

AgUpdate

Timely information for a select group of farm owners and investors

Winter '21

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Connecting to the Family Legacy

When asked about their early years of involvement on the farms, siblings Michael Thede and Margo Brookens, both grinned and chuckled. "When we were younger, our Grandma would always try to get us to go drive by the farm," laughed Brookens. "We weren't really into it at the time. She tried to grab our interest, but we were just stubborn teenagers back then."



Video interview with Michel Thede and Margo Brookens

"My knowledge of the value and importance of farmland has shifted over the years," explained Thede.

While it took a while, today, the siblings have an entirely different mindset when it comes to their farms and the legacy that they've inherited. Through family, relationships, and knowledge, Thede and Brookens now have a sense of pride and understanding when it comes to the value of their farmland. "My knowledge of the value and importance of farmland has shifted over the years," explained Thede. "I feel lucky and blessed that we have this farmland that's part of our family's heritage."

Family and Foundation

The farms first came into the family

back in the 1950s. Robert and Rosalie Thede, Brookens and Thede's grandparents, got married before Robert was shipped off to Scotland for World War II. After spending the first part of their marriage apart, when Robert returned home from the war, he and his wife were excited to start a family and build a future together.

To help diversify the family's assets, Robert purchased two 80-acre properties in Mercer County, IL, and later, 360 acres in Muscatine County, IA. "Obviously, that was a very fortunate thing for us that he had that kind of foresight," explained Thede.

"He was looking ahead and building a foundation for future generations, and we're very grateful for that."

While the farms were purchased by Robert, it was his wife Rosalie that took care of management after his passing. For many years, Rosalie made all the decisions and did whatever it took to maintain the farms and make them profitable, and it wasn't until Rosalie reached her 80s, that she decided to hire a farm manager to help maintain the farms.

Rosalie started working with Hertz Farm Management in 2000. During this time, Rosalie also started to bring

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“I think one of the reasons we felt really comfortable keeping the farms is because of our Farm Manager, Ryan”

Thede and Brookens into the discussions of the farm and talked through some of the decision-making that would take place, this would later prove to be a valuable step in helping the siblings build their connection with the farms.

Connecting to a Legacy

“The interesting thing about this inheritance, is that it skipped a generation,” said Hertz Farm Manager, Ryan Kay. “Rosalie’s son, William Thede, passed away in his 40s, so the farms were inherited by his children, Michael and Margo.” Prior to his passing, William Thede owned and managed a four-generation farm implement dealership, which sold John Deere farm equipment in Aledo, IL.

“I think that’s why there was a little bit of a disconnect for us in the beginning,” explained Thede. “There was a generational gap there, and our father was always much more involved with the farms than we were.”

Brookens an interior designer in Chicago, and Thede a graphic designer in St. Louis, live away from their farms for their careers. “We’re kind of like city mice now,” explained Thede. “We grew up in a farm town, but once you’re in the city, you kind of lose touch with that background.” Brookens agreed with her brother as they discussed their careers. “We’re both designers so our professional backgrounds are more artistic. The farms weren’t really on the radar at first, but slowly over time, we got more involved.”

While the siblings were brought into more discussions and decision-making, when Rosalie, who lived to be a little

over 100 years old, passed away, Thede and Brookens had some hard decisions to make. “Initially, I thought we would sell,” said Thede. “That seemed to be the way to go given that we really had no knowledge of farmland.”

There came a point where Thede and his wife sat down with a financial advisor to talk through some options. “I explained that we had these farms, and our advisor strongly encouraged us to keep them in the family. She explained that it was such a valuable asset that helps diversify your portfolio and that if things go bad, you still have this physical holding that you can rely on and earn money from. For me, that was what solidified it in my mind, that we should keep the farms in the family.”

“I know that our Grandma always felt confident in the decision to work with Hertz, and she genuinely felt taken care of by Ryan and that he had her best interests at heart,” added Thede. “Just hearing her talk about her relationship with Hertz and with Ryan, it was a no-brainer that we would continue to work with them.”

Timing and Tiling

After Thede and Brookens made the decision to keep the farms in the family, they set their sights on making the farmland as sustainable and profitable as possible. “We want to steadily improve the farms as much as we can and maximize any type of value that we can get,” said Thede.

