

Ag Update

Timely information for a select group of farm owners and investors

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240-Acre Operation Relies On Hertz For Management

This is not a fancy story. It's Maxine Carlson's story. Her Henry County, Illinois farm is not huge; it's 240 acres. Her needs are not intensive, her finances not demanding. But, it's a story of how a partnership with Hertz Farm Management is keeping her independence alive.

When Maxine Carlson was young, she says she was "very independent." Today, nearly 80 some years later, in order to stay independent, she has intentionally become dependent in at least one area: farm management.

"I want to stay on this farm," she says from her wheelchair, an aid to assist her with slowly progressing multiple sclerosis. If not for the chair, her MS is undetectable because her personality is so magnetic.

Maxine left a position with United Airlines in 1947 after she met, and eventually fell in love with, Marlo Carlson. Even her response to the marriage proposal showed her independence. "I had to think that over pretty long and



Ed Kiefer, left, reviews the crop and weather status with Maxine Carlson of rural Geneseo, IL. Carlson says, "I particularly like the updates on the crops Ed constantly provides."

hard," she said. "I had to decide whether or not I wanted to be a farmer's wife."

Eventually, Maxine married Marlo and remembers incurring her first "farm story." "Marlo owned a beautiful black car we would take out on dates. But, as soon as we got married and returned to the farm, he sold it for a tractor," she recalled. "I knew then how farming was going to work."

Marlo farmed with his father, Essley, and eventually, with his son, Dave, until his diabetes resulted in his total blindness and kidney dialysis. In 1975, Maxine and Marlo bought a duplex in Sun

City, AZ, where they spent the winters in the sun.

Agriculture went through turbulent times in the 1980s and at the Carlson farm, things were no different. When Marlo passed away from the toll of diabetes, son Dave decided to pursue a concrete business in Bloomington, IL. Two farms were sold at auction with the assistance of Ed Kiefer, leaving Maxine with the family farm of 240 acres.

The reliance Maxine and her three adult children, Karen, Julanne and Dave, have on Hertz looms large in the relationship. "Ed and Hertz have allowed me to stay on the farm. Having Ed actively oversee my operation takes a load off of an elderly widow. I just don't think I would be out here if not for the farm operators, on-site tenants and my farm management team."

"I rely on Ed's word and I know it'll be a good word. I just totally trust them," she says. "My age has made me very aware of my need

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for Hertz Farm Management...very aware. It's imperative that I have someone help me...or actually do it for me. Ed does that."

Kiefer agrees the two make a good team. "Our number one goal is to take care of Maxine and then take care of the farm."

"While money is important, it's also important to select a farm operator who is a genuinely nice person and who will work with us to implement our plan."

"We cash rent the farm to a local operator, but we still provide input on seed, fertilizer and chemicals. We require certain levels of fertility to be maintained," says Kiefer. "Not only is it the right thing to do, but Marlo always wanted above average fertility. We have the farm GPS grid soil sampled every fourth year. The operator pays one-half and Maxine pays one-half of the soil testing."

Crop production is measured by field, and minor adjustments are made the following year, based on consistently improving production.

More recently, Kiefer rebuilt a grass waterway and enrolled it in the CRP program. Government cost sharing paid 90% of the cost. Today, the CRP waterway controls surface water and provides additional farm income.

"The thing I enjoy most about Hertz and Ed is they are so thorough," says Maxine. "Ed always thinks about the things he's

going to bring up before he mentions them to me. It's easy to work with Hertz because Ed has a pleasant and positive outlook, we're both interested in the same



Maxine Carlson of rural Geneseo, IL is able to stay in, and oversee, her home and farmground as a result of Ed Kiefer's involvement. Kiefer is Carlson's Farm Manager working out of the company's Geneseo, IL office.

things and Hertz just does the things we want done."

Maxine has seen her life's experiences originate in many different ways. Obtaining her Social Security card at a young age, she worked to put herself through high school as a sales representative at a Rock Island department store, secretarial work, sewing her own clothes, etc.. She went on to become the secretary to the manager at United Air Lines in Moline and was a second stewardess on Moline flights when too many children were on board for one stewardess to supervise.

Then, she married Marlo and the "town girl" became a successful partner in a farm operation located in one of the richest agricultural resource counties in the Midwest. The Carlsons raised a huge garden, managed over 500 layer hens and became an esteemed stopover for visiting foreign dignitaries wanting

to visit a "working U.S. farm." "We even ate off of gold plates at one point when we were guests of Deere, which was hosting a group of Japanese editors. We kept track on a board in the barn all the countries that had visited our farm. That included the Japanese, Russians, English, French, Swedes, and Dutch, to name a few."

