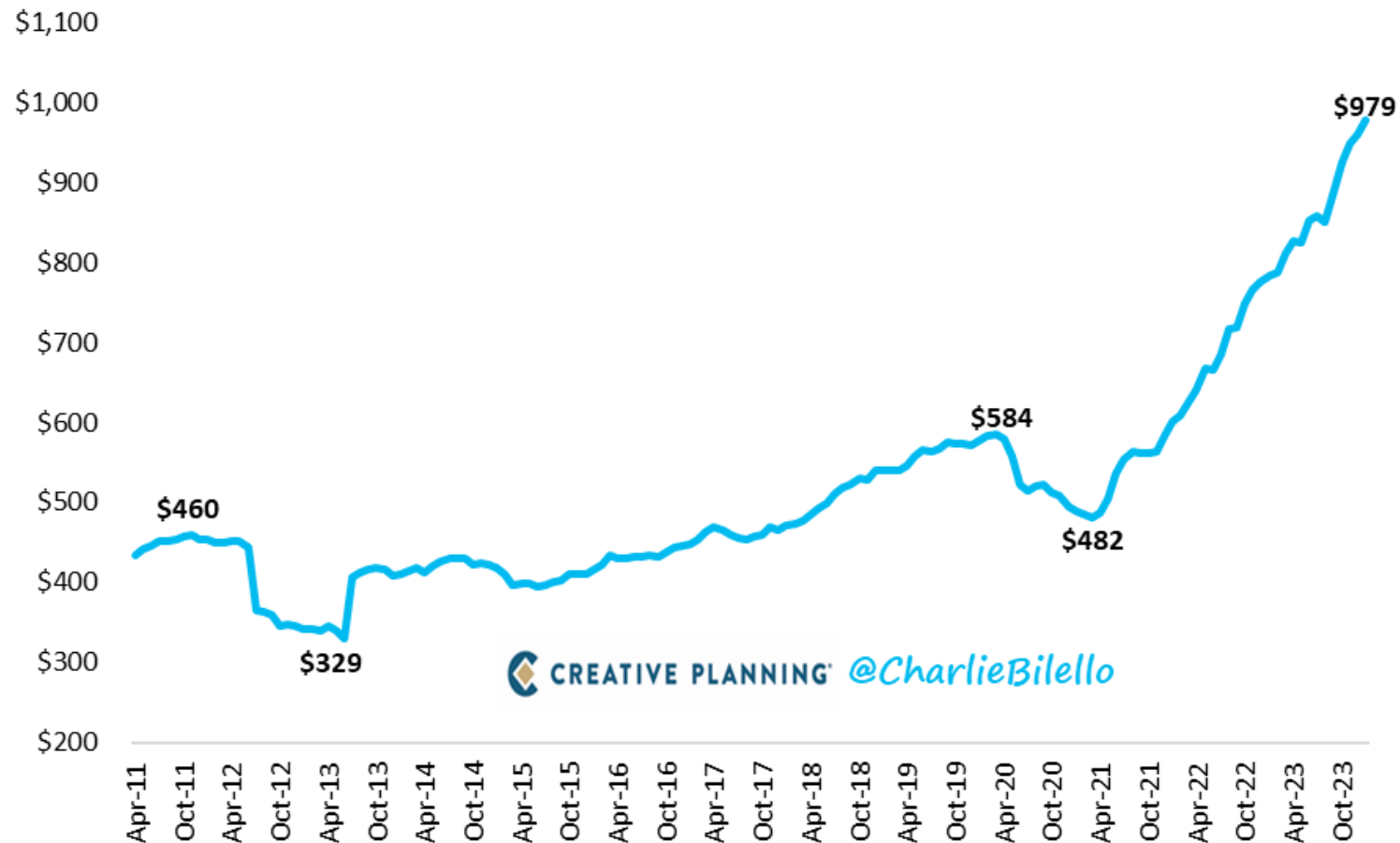
Source: Creative Planning, February 19, 2024 Update

www.Hertz.ag



Interest Payments on Public Debt

Interest Expense on US Public Debt Outstanding
(\$Billions, Trailing 12 Months, Through Jan 2024)



Source: Creative Planning, February 2024 Update

www.Hertz.ag





Midwest Farmland Values

WHAT'S DRIVING THE MARKET?