Ryan reached out to the siblings to see if they would be interested in



Installing tile on the Iowa farm

“I think one of the reasons we felt really comfortable keeping the farms is because of our Farm Manager, Ryan,” explained Brookens. “We knew the farms were valuable, but we had no idea how to maintain them. We would not have known what to do or how to manage the farms without Ryan. We are thankful to have his guidance.”

putting tile in on the Iowa farm. “He explained tiling and the process to us in detail. We truly knew nothing about the process or what tiling even did,” said Thede.

Ryan explained that tile drainage is a management system that removes excess water from the soil below the surface. This type of drainage

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Hertz Professionals Update

New Members

Hertz welcomes new members to the team:



Greg Akers

Greg joined Hertz as an appraiser in our DeKalb, IL office. He graduated with a BS in Marketing from Northern Illinois University. Greg is a Certified General appraiser and a member of the American Society of Farm Managers and Rural

Appraisers as well as the Illinois Coalition of Appraisal Professionals.



Troy Coziahr

Troy joined Hertz as a professional farm manager in our Geneseo, IL office. He has a diverse educational background including a BS in Agriculture Education from Illinois State

University, MS in Crop Sciences from the University of Illinois and AAS in Agribusiness Management from Black Hawk College.



Nick Hoffman

Nick joined Hertz as a professional farm manager in our Nevada, IA office. He graduated from Iowa State University with a BS in agriculture and comes with an extensive field sales experience working

in the ag industry in the areas of agronomy, account management and production.



Troy Dukes

Troy joined Hertz as a professional farm manager in our DeKalb, IL office. He graduated from Iowa State University with a BS in agriculture studies. Troy was raised on a century farm in southwest Iowa and is very passionate about sustainability.



Jackson Roth

Jackson joined Hertz as a professional farm manager in our Cedar Falls, IA office. He is a recent graduate from Iowa State University with a degree in agriculture business and a minor in agronomy. Jackson grew up in southeast Iowa on a grain and livestock farm.



Casey Couser

Casey joined Hertz as a video production coordinator in our Nevada, IA office. He has a degree in video production from Brooks Institute in California, and lived on the West Coast for over a decade before coming back to the Midwest.

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

Farmland Value Update

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

Amazing. Explosive. Stunning. All these words (and many more) have been used to describe the incredible ascent of the Midwestern farmland market in 2021. Many of us who have worked in the industry for years understood that we had a strong market in early 2021. But few predicted the large oncoming surge higher in values. How did it happen?

Strong commodity prices, and good crop yields across much of the region, fed into very profitable on-farm earnings this year. Low, long-term interest rates have also supported the strength in land values. And coming into 2021, there was a somewhat limited “inventory” of farms available for purchase, thereby creating an imbalance in supply and demand; this imbalance has served to support land values from 2015 through 2020 because there was significantly more demand to buy farms than there was supply of farms to buy.

With all these factors supporting higher land prices in early 2021, some prospective sellers who had been sitting on the fence waiting for the “right time”, decided to move into the market. This push into the market accelerated in mid-2021 due to sellers beginning to feel concern about punitive tax policy proposals coming out of Washington, DC. This acceleration all occurred just as commodity prices reached a multi-year peak in the early summer months of 2021.

So, with the additional sale volume beginning to surface in mid-2021, we observed just how much pent-up demand there had been in the market. With higher grain prices and continuing low interest rates, farmers and existing individual farmland investors have been buying, and both buyer-types have been aggressive. Long-time institutional investors have also been looking for and acquiring farms. And we’ve seen several new individual investors find their way into the farmland market. In conversations with each group, all the factors mentioned at the beginning have played into their thinking. More recently, we’ve also started to hear some market participants cite concerns about inflation – and the very positive historical performance of farmland in inflationary environments – as playing a role in their decision to pursue a farmland purchase.

In many ways, 2021 has been a perfect storm of factors that have come together to create a market like we’ve never seen, both from the perspective of record sale prices and record sale volumes (e.g., sales/acres). As you will read below, the surge has been wide and deep, covering the entirety of the U.S. Corn Belt.

Iowa Land Values Up 18.8% Over Past 6 Months

Iowa farmland values took a giant swing up between the March 2021 to September 2021 time-period. According to the Land Trends and Values Survey from the Iowa Chapter of REALTORS® Land Institute, released this September, statewide Iowa farmland values increased by 18.8%. This is following the previous September 2020 to March 2021 report period that showed a 7.8% increase, and thereby giving us a

year-over-year increase of 26.6% for the State of Iowa.