Today, Maxine enjoys her pets and her deck, where she goes to drink her morning coffee. She reflects on her life and

smiles, comfortably. "All around Geneseo, everyone who knew Marlo would tell you there was no one who would work harder. He was a farmer who came up and made it the hard way. Today, Hertz has taken over that role. They understand this farm, and like Marlo, they keep me on the farm."

Kiefer says he feels farm management firms have a reputation of working with large, successful, entrepreneurial farms. And certainly, that's true. But, Kiefer says, it is rewarding to have a relationship that provides the quiet, unheralded solace and comfort like the one he has with Maxine Carlson.

"It's a little story," Kiefer says, "but it's a very important one." For Hertz farm manager Ed Kiefer, satisfaction comes in all shapes and sizes – whether it's 80 acres or 1,000 acres.



On-Farm Grain Storage Pays Huge Dividends

By Cal Dickson, AFM, CCA

Chairman of the Hertz Farm Management Grain Marketing Committee

After drainage tile or irrigation, the highest returning improvement to Midwest landowners is most often on-farm grain drying and storage. The fall of 2005 will go down in history as one of the all time shortages for grain storage, primarily due to the following factors:

- Record or near record 2004 and 2005 corn and soybean yields in parts of the Midwest.
- Poor marketing of the 2004 crop by many farmers. This resulted in a glut of 2004 corn being hauled from farmer's grain bins to commercial storage just before the 2005 corn harvest. Many commercial storage facilities were already nearly full before the 2005 corn harvest.
- Hurricanes Katrina and Rita disrupted many of the export terminals on the Mississippi River. Barges were not able to unload. This resulted in barge freight rates doubling or tripling, leading to record-wide basis levels along the Mississippi River terminals. These terminals had some of the lowest prices in the Midwest versus typically the highest corn and soybean prices.



Many grain elevators in the western Corn Belt faced the dilemma of being nearly full and not having room for the 2005 crop being harvested. Railcars that were ordered to empty out grain elevator's huge inventories were late in arrival. Some elevators were hesitant to pile corn on the ground due to the heavy damage incurred during the fall and winter of 2004. As a result, elevators shut their doors to farmers who wanted to deliver 2005 corn, and some elevators forced farmers to sell corn as soon as it was delivered (often at the lowest prices of the year). There have been farmers forced to leave corn standing in the field waiting for a commercial storage facility that would accept the grain. Commercial elevators had no incentive to bid up for corn that they had no room for and did not want to accept.

Many landowners and farmers were frustrated at not being in control. They were at the mercy of the elevator's timing for accepting grain, and were left with limited options regarding their grain marketing decisions. No one wants to be selling at the harvest low.

What is the alternative?
Building on-farm grain drying and

storage enables you to be in control. In control of when the grain is harvested, when the grain is marketed, and who the grain is eventually sold to. Instead of being forced to sell at harvest lows, forward contracts for grain can be locked in, resulting in prices up to \$.40/bushel higher for payment in the spring of 2006.

“The fall of 2005 will go down in history as one of the all time shortages for grain storage.”

The cost of installing an on-farm grain drying and storage bin is in the \$2.25 to \$3.25 per

bushel range, depending upon the size of the bin and the amount of equipment. Historically, a grain bin has paid for itself within five to ten years of its construction. The combined benefit of lower drying costs, lower storage costs, less shrink, timely harvest, and more marketing options have resulted in a quick payback of the investment. Also, current IRS guidelines allow the option of either depreciating a grain bin over seven years or using it as an expense against taxable income in the first year by utilizing IRS Section 179.

If you are looking for that next 10 to 15 percent return on your investment, consider on-farm grain drying and storage to put you back in control of your harvest and grain marketing decisions.



A Tribute To An Uncommon Man

Carl F. Hertz

July 1, 1912 to June 15, 2005

Of all things written, perhaps determining what words to use in a final tribute to a person who no longer is with us on this Earth is among a writer's most arduous and demanding tasks. After all, how does one select words to memorialize a lifetime? It's humbling.

There are benchmark people in our lives. People who leave very large impressions on those around them. Perhaps it's a father or mother, a teacher or friend. But in many lives, one of their benchmark people, whether they acknowledged it or not, was Carl F. Hertz.

Carl Hertz was a man's man. He was a farm boy. A farmer. A husband. A father. A businessman. He built a legacy out of the land with the people who owned and lived on it. "Under all is the land," was his foundation.

Carl was born in 1912 on his parents' farm outside of Laurens, IA where he deeply established the core values of kindness, integrity, hard work, and faith in God. He used those core values throughout his life to help his decision making. Carl understood successful people use their heart as well as their head to guide them in business. Carl was active in 4-H and FFA and worked his way through college after seeing his family's savings disappear during



the Depression. He earned 35¢ an hour in the Iowa State meat lab slaughtering hogs and cattle before class. Tough work, tough money, tough job. He was on a collegiate livestock judging team which took him away from classes. In spite of these extra activities, it still took

him less than four years to graduate. The experience helped him develop the confidence to take on new projects and succeed.