-SUPPLY OF LAND

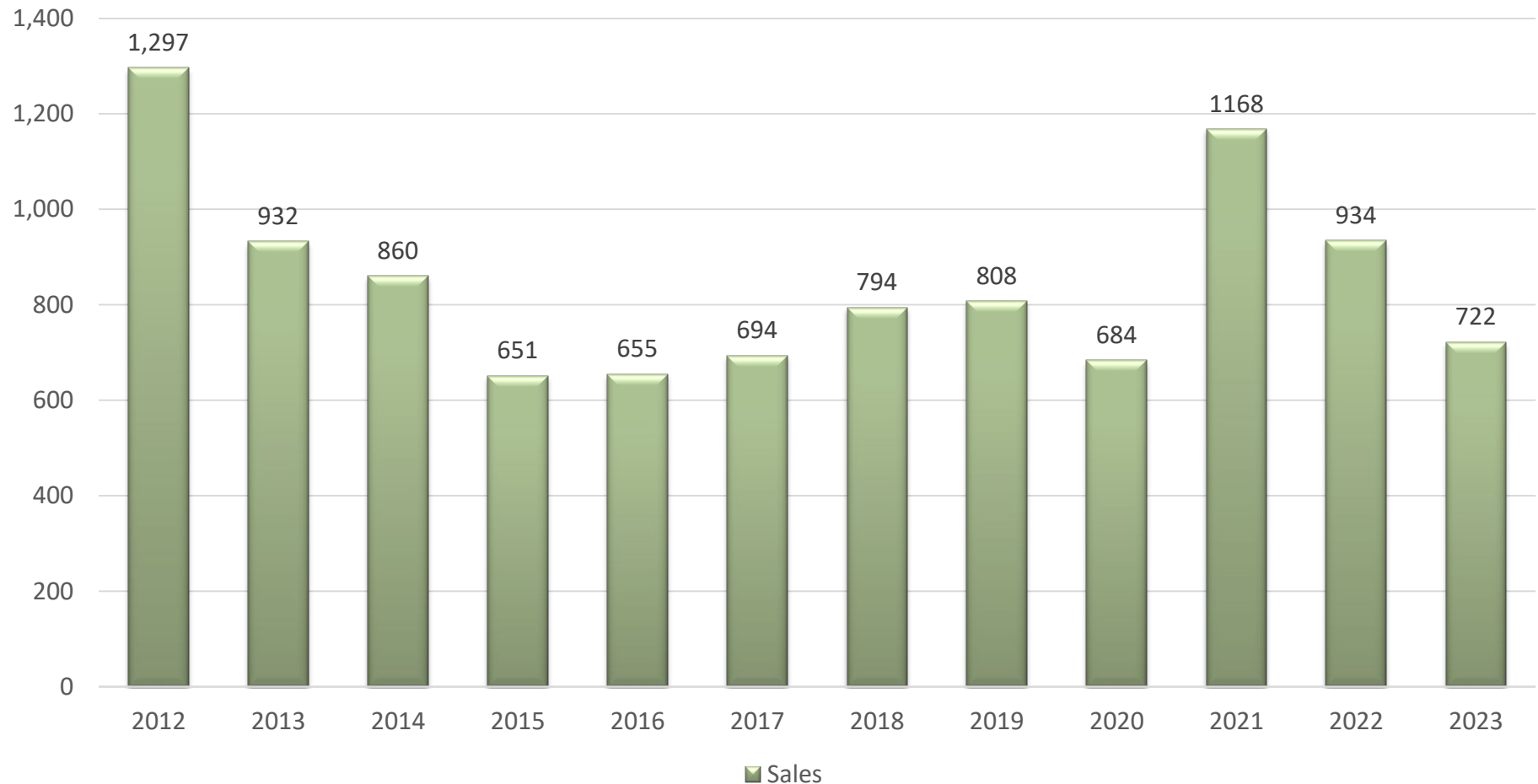


Source: Iowa RLI March 2023 Land Values Release

www.Hertz.ag



Land Sale Volume – IA Farmland Market Sales



Source: Farm Credit Services of America

www.Hertz.ag



Farmland Auction Volume – Iowa

| Acres Auctioned in Iowa | | | | | | |
|-------------------------|--------|--------|--------|---------|---------|---------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| January | 6,133 | 4,851 | 5,851 | 5,558 | 7,976 | 7,245 |
| February | 9,471 | 11,567 | 8,493 | 7,226 | 8,731 | 8,719 |
| March | 9,582 | 7,740 | 8,610 | 5,975 | 8,376 | 14,098 |
| April | 3,974 | 3,256 | 4,484 | 3,501 | 9,016 | 3,362 |
| May | 3,212 | 802 | 509 | 2,418 | 5,589 | 4,866 |
| June | 5,361 | 3,668 | 3,065 | 8,961 | 19,735 | 10,166 |
| July | 2,880 | 2,194 | 2,425 | 6,474 | 11,114 | 5,741 |
| August | 9,356 | 6,358 | 3,618 | 15,012 | 13,288 | 9,430 |
| September | 10,565 | 13,472 | 13,473 | 18,566 | 18,061 | 11,852 |
| October | 5,615 | 8,007 | 9,575 | 18,147 | 10,734 | 6,629 |
| November | 18,228 | 21,345 | 13,400 | 31,813 | 20,807 | 24,210 |
| December | 8,563 | 11,585 | 9,485 | 19,105 | 16,139 | 10,347 |
| Year total | 92,940 | 94,845 | 82,988 | 142,756 | 149,566 | 116,665 |

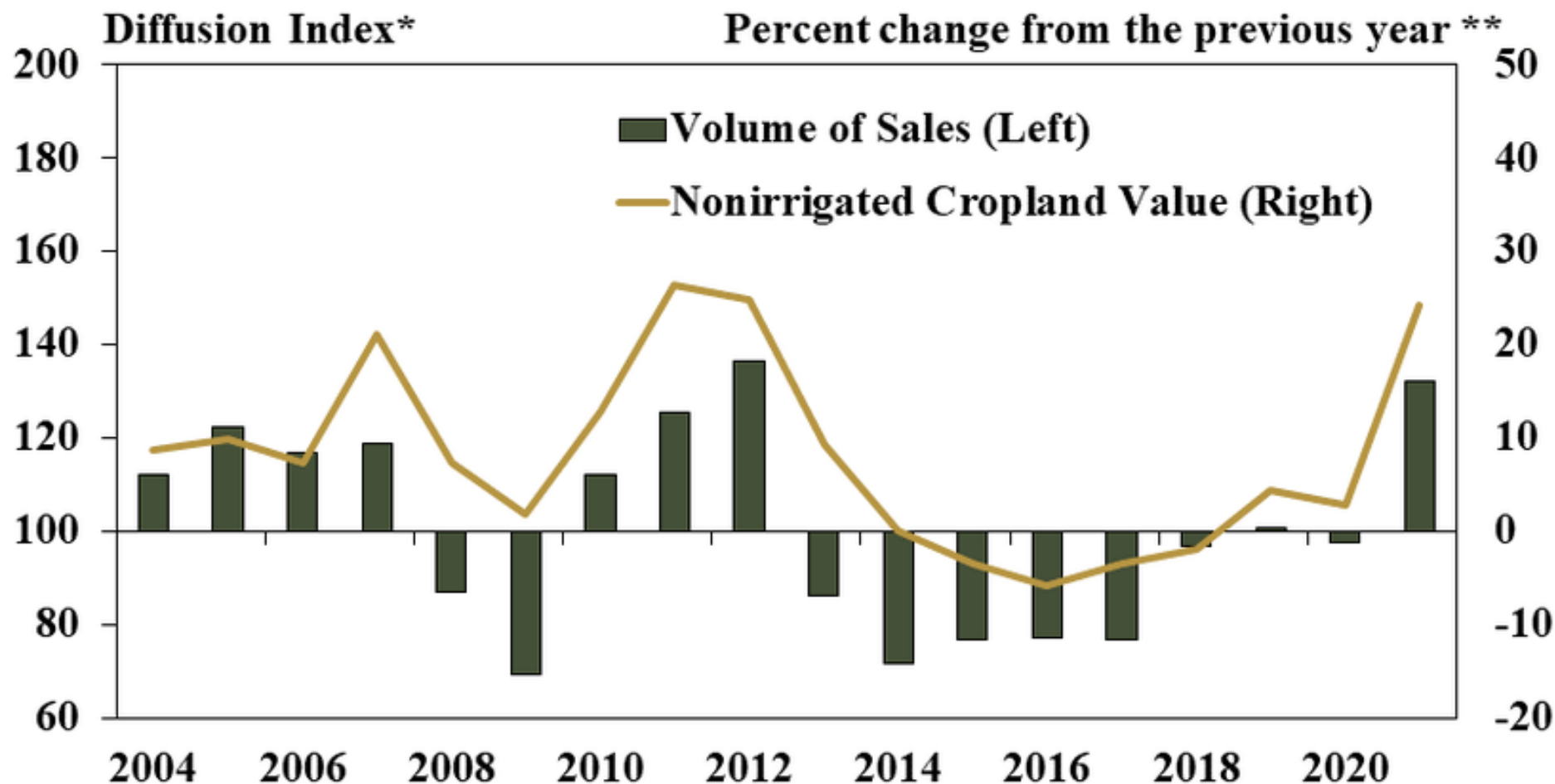


Source: Iowa Appraisal Auction Data

www.Hertz.ag



Land Sale Volume – Fed Reserve 10th District (WCB)