Illinois Values Move Higher

According to the Federal Reserve Bank of Chicago’s AgLetter that came out in early November, the percent change in dollar value of “good” farmland from October 1, 2020 to October 2021 for Illinois was up 13%. I think this measure may be lagging just a bit when compared to the market evidence we’ve experienced at sales all across the State of Illinois throughout 2021. We’ll continue to watch future reports from the Chicago Fed.

Nebraska Land Values Surge Up

Farmland values surged in the third quarter according to a survey conducted by the Federal Reserve Bank of Kansas City. The value of nonirrigated cropland increased by about 16% in Nebraska from the previous year. Across parts of central and eastern Nebraska this fall, we’ve seen farms sell at price levels that would have been hard to imagine in the fall of 2020.

Minnesota Farmland Sees Sizable Third Quarter Increase

Southern Minnesota farmland also saw an increase in land values, according to the third-quarter 2021 Credit Conditions Survey from the Federal Reserve Bank of Minneapolis. Ninth District non-irrigated cropland values increased by 22% on average, compared to the third quarter of 2020. Within the regions we serve in southern and central Minnesota, stronger-than-expected fall harvest yields for corn, soybeans, and sugar beets have helped to pace the gains.

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Implementing a Conservation Practice on Your Farmland

Chad Hertz,
CFO Hertz Farm Management, Inc.
Cedar Falls, IA

Landowners have a vested interest when it comes to taking care of the land. That's why when we hear about a new conservation practice, it's easy to think "I should do that on my farmland." But how do you actually go about not only choosing a conservation practice, but putting it into practice?

Know Your Farm

Your farmland is just as unique as you are so it's important to make sure you implement practices that make sense for your farmland and your overall goals as a farmland owner. Conservation is not a one size fits all approach, some practices will fit your farm like a glove, while other practices might be ill fitted and difficult to implement and maintain. Factors to take into consideration include soil types, topography and where a farm fits in its local watershed. One of our Farmland Professionals can help you get to know your farm. Alternatively, you can use the USDA NRCS Web Soil Survey at <https://websoilsurvey.sc.egov.usda.gov/App/HomePage.htm>

Identify Your Goals as a Landowner

Before considering a conservation practice, it's important to know what your goals are as a landowner. Whether your main concern is income, keeping the farm in the family, soil health, or just being as sustainable as possible, some conservation practices may not align

with your overall goals for your farmland.

Research, Research, Research

Once you've established your farmland goals, it is then time to do a deep dive into the conservation practices you are considering. Take the time to search online and ask some local experts about the particular practice you are interested in implementing. Gain as much understanding as you can so when you are ready to have a conversation with your farm operator, you have some knowledge and background to rely on.

Here are some great online resources to utilize for research on conservation practices:

- **Natural Resources Conservation Service:** <https://www.nrcs.usda.gov/wps/portal/nrcs/site/national/home/>
- **Iowa Nutrient Reduction Strategy:** <http://www.nutrientstrategy.iastate.edu/>
- **4R Plus:** <https://4rplus.org/>
- **Illinois Nutrient Loss Reduction Strategy:** <https://www2.illinois.gov/sites/agr/Resources/NutrientLoss/Pages/default.aspx>
- **Illinois Sustainable Ag Partnership:** <https://ilsustainableag.org/>
- **Nature Conservancy – Scroll to the bottom to select state:** <https://www.nature.org/en-us/>

Talk to Your Farm Operator

After you've done some research, it's time to talk with your farm operator.

How do they feel about conservation? Do they have experience with any conservation practices? Do they feel the conservation practice you are considering will be beneficial on your farmland? What are their priorities for their operation? There are situations where the farmer operator's goals may not match up with your conservation goals or your operator doesn't have experience with the practice you want to implement.

These questions and more are all things that you should discuss with your operator. In addition, by having this discussion with your operator, you're getting a chance to understand each other's mindsets when it comes to conservation. Your operator will play a major part in getting a practice implemented, so it's important to know that you are both on the same page right from the get-go.