In 1934, Carl boarded a train to St. Louis, Missouri, and rode out of Iowa to take his first job in Kirksville, Missouri. There, he became a professional farm manager. He married Marjory in 1936, his lifelong love, friend and witness to their personal journey through life.

In 1946, still working for his original employer, Doane, but now out of Nevada, IA, he and Marjory had a major meeting. They discussed their values, goals, and the demands of Carl's job which took him away from his family, his farm home and her. They made a huge decision to resign Carl's job, use the farm

near Nevada, IA, where they resided at the time, to help with their income and opened the doors to Carl F. Hertz Farm Management which later became Hertz Farm Management, Inc. When the opportunity came to expand the business, he took on the challenge.


Caring for You and Your Farm®



Now, 60 years later, Carl leaves a legacy in business, in agriculture, in his church, in his community and in thousands of people's lives and memories. The things he did will become memories; the things he didn't get done will remain dreams.

He sought out people who believed in him, his mission and his values.

Carl insisted on operating at one level of integrity. There was no gray in this man's mind. Carl further insisted that clients receive the highest level of service, advice, communication and commitment his firm, Hertz Farm Management, Inc., could deliver.

He used those core values, throughout his life to help with his decision making.

Carl didn't believe in, nor did he abide by, today's political correctness or implications. When Carl interviewed someone for a job, he invited the candidate and the candidate's spouse to lunch or dinner so he and Marjory could meet them and get to know them. He understood that being politically correct had nothing to do with making a correct decision...not his decision; the candidate's decision...indeed, a career affects a family.

Carl wanted to surround himself with the right people with the right attitudes and farm backgrounds. He utilized his

contacts, sorted through resumes, and interviewed prospects until he found the right people. Iowa State University was a catalyst, both for business, and future employees. Carl believed in hiring heart and qualifications.

He sought out people who believed in him, his mission and his values. He knew he could teach the rest, but he couldn't teach integrity, positive attitude, trust, dedication, compassion, passion and other traits that comprise individuals who become benchmark people in others' lives.

We could write about the awards. He received about every award and honor bestowed by the farm real estate, farm management and appraisal profession. He served as a leader of his industries' professional organizations and associations. We could write about the company's expansions into other states, or the development of a real estate division or the fact three of his sons and a grandson followed him into the business he founded. We could write about the thousands of farm families he's impacted with better farming practices, better soil stewardship and most notably, the millions of dollars of incremental income he helped farm families create. He believed in the American dream of owning land and providing farm operators the opportunity to expand their business and their income through farm rental arrangements. He was an encourager and motivator.

But, those benchmarks, with the exception of client satisfaction, were relatively unimportant to Carl. Stephen Covey, whom Carl never met, is a contemporary

He understood that being politically correct had nothing to do with making a correct decision.

business guru who teaches life values to business people. Carl knew one of Covey's idioms, "begin with the end in mind," probably without having ever heard it. He knew it was an individual's core values that make a legacy...the one he leaves behind.

Carl Hertz lived the way he wanted to be remembered.

So, Carl Hertz lived the way he wanted to be remembered. And it worked. Carl made a commitment during his wedding vows and he kept that commitment. Carl made a commitment every day he hired someone. And he kept it. Carl made a commitment every time he was granted new business from a new client. And he kept it.

So, in conclusion, how many people in your life today do you know that can serve as that kind of benchmark person? For the staff at Hertz Farm Management, Inc., the answer points to the legacy of Carl Hertz. A man's man. A farm boy. A farmer. A husband. A father. A businessman. A benchmark person.

We thank you for all of it Carl, and we hope the day comes when you are as proud of our endeavors as we are of yours.



Downey Receives Farm Manager Designation



Mike Downey of the Mt. Vernon, Iowa office of Hertz Farm Management, has earned his Accredited Farm Manager title. Downey, who has been with Hertz since 2000, earned the coveted designation by completing the rigid professional education and experience requirements. Downey is a licensed real estate broker in Iowa and Illinois in addition to his professional farm management duties.

Hertz Farm Management has a larger percentage of Accredited Farm Managers on staff than any other farm management company in the United States. This commitment to continuing professional education is just one way Hertz continues to show it cares for you and your farm.

Louwagie Will Serve As Iowa RLI President



Troy Louwagie, Accredited Land Consultant, at the Mt. Vernon, Iowa office of Hertz Farm Management, will serve the Iowa Realtors Land Institute (RLI) as its 2005-06 President. The RLI is a branch of the National Association of Realtors and is comprised of realtors specializing in farm and land sales, auctions, management and appraisals. In addition to serving as the Iowa president, Troy also received the Accredited Land Consultant designation at the National RLI

meeting in San Francisco, California, in October 2005.

