

# AgUpdate

Timely information for a select group of farm owners and investors

Summer '16  
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## Widespread Family Members Stay On Same Page

The Roorda family farm is located in northwest Missouri. However, the five siblings who now own the farm are spread across the globe, from Iowa to Texas to Oregon, and as far away as Thailand. So, communication can be a challenge. Since they aren't able to get together very often, the Roorda family members have come to appreciate the detailed quarterly management reports Hertz provides that explain what is happening with their farm investment, says Becky Roorda who lives in Madrid, Iowa. "Our Hertz farm manager, Scott Henrichsen who is based out of Omaha, is a good communicator, and we needed that," Roorda adds.

Hertz Farm Management provides a tremendous amount of information, Roorda explains. "I pay some attention to what's going on in the agricultural world, but I don't want to be the 'family expert' and make the decisions. I grew up on a farm and find farming really interesting. I even attend Iowa State University Extension workshops. But I knew



Becky Roorda scouting fields, estimating yield potential with her farm manager last fall.

***"It feels good to be able to help young farmers."***

**-Becky Roorda**

we needed someone more 'hands-on' to manage the farm. Also, we'd never be able to duplicate the marketing expertise of Hertz, or the amount of communication they provide," says Roorda.

Also, with the siblings so widespread – and with paperwork to and from Thailand not always quick, timeliness of decision-making can be an issue. Plus, it's simply much

more convenient to have one person who can work with local vendors and who can communicate with the Farm Service Agency, adds Roorda.

Selling the farm might have simplified things when Roorda's mother died a year ago, but some of the land the Roorda siblings inherited had been in their mother's family for over 100 years. "We have fond memories of visiting

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Operator Trevor Drewes, Becky Roorda and Trevor's uncle, Eddie Drewes, during fall harvest.

***“Scott has helped our family move forward and get some things done on the farm that needed to be done.”***

**-Becky Roorda**

my grandma on the farm when we were younger and seeing where my mom grew up,” says Roorda, who occasionally visits and maintains the small farmhouse where her grandmother lived after her grandpa died. One of the siblings did cash out his share of the farm, but the remaining five wanted to keep the farm going and weren’t anxious to sell into a land market with declining values, Roorda explains.

So, Roorda asked some friends what her family should do with their farmland. “I didn’t even know what professional farm managers did,” Roorda recalls. Through Roorda’s connections on the Boone County, Iowa Conservation Board, a fellow board member recommended Hertz Farm Management. “I was surprised at the large number of things they take care of,” Roorda says. Besides keeping everyone in the family informed, Roorda says her family appreciates being able to help the next generation of farmers by hiring young farmers to operate their farm, accessing up-to-date technology and information, and prioritizing improvements to add value to their property.

## Finding a tenant

One of the most important duties was matching their farm with a good tenant. “Scott hired two young farmers – brothers – to custom farm our land and they are great,” notes Roorda. “It feels good to be able to help young farmers. Their dad

(who also farms) has thanked us for helping his sons. They are very energetic workers. I don’t think I would have been able to find them on my own,” says Roorda, who with her siblings own 500 acres of land of which 440 acres are tillable.

“The brothers, in their 20s, are young entrepreneurs. They have four grain hauling trucks and an excavation business. Our farm needs a lot of work, so they can work for us even in the off-season. Also, they’re good farmers. I’m happy to report we got all our corn planted by April 15 this year,” explains Roorda.

With their tenant’s narrow-row equipment, the Roorda’s were able to move from no-till continuous corn on one of their rolling farms to a no-till corn/soybean rotation while continuing to minimize erosion.

When you inherit a farm, it can be a little overwhelming to know what needs to be done to improve the farm, how to prioritize the improvements and how to budget for those improvements.

Farm manager Henrichsen sat down with the Roorda family and

outlined what could be done on the farm. “We had some fertility and drainage issues. We needed to reshape some waterways, re-surface some terraces and repair tile,” Roorda notes. “And we had quite a number of trees that had encroached along the edges of fields and had grown up in our CRP (Conservation Reserve Program) land.”

“Scott got things organized. He led us through different scenarios and explained we did not have to do everything in one year. He’s been good at prioritizing what needs to be done first,” Roorda says. “Our goals for this year is to clean up the trees on our CRP ground. We may try a cover crop on one sloping field. We also have an old windmill that needs to be removed.”

Grain storage may also be needed. The Roorda family was able to utilize some excess grain storage that their tenant had last year. “But we can’t count on that every year. So, we may build an additional grain bin to keep our marketing options open,” Roorda says.