Make an Action Plan

Finally, after you have studied your farm, established your goals, done some research, and talked with your operator, it's time to make an 'action plan' with your farm operator. Plan out the season and set goal dates/milestones. Have a clear-cut timeline of when certain actions need to take place but be prepared to be flexible. After all, it's the Midwest and weather can be tricky from time to time. Something else to consider is adding your conservation practice to your lease. This would be a helpful way to get in writing what the expectations are for you as a landowner as well as establish things that your operator should be handling.

For more information on implementing conservation practices on your farm and in your lease, you can reach out to one of our Hertz Farmland Professionals. 📞

Before considering utilizing a conservation practice, it's important to know what your goals are as a landowner.

Grain Markets

Dylan Daehn
Professional Farm Manager,
Mt. Vernon, IA

Grain markets have continued their roller coaster ride since our last report. Looking back over the last twelve months, corn prices have ranged from \$3/bu to \$7/bu. Corn is currently near the middle of that range hovering over \$5/bu. Soybeans were just getting out of the single digits this time last year. Today we are straddling \$12/bu. In the corn and soybean futures charts below, you can see we have come down from this summer's highs and have seemingly reached harvest lows.


A possible area leading us out of the fall lows is increased energy prices. Energy producers slowed production during the darkest days of the pandemic. Demand has quickly rebounded to pre-pandemic levels, and production has been unable to keep up. Energy markets often move in step with commodities. Crude oil recently moved off 8-year highs, reigniting discussions of inflation. This has resulted in higher ethanol prices and an increased demand for corn. Natural gas and coal prices are also extremely high. Energy supplies have gotten so tight that China has shut down some processing plants

due to lack of available electricity. The higher energy prices will likely provide support for corn and soybean prices moving forward. China increased purchases of grain last year to levels not seen before. China's purchases so far this year have been much less than last year but still much higher than average. There is still time for China to step in and buy U.S. grains, but the market is very hesitant to move higher until the purchases have been made and shipped.

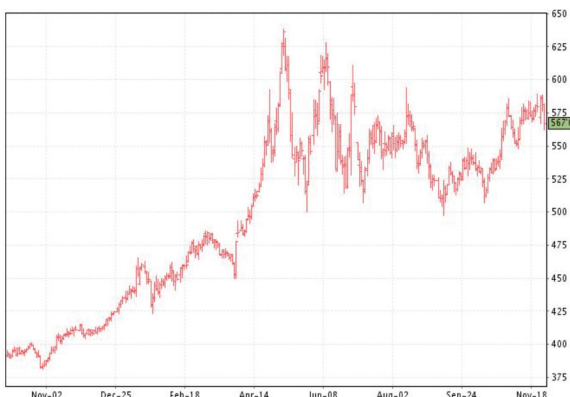
Basis is the difference between the futures price and the local cash price. If the futures price is \$5.75 per bushel and the cash price is \$5.60 per bushel, the basis is 15 cents per bushel. Basis is used as an indicator for whether commercial end users have secured enough grain to meet their expected demand. Corn basis has been relatively strong so far this harvest season with little carry in the cash market. End users are trying to incentivize farmers to deliver their corn at harvest instead of storing it. Soybean basis has been the exact opposite. In late August, Hurricane Ida caused major damage to the grain exporters in the ports of Louisiana. With nearly 40% of soybeans leaving the country as exports, any hiccup disrupting our ability to ship soybeans out of the country has ramifications. Basis improved throughout October

as ports in Louisiana began nearing normal operations.

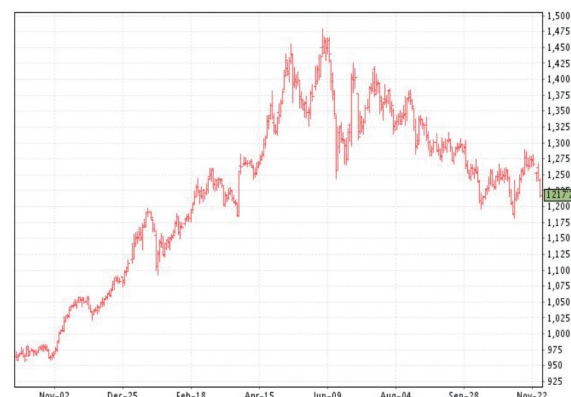
There have been a couple noteworthy USDA reports during the last several months. The August 12 report lowered corn yield more than expected rocketing corn prices higher. A lack of follow-through buying in the weeks to follow quickly gave back those gains as corn markets moved lower through the remainder of August and first half of September. An early harvest low may have been made for corn in mid-September. Conversely for soybeans the market has moved steadily lower since July. Most recently, on September 30 the Grain Stocks Report revealed an 81 million bushel increase to last year's soybean crop. This has created a much more comfortable soybean ending stocks situation. Between China's lack of buying, Hurricane Ida wreaking havoc on our ability to export grain, and South America's large expected planted acres; the outlook is not as exciting for soybeans as it is for corn.