Source: Ag Credit Survey, KC Fed

www.Hertz.ag





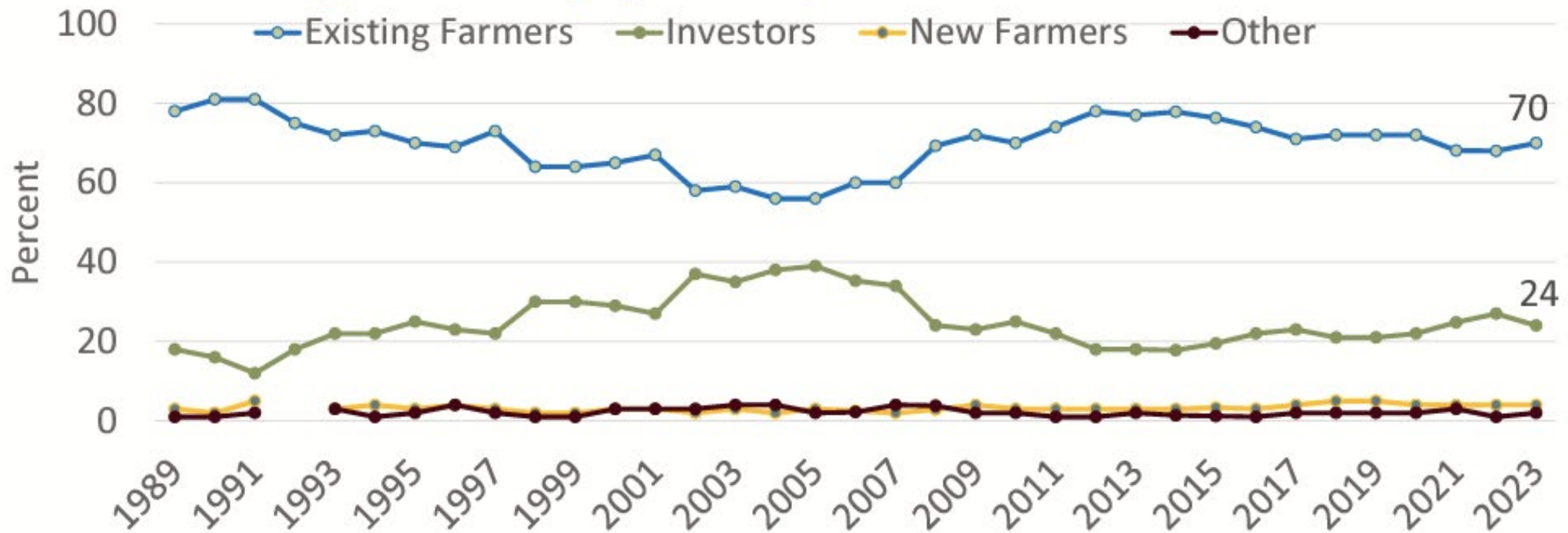
Midwest Farmland Values

WHO IS BUYING FARMLAND?



Who Are The Buyers?

Iowa Farmland Purchases by Buyer Types, 1989–2023



Source: ISU Land Values Survey, December 2023

www.Hertz.ag



Who Are The Buyers?

Iowa Farmland Purchases by Buyer Types

| | Existing Local Farmers | Existing Relocating Farmers | New Farmers | Local Investors | Non-local Investors | Other |
|---------------|------------------------------|-----------------------------------|----------------|--------------------|------------------------|-------|
| PERCENT | | | | | | |
| Northwest | 73 | 1 | 2 | 12 | 9 | 3 |
| North Central | 65 | 1 | 5 | 13 | 15 | 1 |
| Northeast | 72 | 2 | 5 | 9 | 10 | 2 |
| West Central | 77 | 1 | 4 | 9 | 8 | 1 |
| Central | 66 | 1 | 3 | 15 | 14 | 1 |
| East Central | 72 | 1 | 4 | 13 | 7 | 3 |
| Southwest | 63 | 2 | 3 | 15 | 16 | 1 |
| South Central | 58 | 2 | 3 | 14 | 20 | 3 |
| Southeast | 67 | 1 | 6 | 10 | 13 | 3 |
| STATE | 69 | 1 | 4 | 12 | 12 | 2 |



Source: ISU Land Values Survey, December 2023

www.Hertz.ag



Farmland: Financial Performance 1991-2023

| Asset/Index | Annual Ave. Return | Standard Deviation | Coefficient of Variation | US Ag 32 States Correlation | Minimum Return | Maximum Return |
|-------------------------|-----------------------|-----------------------|-----------------------------|--------------------------------|-------------------|-------------------|
| ----- 1991 - 2023 ----- | | | | | | |
| US Ag 32 States | 8.8% | 3.9% | 0.44 | 1.00 | -1.0% | 20.7% |
| NCREIF Total Farmland | 10.8% | 6.4% | 0.59 | 0.71 | 2.0% | 33.9% |
| Illinois | 9.6% | 6.0% | 0.62 | 0.82 | 0.9% | 28.8% |
| Iowa | 11.5% | 7.9% | 0.69 | 0.64 | -5.0% | 27.4% |
| Indiana | 9.7% | 5.4% | 0.55 | 0.62 | -1.0% | 24.1% |
| Minnesota | 10.9% | 5.8% | 0.53 | 0.78 | -1.6% | 21.9% |
| Dow Jones | 7.9% | 14.3% | 1.81 | -0.14 | -41.3% | 28.9% |
| Composite REITs | 9.6% | 18.9% | 1.96 | -0.13 | -47.5% | 33.7% |
| AAA | 5.5% | 1.7% | 0.31 | 0.19 | 2.5% | 8.8% |
| TCM10Y | 4.1% | 1.9% | 0.45 | 0.27 | 0.9% | 7.9% |
| Mort30F | 5.8% | 1.7% | 0.30 | 0.27 | 3.0% | 9.2% |
| CD6M | 3.4% | 2.2% | 0.65 | 0.28 | 0.2% | 6.6% |
| Gold | 4.8% | 13.8% | 2.86 | 0.08 | -31.9% | 27.7% |
| PPI | 2.4% | 4.9% | 2.00 | 0.15 | -7.4% | 18.5% |
| CPI | 2.5% | 1.3% | 0.54 | 0.28 | 0.1% | 6.8% |

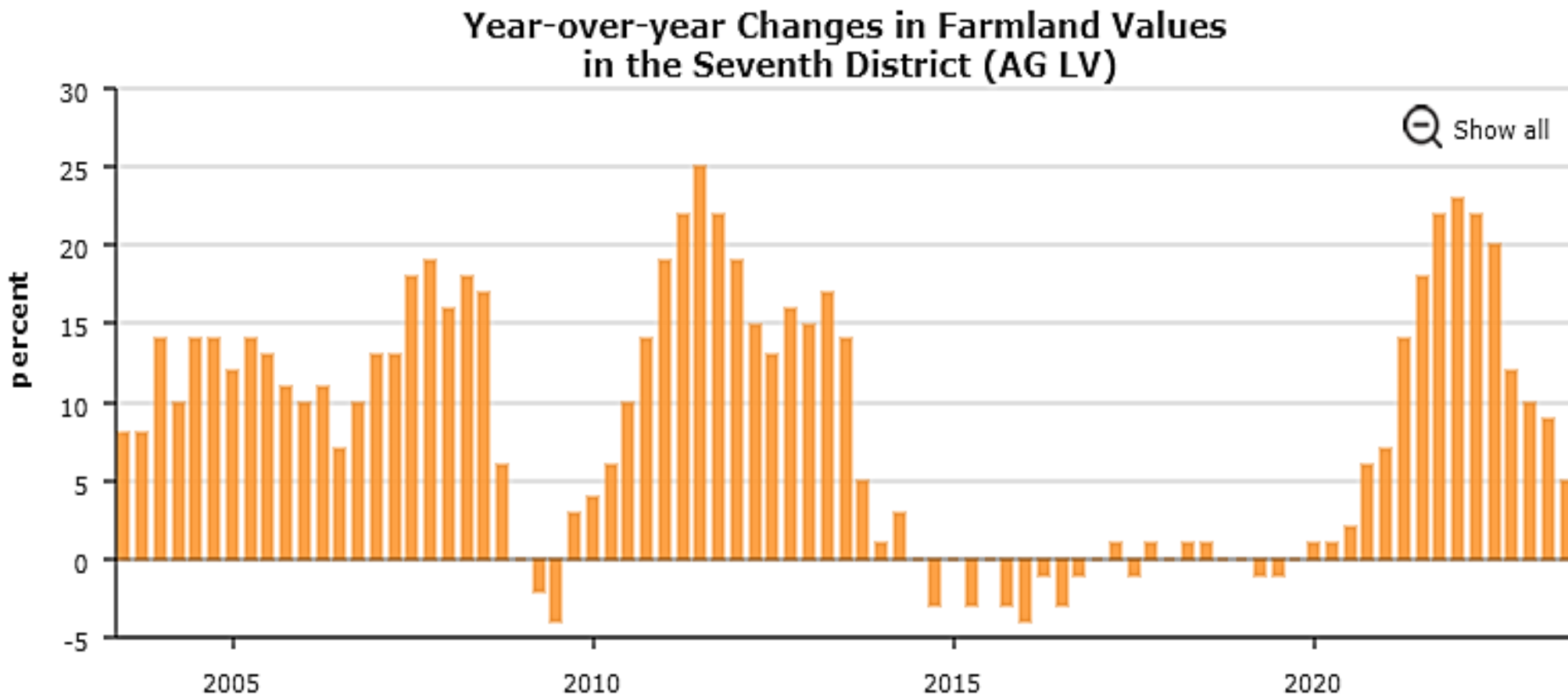
| Asset/Index | Annual Ave. Return | Standard Deviation | Coefficient of Variation | US Ag 32 States Correlation | Minimum Return | Maximum Return |
|-------------------------|-----------------------|-----------------------|-----------------------------|--------------------------------|-------------------|-------------------|
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Source: University of Illinois, TIAA
Center for Farmland Research
www.Hertz.ag