“Scott has helped our family move forward and get some things done on the farm that needed to be done,” Roorda concludes. “Also, if we do decide to sell the farm sometime in the future, the capital improvements we make will add to the value.”

In the meantime, Roorda likes to occasionally escape to the rolling hills of her family’s farm in northwest Missouri about 20 miles from the meandering Missouri River. It’s a pretty area with lots of wildlife ... and family history ... and a place for her family to congregate from the far reaches of the globe. 🌍

# Celebrating 70 Years of Family And Farmland Stewardship

Family was important to Carl F. Hertz, a 1934 graduate of Iowa State University whose job kept him on the road, so in 1946 he made a career decision that would keep him closer to home. Hertz Farm Management is the result of his unwavering commitment to his family, the land, and an undisputed level of excellence.

We believe in stewardship, sustainability and working together to meet our clients' needs, delivering excellent results with consistency and integrity.

Farmland is a long-term investment, often being passed down through generations of family owners. Our commitment to stewardship involves long-term plans to prevent soil loss, manage nitrogen and other inputs and implement water management practices to ensure that not only the farm gets the right amount of water, but that any excess water is managed appropriately to reduce loss of soil and nutrients. Stewardship is more than just maximizing yield each year, it's about focusing on helping owners and their families make the most of their farmland investment and insuring their asset will be sustainable and productive for years to come.

Our Farmland Professionals believe in doing what's right for both the farm and the farmland owners. Your farm's location, soil types, slope, and annual rainfall are all factors

to consider when investigating which practices are best suited for your situation. Following are several of the many stewardship practices used in farming today.

**No-till** farming is effective in preventing soil loss or damage on sloping farms. No-till farming keeps 70% or more of the soil covered with crop residue after planting. This practice preserves topsoil, improves soil structure, and exposes less soil to wind and water erosion. It is critical in no-till situations that adequate drainage is installed in order to maintain timely operations as tillage is no longer used to "dry" the soil out.

**Cover crops** have the ability to reduce soil erosion, moderate soil temperature, conserve soil moisture and help reduce nitrate loss. During the winter they help recycle nutrients and increase organic matter. Increased organic matter in soils, that develops when using cover crops, can also result in greater productivity. This result is due to increased nutrient content and availability.

**Grass waterways** are typically wide, shallow channels used to drain water from areas of concentrated flow. The channel is designed to carry surface water from adjacent cropland without causing soil erosion. As the water is carried through the waterway, the grass vegetation prevents erosion, including rill and gully erosion.

**Precision Farming** and the 4 R's of nutrient management combine to put the right product, in the right place, in the right rate at the right time. This can reduce the amount of total nutrients applied, reducing production costs as well as increasing productivity. This practice has grown rapidly with the majority of new farm equipment sold having some form of Precision Farming component inside, making for a more cost-effective and easier implementation.

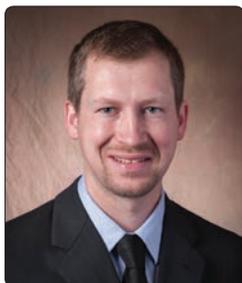
**Drainage Tile** is a subsurface form of excess water removal. This underground method of removal is implemented to lower the water table in the soil, and to prevent any interference with plant root growth and development. Drainage tile allows for a more efficient use of resources and improves farmland productivity. In addition, a well tiled farm can significantly increase the capacity of the soil to take in moisture, which helps to significantly reduce runoff, which reduces soil erosion.

**Bioreactors** reduce the amount of nitrogen in the water being drained. This is done by removing surface water through a drainage tile that carries the water to a trench filled with a carbon source, such as wood mulch. The carbon source allows microorganisms to convert the nitrate in the water into nitrogen gas which can safely enter the atmosphere. When the water flows out of the reactor, there can be up

*"Our Farmland Professionals believe in doing what's right for both the farm and farmland owners."*

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# New Farm Managers And Appraisers



Adam Meyer



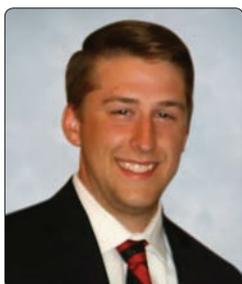
Beth Duncan



Elizabeth Heaton



Justin Bahr



Spencer Smith



Meghan Mills



Steven Fish

To meet all of our Farmland Professionals, visit our website at [www.hertz.ag](http://www.hertz.ag)

## Adam Meyer

Adam joined Hertz Farm Management's Waterloo office on March 31, 2016. Adam will be providing professional farm management and real estate services. He graduated from Iowa State University in May 2007 with a Bachelor of Science degree in Ag Systems Technology. Adam and his wife Megan, have two children and live in Cedar Falls.