As we move toward the end of harvest, the grain market will quickly turn to South American planting progress, weather forecasts, and U.S. export demand. These factors, combined with 2022 acreage possibilities in North America, will work to determine where the market will move. 

Weekly Corn Futures



Weekly Soybean Futures



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system helps reduce soil moisture levels down for optimal crop growth, reduces soil erosion, and improves yield consistency.

“We started the project at the beginning of 2020,” explained Ryan. “However, it took over a year to get the prep work done and everything lined up before we were actually able to start the project.”

When the supply chain started taking a hit due to Covid concerns, Thede and Brookens were grateful that the project was completed before they saw that impact material prices. “We got lucky,” expressed Thede. “I’m grateful to Ryan that he got tile priced and helped us come to the decision to get it implemented. If we tried to do this project now, it would have been a whole different landscape, and it might have been a decision where we decided to try and hold off until prices went down. Luckily, we didn’t have that issue.”

“The crop for 2021 was a success with the new tile drainage system installed,” said Ryan. “We were able to reshape waterways, improve planting efficiencies and add about 8 acres of cropland. The yield increases on a dryer year were still around 15%.”

When asked about future projects and improvements, Thede and Brookens expressed that they plan to keep working on the farms for future generations. “I want to do anything and everything that we can over the next few decades to make the farms smartly managed and profitable,” said Thede. “We will keep steadily making improvements.”

The Next Generation

Brookens and Thede plan an annual farm tour with their families and



Ryan to check out the farms and stay up to date. “Our kids come when they can,” said Thede. “My son definitely enjoys going when he is able, and has taken a pretty strong interest in the farms already.”

“My kids like to join when they can as well, but my husband loves the combine,” laughed Brookens. “He grew up around farming, so anytime we get to visit he gets pretty excited.”

“It helped when the kids were younger,” joked Ryan. “One year we had some new kittens out on the farm, and the girls loved that. There’s also a house, a machine shed, and grain bins, so there was lots to visually see.”

While it’s sometimes difficult to get everyone to come to the annual farm tour, Thede is confident that the next generation will come to value and appreciate the farmland, just as he and Brookens did as they got older.

“Once you go and stand there, it’s meaningful to have something that’s a physical piece of property that belongs to your family,” said Thede. “It has value and it produces something that’s important to our economy. It’s just so neat to be a part of that, and to have a legacy for our family.”

Farmland Value Update

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Looking Forward

What does 2022 hold in store? Seeing all that has occurred in the past 12 months makes this an especially tricky question to answer! But we do believe we will begin to see a shift towards more normalized sale volume, as many people were pushing hard to get sales completed and closed in the 2021 calendar year, motivated by expected tax law changes. In most of our Corn Belt markets, we believe farmland values are going to continue to reflect strength. Will prices continue to advance higher at the same 15 to 30% pace as 2021? That’s hard to envision. What seems more likely, is a market that moves towards an upward-tilted plateau. What actually will occur over the next 12 months is likely to depend on the factors discussed in the first section of this article – commodity prices, farm incomes, interest rates, and sale volumes. 📈

In most of our Corn Belt markets, we believe farmland values are going to continue to reflect strength.



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Landowner Educational Seminars Winter 2022 Schedule

We're excited to have our Winter 2022 Landowner Educational Seminars back in-person!

Midwest farmland owners 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 Values and more!

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

Seminar Online
Registration Pricing:
\$30 per person, \$50 per couple.

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Save \$5 per person, \$10 per couple when you register and pay online.

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- For your discount, register Online at www.Hertz.ag/seminars
- Call 319.449.6116 Ask for Seminar Registration
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Dates & Locations



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

February 7, Anaheim, CA
February 8, Palm Springs, CA
February 10, Chandler, AZ

February 21, Orlando, FL
February 22, Sarasota, FL
February 23, Naples, FL