Farmland: Financial Performance

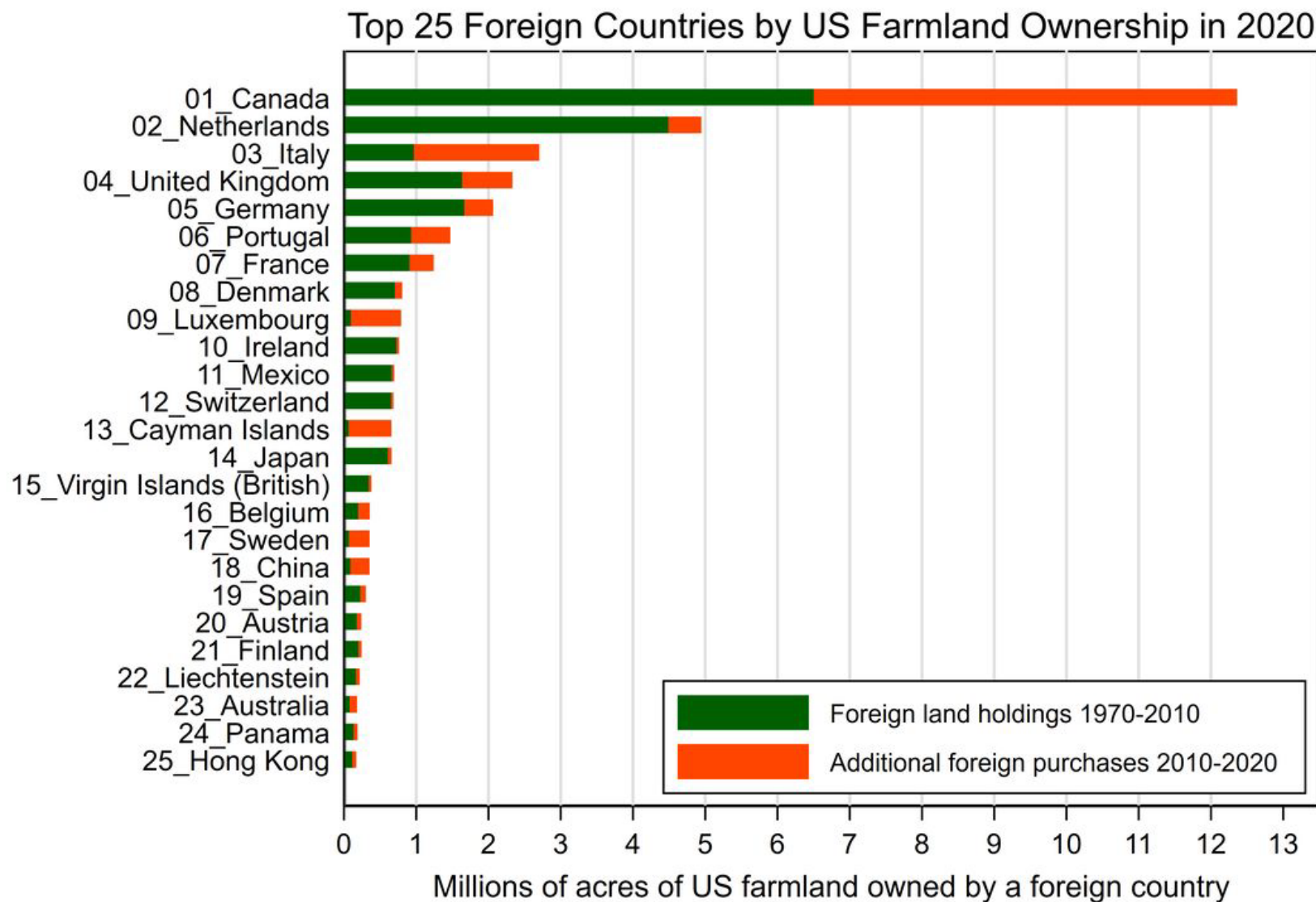


Source: Chicago Fed, November 2023

www.Hertz.ag



Foreign Farmland Ownership

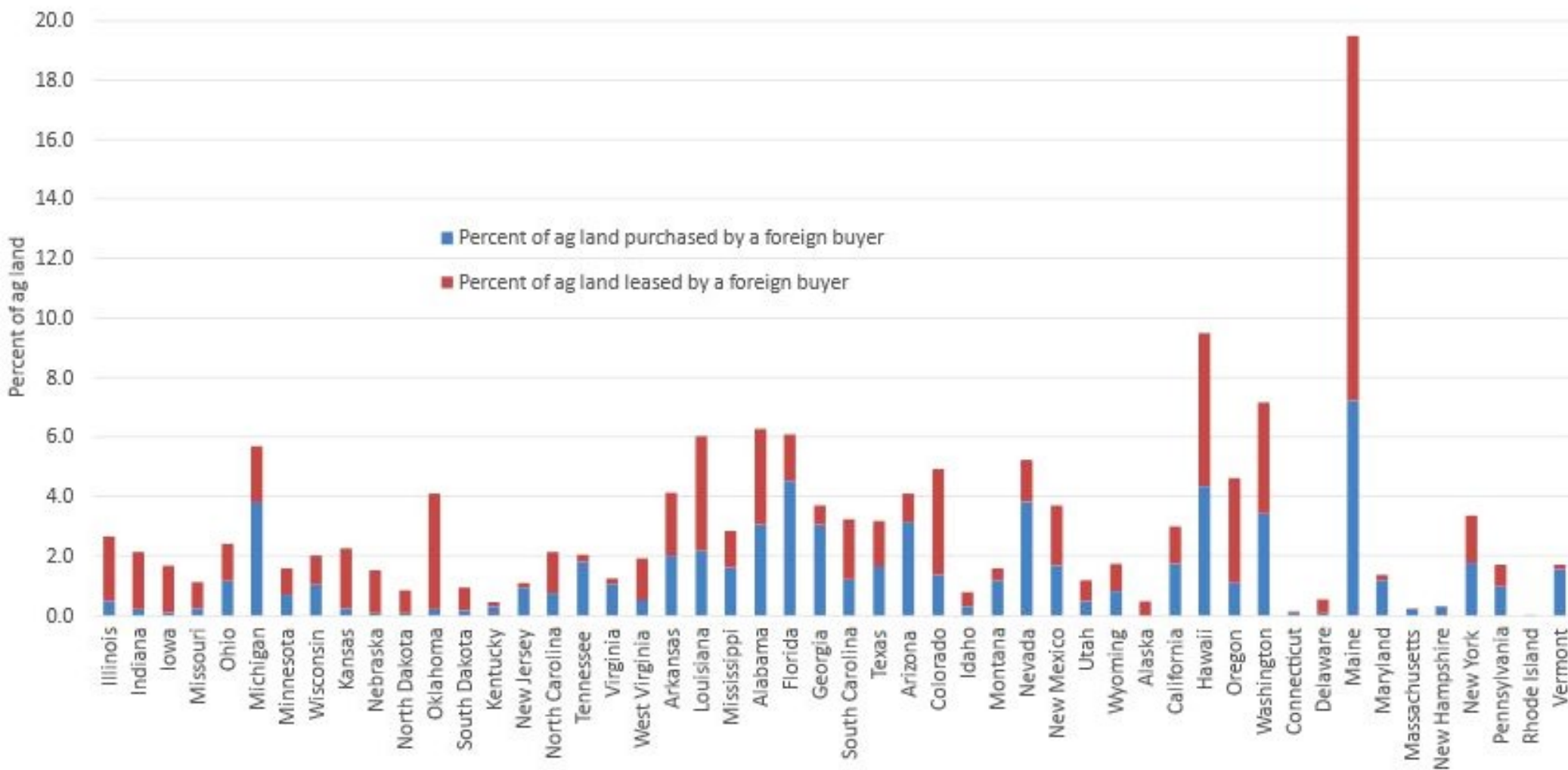


Source: AFIDA Database; Created by Wendong Zhang (Cornell) & Mykel Taylor (Auburn)



Foreign Farmland Ownership

Percent of privately owned ag land with foreign interest by state and type of ownership, 2020



Source: Ag Foreign Investment Disclosure Act Database
(Study by Wendong Zhang & Mykel Taylor)

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**“DON’T BELIEVE