## Beth Duncan

Beth joined Hertz Farm Management's Omaha office on March 15, 2016. Beth will be providing professional appraisal services throughout Nebraska. She graduated from University of Nebraska Kearney with a Bachelor of Science in Business Administration with an emphasis on real estate.

## Elizabeth Heaton

Elizabeth joined Hertz Farm Management's Geneseo office in May 2016. Elizabeth will be providing professional farm management and real estate services. She graduated from Iowa State University in May with a degree in Agricultural Business, with a minor in Agronomy. Elizabeth grew up near Toulon, Illinois.

## Justin Bahr

Justin joined Hertz Farm Management's Waterloo office in May 2016. Justin will be providing professional farm management and real estate services. He graduated from Iowa State University in May with a double major in Agricultural Business and International Business. Justin grew up near Iowa Falls, Iowa.

## Spencer Smith

Spencer joined Hertz Farm Management's Waterloo office in May 2016. Spencer will be providing professional farm management and real estate services. He graduated from Illinois State University in May with a degree in Agricultural Business. Spencer grew up near Bloomington, Illinois.

## Meghan Mills

Meghan joined Hertz Farm Management's Nevada office in May 2016 as a appraiser trainee. She graduated from Iowa State University in May with a degree in Agricultural Business and a minor in Animal Science. Meghan grew up near Janesville, Iowa.

## Steven Fish

Steven joined Hertz Farm Management's Norfolk office on May 31, 2016. He graduated from University of Nebraska - Lincoln in May with a degree in Animal Science and a minor in Entrepreneurship and Ag Leadership. Steven grew up near Imperial, Nebraska. 🏡

# Grain Markets: Fundamentals And Technicals Drive The Market

**Kirk Weih**, AFM, ALC  
Real Estate Broker – Iowa  
Mt. Vernon, Iowa

The USDA Prospective Planting Report on March 31 indicated the expected 2016 corn and soybean acres to be 93.6 million and 82.2 million acres respectively. If realized, this will represent the highest planted corn acres in the United States since 2013 and the third highest planted acreage since 1944. The corn market reacted by closing down over \$.30 per bushel that day based on the fundamental increase in projected ending stocks on August 31. Projections for soybeans are to be planted on 82.2 million acres, down less than 1% from 2015. Soybean markets closed nearly unchanged, even though the corn market was lower. Overall, fundamentals in the corn and soybean markets remain negative.

A majority of the 2016 corn was planted in April into excellent seedbed conditions in the Midwest. Soybean planting started in April and was completed at a historically rapid pace. There continues to be a substantial amount of 2015 corn and soybeans that have not been priced that will be delivered to market. The fundamental factors along with excellent 2016 production could push prices lower as we move through the summer months.

Additional fundamental considerations since mid March have been driving the soybean rally higher. First, the Malaysian palm oil crop was reduced due to dry weather which in turn supported soybean oil.

Also, the Argentine soybean crop has been reduced by 15% due to excessively wet conditions. The

Brazilian Real has been increasing in value since early this year. The value of the dollar has been in a gradual decline since early December 2015. Speculative buying and commodity funds entered the market in mid April. This resulted in large amounts of outside money moving into the grain market and rallied corn over \$.55 and soybeans over \$2.25 a bushel. Technically driven markets usually revert to fundamentals over time.

We have made additional corn and soybean sales to take advantage of the spring rally. The next marketing opportunities will likely be weather related as we approach corn pollination in early July and soybean pod filling in early August. Managing price risk and maximizing yield potential will be the key to positive profit margins in 2016. 🌾

*“Technically driven markets usually revert to fundamentals over time.”*

## U.S. Corn Supply And Use

		2012	2013	2014	2015	2016
Area Planted	(mil. ac.)	97.3	95.4	90.6	88.0	93.6
Yield	(bu./ac.)	123.1	158.1	171.0	168.4	168.0
Production	(mil.bu.)	10,755	13,829	14,216	13,601	14,378
Beg. Stocks	(mil.bu.)	989	821	1,232	1,731	1,837
Imports	(mil.bu.)	160	36	32	50	40
Total Supply	(mil.bu.)	11,904	14,686	15,479	15,382	16,255
Feed & Residual	(mil.bu.)	4,315	5,040	5,324	5,300	5,425
Ethanol	(mil.bu.)	4,641	5,124	5,200	5,225	5,225
Food, Seed, & Other	(mil.bu.)	1,397	1,369	1,360	1,370	1,375
Exports	(mil.bu.)	730	1,920	1,864	1,650	1,700
Total Use	(mil.bu.)	11,083	13,454	13,748	13,545	13,725
Ending Stocks	(mil.bu.)	821	1,232	1,731	1,837	2,530
Season-Avg. Price	(\$/bu.)	6.89	4.46	3.70	3.60	3.35