Frevert Receives Industry's Top Honor



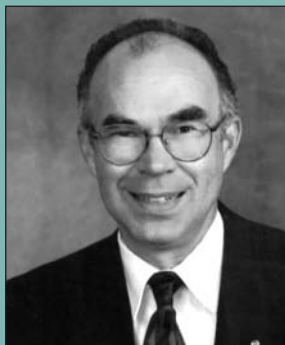
Jim Frevert, Accredited Farm Manager with the Hertz Farm Management office in Nevada, Iowa,

received the D. Howard Doane Award from the American Society of Farm Managers and Rural Appraisers at their national annual meeting in Austin, Texas, in October 2005. This award is the industry's most prestigious recognition. The award goes to an individual who makes an outstanding contribution in the field of agriculture with an emphasis on farm management and rural appraisal.

Frevert is the third member of the Hertz staff to receive the award. Carl Hertz and Robert Walters received the award in 1982 and 1991 respectively. Frevert joined Hertz in 1964 and served as company president from 1988 to 2000.

Randy Hertz Named National RLI President

Twenty-five years after his late father, Carl Hertz, served the National Realtors Land Institute as president, Randy Hertz will follow in his father's footsteps. Randy Hertz, who works out of the Nevada, Iowa office of Hertz Farm Management, has been elected to the presidency of the 1,850-member group.



Certified Financial Planner and licensed real estate broker in six states.

Founded in 1944, the National Realtors Land Institute is an industry association of realtors dedicated to improving the

professional competence of those who work primarily in farm and land sales, farm management and land appraisal. Members who meet advanced educational and experience requirements receive the association's Accredited Land Consultant designation, the highest honor available.

This is the only father/son team to have served the association as president. Hertz is an Accredited Farm Manager, Accredited Land Consultant,



Farmland Values..... Where will the land market go from here?

By Troy Louwagie, ALC

Land values have increased 10%-15% across most of the



Midwest over the past 12 months and have increased 45%-50% over the past 5 years. These

strong increases have everyone asking: What factors are driving this market? Are we setting ourselves up for another 1980's era? Where will the land market go from here?

What factors are driving this market? There are many factors contributing to the strong appreciation of the farmland market. Interest rates have been at historic lows the past few years, which has allowed more borrowing power for buyers. Buyers are investing their cash into farmland opposed to CD's or the stock market. The typical net operating return on Midwest farmland has ranged from 3%-5%. Combining this cash return with the strong appreciation has provided landowners with a 10%-20% return on farmland.

Another factor that has driven the farmland market higher is the 1031 Tax-Free Exchange. In recent years, 30%-40% of our sales have involved an exchange. These buyers are motivated by more than just the annual return on their investment. They are driven by the desire to avoid (or at least delay) a substantial capital gains tax on the land they are typically selling for development. The increase in the 1031 buyers can be attributed to the general strength of the

economy and low interest rates, which have increased commercial and residential development to high levels.

Recreational buyers have also contributed to a strong market. Many people want to own their own tract of land for enjoyment and hunting. These buyers are typically not concerned about the income generated from the farm and are influenced by the recreational attributes such as: trees, ponds, CRP and creeks. The money used to purchase recreational land primarily comes from non-farm income. This has helped increase the value of average to below average quality farms.

“With Midwest land prices at record highs, we are starting to experience more farms coming on the market the past few months.”

We have also been blessed the last few years with above-average corn and soybean yields. These higher yields have helped provide a stronger return on farmland.

Demand has exceeded the supply of farmland for sale. This has also attributed to the strong market. As there were few attractive alternative investments, very few landowners were selling their land. With Midwest land prices at record highs, we are starting to experience more farms coming on the market the past few months.

Are We Setting Ourselves Up For Another 1980's Era?

We are in a different environment than 25 years ago. The prime rate then was over 20% and now it is less than 8%. Today, a high percentage of farms have no debt and inflation is more in control. Midwest farmland is held in strong hands. We may see a small correction in the next couple of years, but I believe we are in a different environment and will not experience another major downturn in the farmland market in the near future.

Where Will The Land Market Go From Here?

Over the past few years the farmland market has experienced close to a 1% increase per month. This appears to have slowed and/or leveled since mid-summer. We believe we are nearing the end of the double-digit annual increases. With the slight increase in interest rates, lower commodity prices and higher fertilizer and fuel prices, farmland appreciation may slow down to the traditional 3%-5% increase per year. We may experience more volatility in the farmland market in the next couple of years, but Midwest farmland should continue to be a solid investment.

If you are considering buying or selling farmland, please call one of our land professionals at any office to further discuss the current land market and how we can help with your goals and objectives.