EVERYTHING YOU SEE
ON THE INTERNET.”**

~ ABE LINCOLN





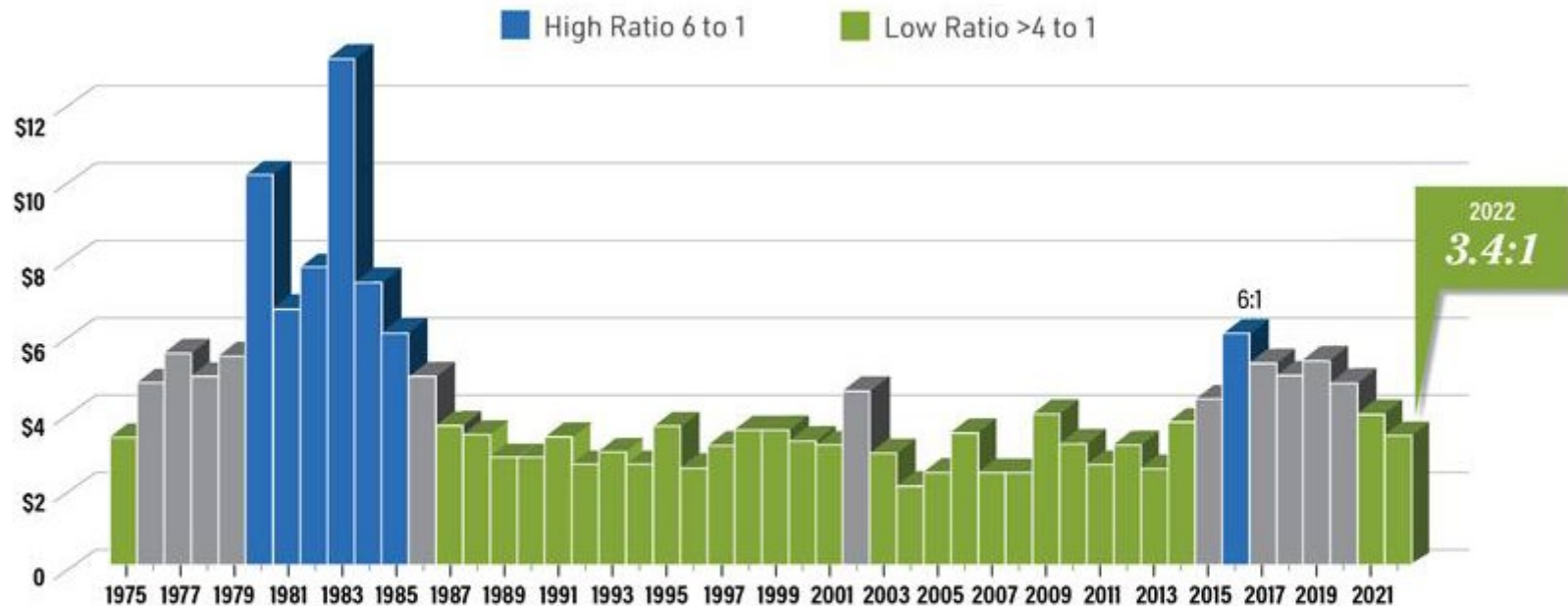
Midwest Farmland Values

WHAT TO EXPECT IN THE NEAR FUTURE?



Is this another 1981?

Ratio Shows Stable Land Market



Today's ratio of \$3.40 of debt to \$1 of net income shows the farmland market has a comfortable leverage level — one not seen since 2013.

SOURCES: USDA, LANDOWNER NEWSLETTER



84%



Source: Iowa State University

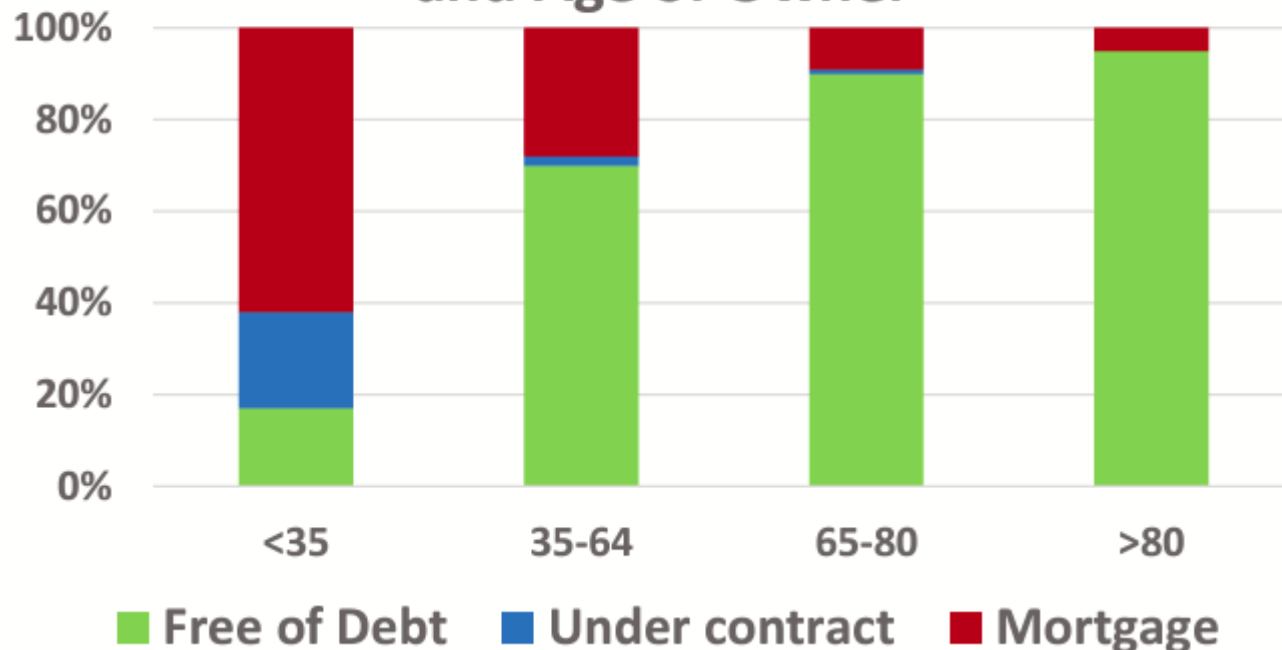
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Who Owns That Land?