Source: USDA-WAOB, adjusted for Mar. reports

## U.S. Soybean Supply And Use

		2012	2013	2014	2015	2016
Area Planted	(mil. ac.)	77.2	76.8	83.3	82.7	82.2
Yield	(bu./ac.)	40.0	44.0	47.5	48.0	46.7
Production	(mil.bu.)	3,042	3,358	3,927	3,929	3,796
Beg. Stocks	(mil.bu.)	169	141	92	191	460
Imports	(mil.bu.)	41	72	33	30	30
Total Supply	(mil.bu.)	3,252	3,570	4,052	4,150	4,286
Crush	(mil.bu.)	1,689	1,734	1,873	1,870	1,900
Seed & Residual	(mil.bu.)	105	107	145	130	125
Exports	(mil.bu.)	1,317	1,638	1,843	1,690	1,825
Total Use	(mil.bu.)	3,111	3,478	3,862	3,690	3,850
Ending Stocks	(mil.bu.)	141	92	191	460	436
Season-Avg. Price	(\$/bu.)	14.40	13.00	10.10	8.75	9.10

# How The Fed Has Impacted Farmland Values

**Randy Hertz, CEO**  
Hertz Farm Management,  
AFM, ALC, CFP®

## Where are Farmland Values Headed?

The question of “Where are farmland values headed?” is open to a great deal of uncertainty. Farmland values have continued a downward trend since the “high” in 2013 - a time when corn, soybean and farmland all set record high prices. The downward trend is following lower crop prices and the “new” reality of lower farm earnings. However, farmland is a long-term investment, one which reflects the expected benefits for generations. This is illustrated in the market for high-quality farms, as well as farms located adjacent to strong farmland owners, which show the most stability.

Many factors impact farmland values. One of the biggest over the past decade has been the Federal Reserve (Fed) policies and actions. In 2007 the Fed owned approximately \$900 billion of US Treasury bonds and mortgage backed securities. At the end of 2008, in reaction to the 2008 economic crisis, the Fed began a bond buying program intended to increase their bond ownership and grow the US economy. This program, named Quantitative Easing (QE) grew the Fed’s balance sheet to nearly \$4.4 trillion by October 2014.

This and subsequent Fed programs (QE, QE2 & QE3) effectively created \$3.5 trillion in US currency. This devalued the US dollar and caused excess liquidity in the economy. Simultaneously the Fed reduced their discount rate to 0-0.25%. The net result was record low

interest rates, cheap money and a search for “good” investments.

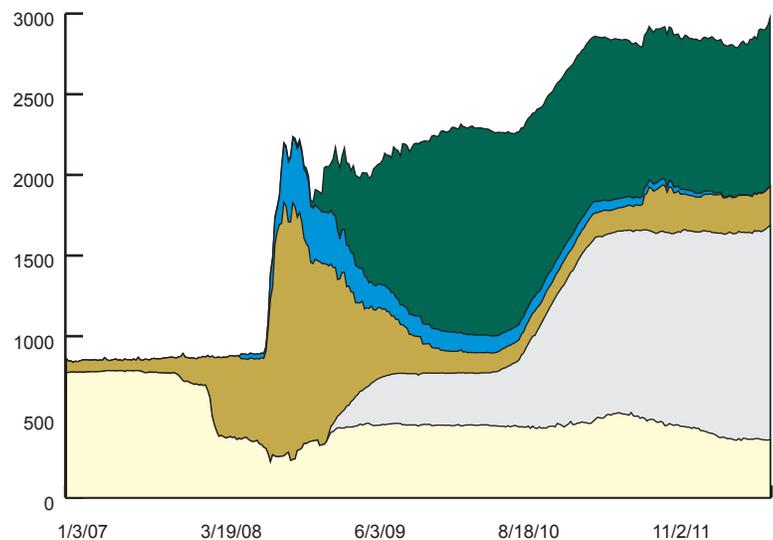
The Fed (formed in 1913) has never taken such aggressive monetary actions. While it succeeded in stimulating the economy, these actions caused unintended consequences. The result was a search by investors for higher returning investments, an increase in commodity prices (in dollars) and an increase in nearly all asset

values. Farmland prices increased significantly. Other significant farm income factors that impacted farmland prices, independent of the Fed policies included:

1. Record Chinese soybean imports
2. Record corn usage – fueled by Bio-fuels and livestock feed
3. Record drought in major crop production regions
4. Strong exports of many farm products

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*“Even with this adjustment farmland remains one of the most stable and highest earning of all asset classes...”*



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Farmland prices peaked along with commodity prices in 2013. The ensuing adjustment has been referred to as the “New Economic Reality” – the most significant drop in farm income and farm rental rates since the 1980’s farm crisis.

Many farmland sale prices have adjusted 10% to 20% from the 2013 highs, but are still double the 2008 prices. Even with this adjustment farmland remains one of the most stable and highest earning of all asset classes; even when the 1980’s farm crisis is factored in to the equation. Institutional investors have included farmland as an asset

class and institutional investment funds have been buying farmland to balance their portfolios.

Questions remain as to how soon the Fed will raise interest rates and how they will unwind their portfolio of balance sheet assets. It is expected farmland prices would be negatively affected by a significant increase in interest rates. However, when the Fed raised the discount rate 0.25% in December, the yield on 10-year Treasury bonds actually decreased to below 2 % over the next month.

The long-term need for food and fiber to meet the needs of an additional 2 billion people by 2050 remains

a compelling reason for future farmland prices to increase. The case for farmland to remain an investment for wealth building; an inflation hedge; and a higher earning, lower risk asset than most assets classes is also a positive factor. Ongoing areas of concern are the uncertainty of future Fed policies and actions, global competition, and negative emotions in the “New Economic Reality”.

Time will tell which factors will win out. In the present, farmland owners and investors are viewing lower farmland prices as a buying opportunity. 📈

The Federal Reserve System, the “Fed” is the central bank of the United States. It was created by Congress in response to a series of financial panics to provide the nation with a safer, more flexible and more stable monetary and financial system.

Congress established three objectives for the Fed’s monetary policy: Maximizing employment, stabilizing prices and moderating long-term interest rates. More recently the Fed has been charged with supervising and regulating banks and financial institutions, and providing certain financial services in operating and overseeing the nation’s payment systems.

*“The long-term need for food and fiber to meet the needs of an additional 2 billion people by 2050 remains a compelling reason for future farmland prices to increase.”*

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to a 50% reduction in nitrate by the time it leaves the drainage system.

**Saturated Buffers** redirect tile drainage water to flow through an existing riparian buffer. This allows a shallow lateral line to intercept tile lines before they release water into a stream. The lateral line control structure can raise the water table and slow down outflow.

Saturated buffers can be effective to naturally remove nutrients like nitrate and phosphorus from tile drainage similar to Bioreactors.

These options are just some of many stewardship practices available, and all are currently being used by our Farmland Professionals. We continue to be at the forefront of farmland

stewardship practices and strive to best meet the needs of our clients and future generations of farmland owners. If you have any questions or would like more information on how to best practice stewardship on your farm, feel free to contact one of our Farmland Professionals at any of our offices. 📍

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## Landowner Educational Seminars Summer 2016 Schedule

All landowners are invited to attend one of a series of Summer seminars. Our seminar topics will include Grain Markets, Farm Lease Trends/ Leasing Alternatives, Land Trends & Values, Land Stewardship in Action along with some Hot Topics in Agriculture

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

**Register Early, Pay Online and Save!**

Cost is \$30 per person or \$50 per couple, but you can **save \$5 per person, \$10 per couple,**

**when you register and pay online at least 14 days prior to each seminar.**

The fee is waived for existing Hertz clients.

**Registration includes:**

Lunch, break refreshments and handouts of the presentations.

**For your convenience, you can register one of three ways:**

- For your **discount**, register Online at [www.Hertz.ag/seminars](http://www.Hertz.ag/seminars)
- Contact: Denise Vallandingham  
Phone: 1.800.593.5263  
E-mail: [DeniseV@Hertz.ag](mailto:DeniseV@Hertz.ag)
- Mail the enclosed postcard

### Dates & Locations



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

**July 26**, Cedar Rapids, IA  
**July 26**, Fort Dodge, IA  
**July 26**, Malta, IL  
**July 27**, Johnston, IA

**July 27**, Kankakee, IL  
**July 27**, Rock Island, IL  
**July 28**, Bloomington, MN  
**July 28**, Mahomet, IL

**July 29**, La Vista, NE  
**August 2**, Mason City, IA  
**August 3**, Huxley, IA