84% of Iowa land is owned debt-free

Percent of Iowa Land by Financing
and Age of Owner



| | 2012 | 2022 |
|------------|------|------|
| > 50 Years | | 10% |
| 40-50 | 20% | 9% |
| Years | | |
| 30-40 | 15% | 15% |
| Years | | |
| 20-30 | 19% | 21% |
| Years | | |
| 10-20 | 21% | 22% |
| Years | | |
| < 10 Years | 24% | 22% |

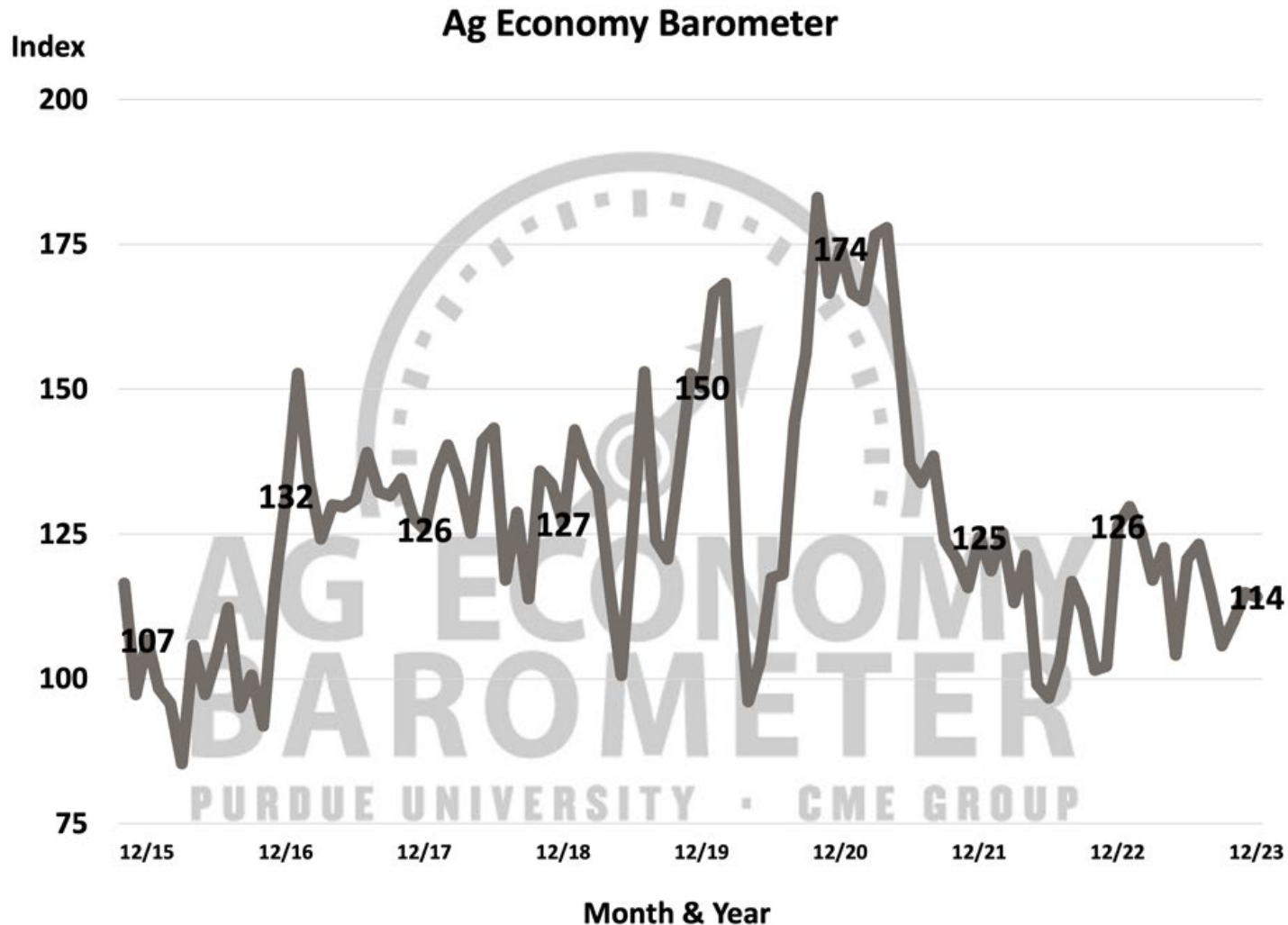


Source: ISU Land Values Survey, December 2023

www.Hertz.ag



Farmer Attitudes Have Zig-Zagged...



Source: Purdue University Center for Commercial Agriculture, Producer Survey, December 2023

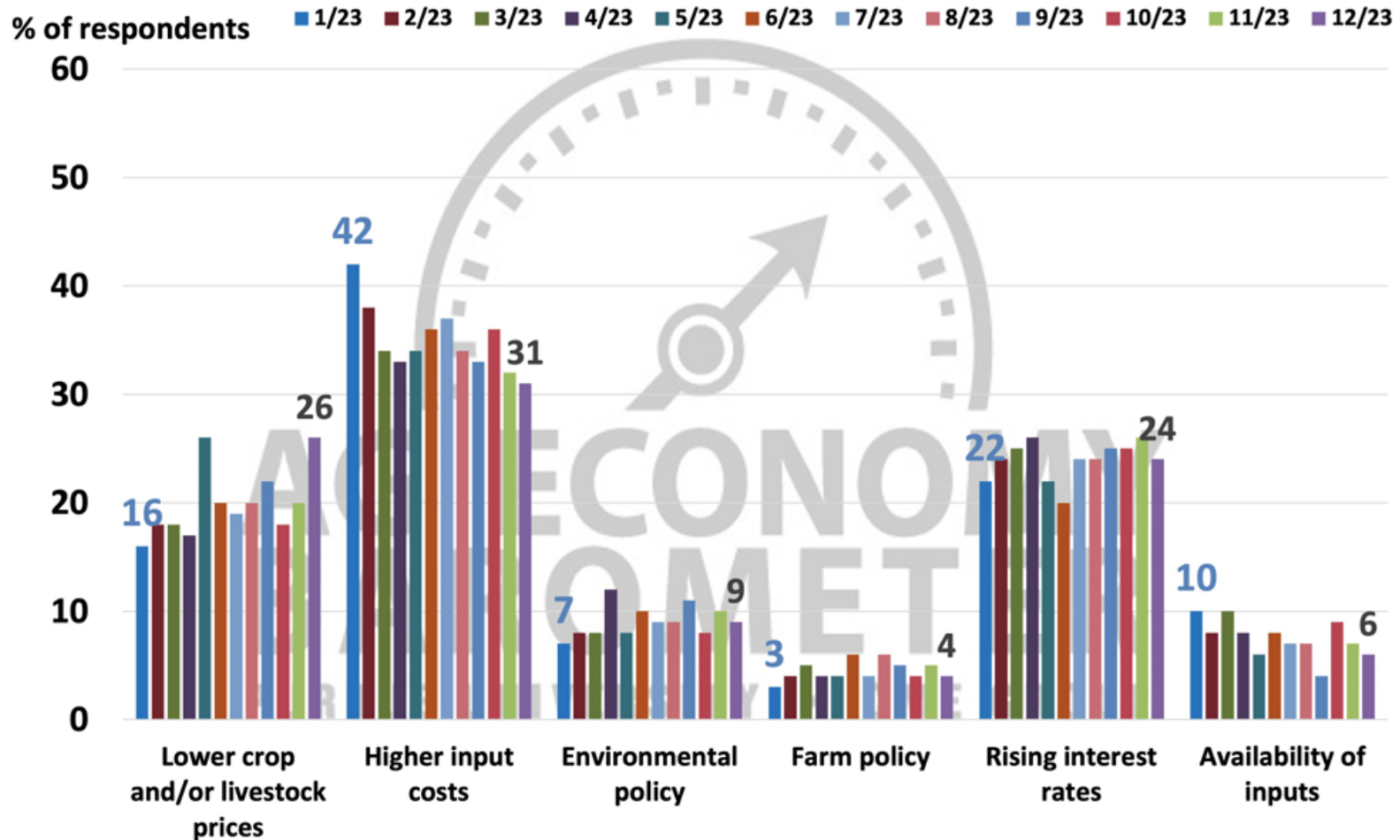


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There Are Concerns...

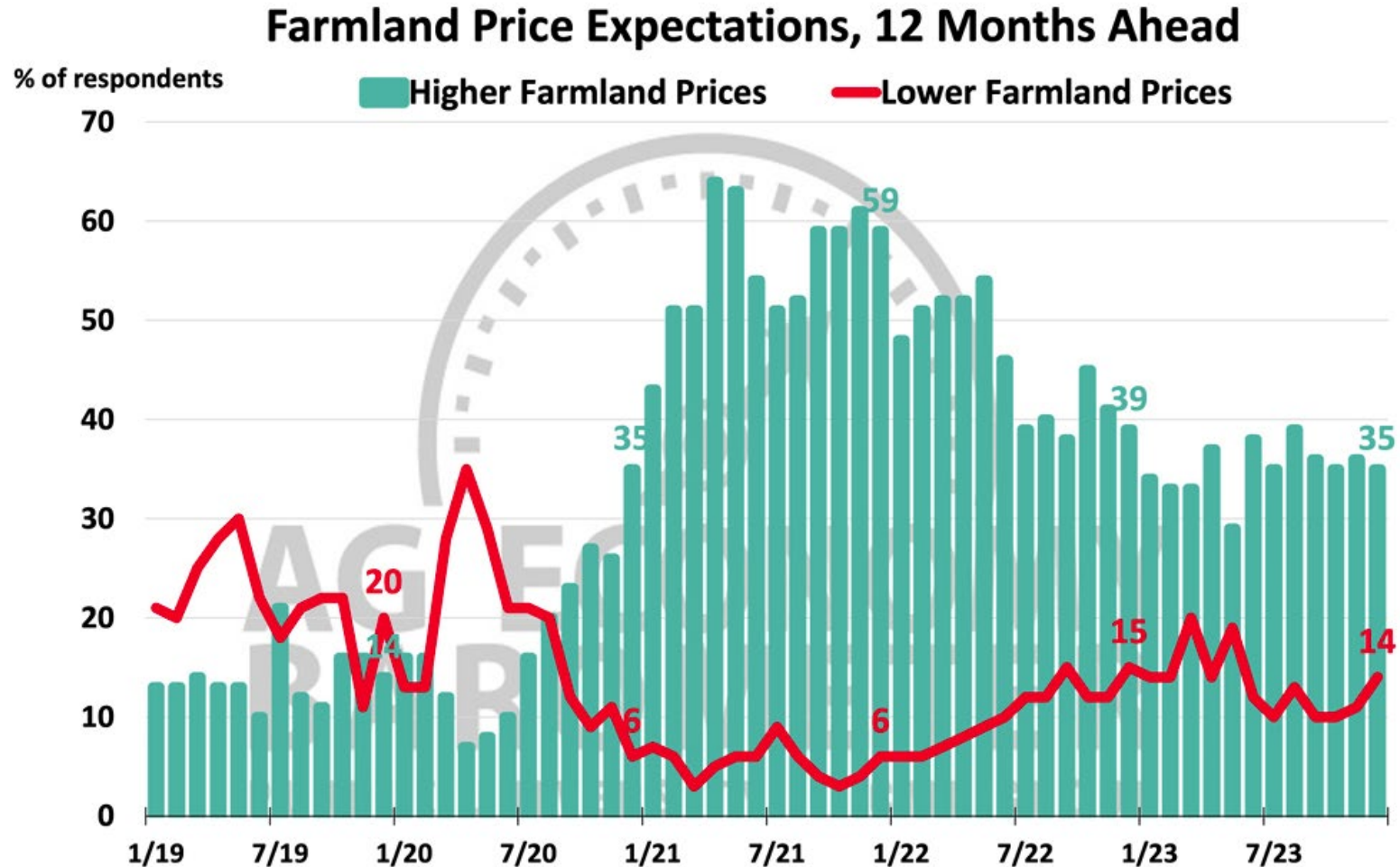
Looking ahead to next year what are your biggest concerns for your farming operation?



Source: Purdue Center for Commercial Agriculture, Producer Survey, December 2023



Short-Term Expectations for Farmland

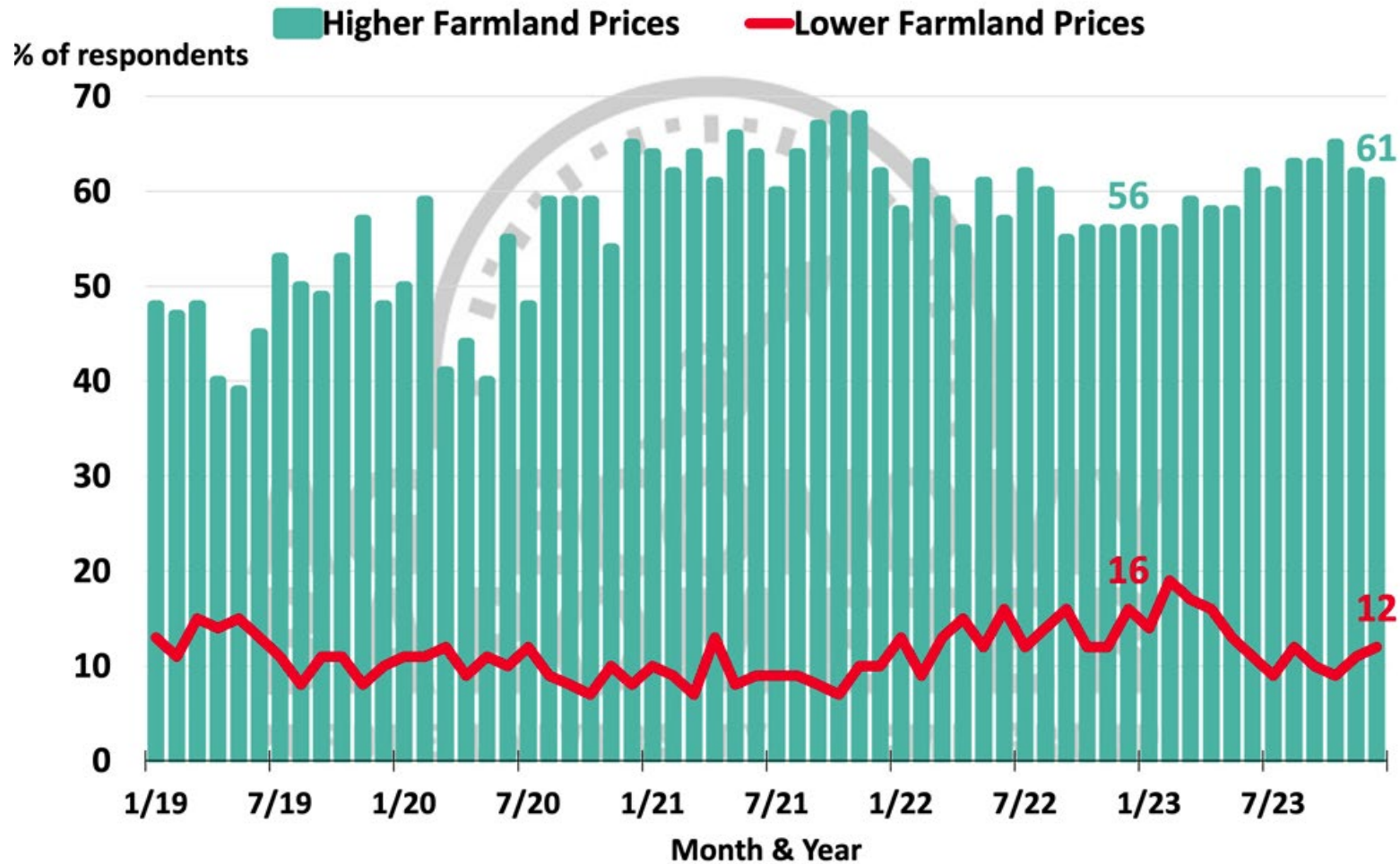


Source: Purdue Center for Commercial Agriculture. Producer Survey. December 2023



Longer Term Expectations

Farmland Price Expectations, 5 Years From Now

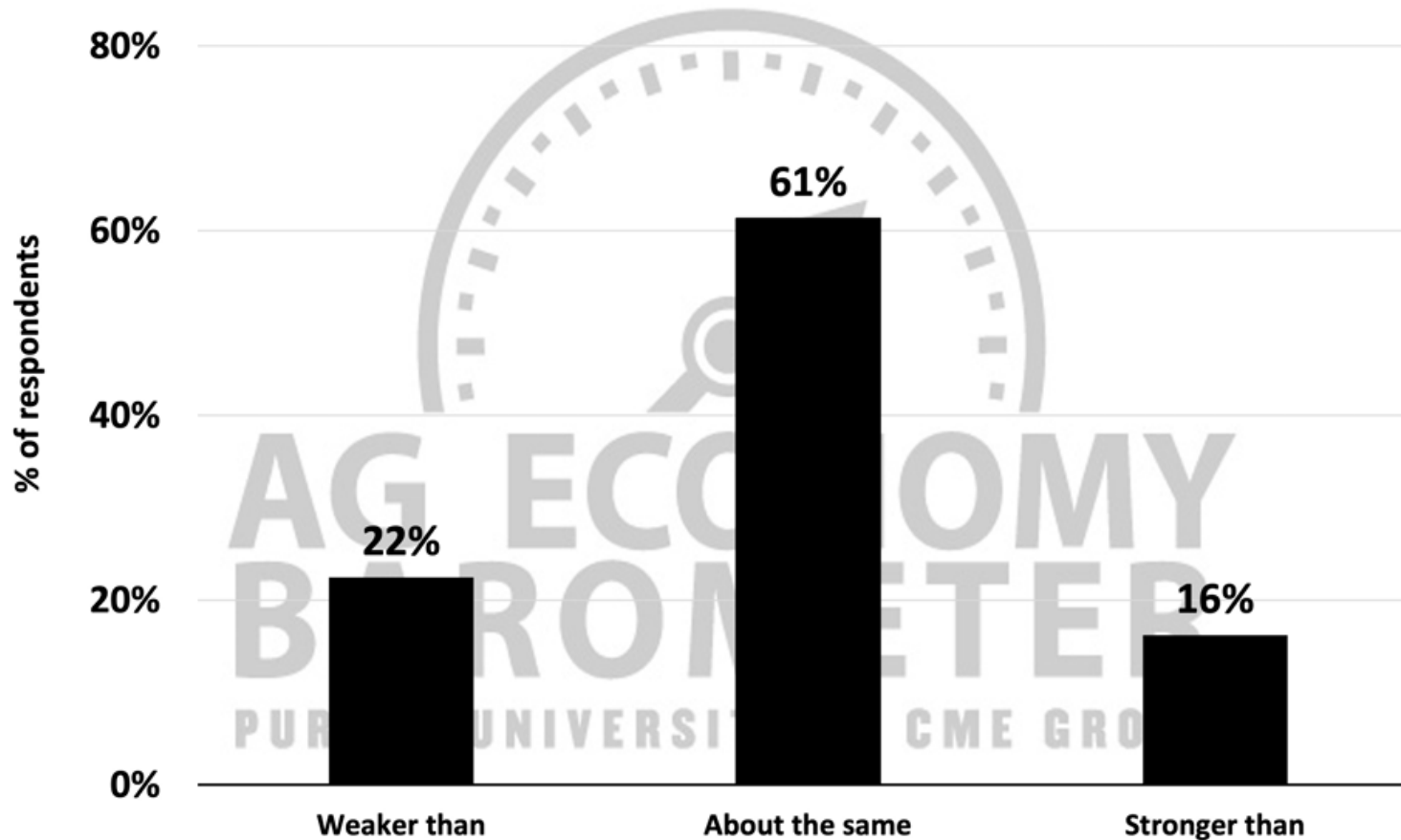


Source: Purdue Center for Commercial Agriculture, Producer Survey, December 2023



Farm Bill – Stability Matters!

Compared to today, do you think the farm safety net provided by U.S. farm program policies will be stronger than, weaker than, or about the same following the 2024 elections?



Source: Purdue Center for Commercial Agriculture, Producer Survey, December 2023



What to watch in the coming months...

- **Commodity Prices**
 - What happens in 2024?
 - South America Production
- **Interest Rates & Inflation**
 - What's the Fed's next move?
 - When?
- **Sales Volume**
 - Was way up in 2021 & 2022, slowed a bit in 2023.
 - Less overall land coming on should support demand.
 - May become “localized” issue.



What to watch in the coming months...

- **Farm Policy Under Biden, or a new Administration**
 - New Farm Bill in early 2024?
 - Crop Insurance?
- **Tax Policy Under Biden, or a new Administration**
 - Will anything change before 2024 election?
 - Income/Capital Gains rates, Step-up in Basis, 1031 still allowed?



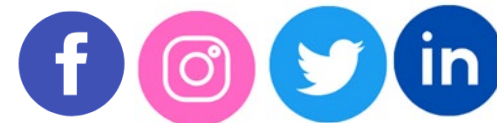


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