Hertz Farm Management, Inc.

Caring for You and Your Farm®

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



Agenda



- Discuss Current Land Market
- Discuss What's Driving this Market
- Discuss Expectations for 2024+
- Farm Leases and Expectations
- 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







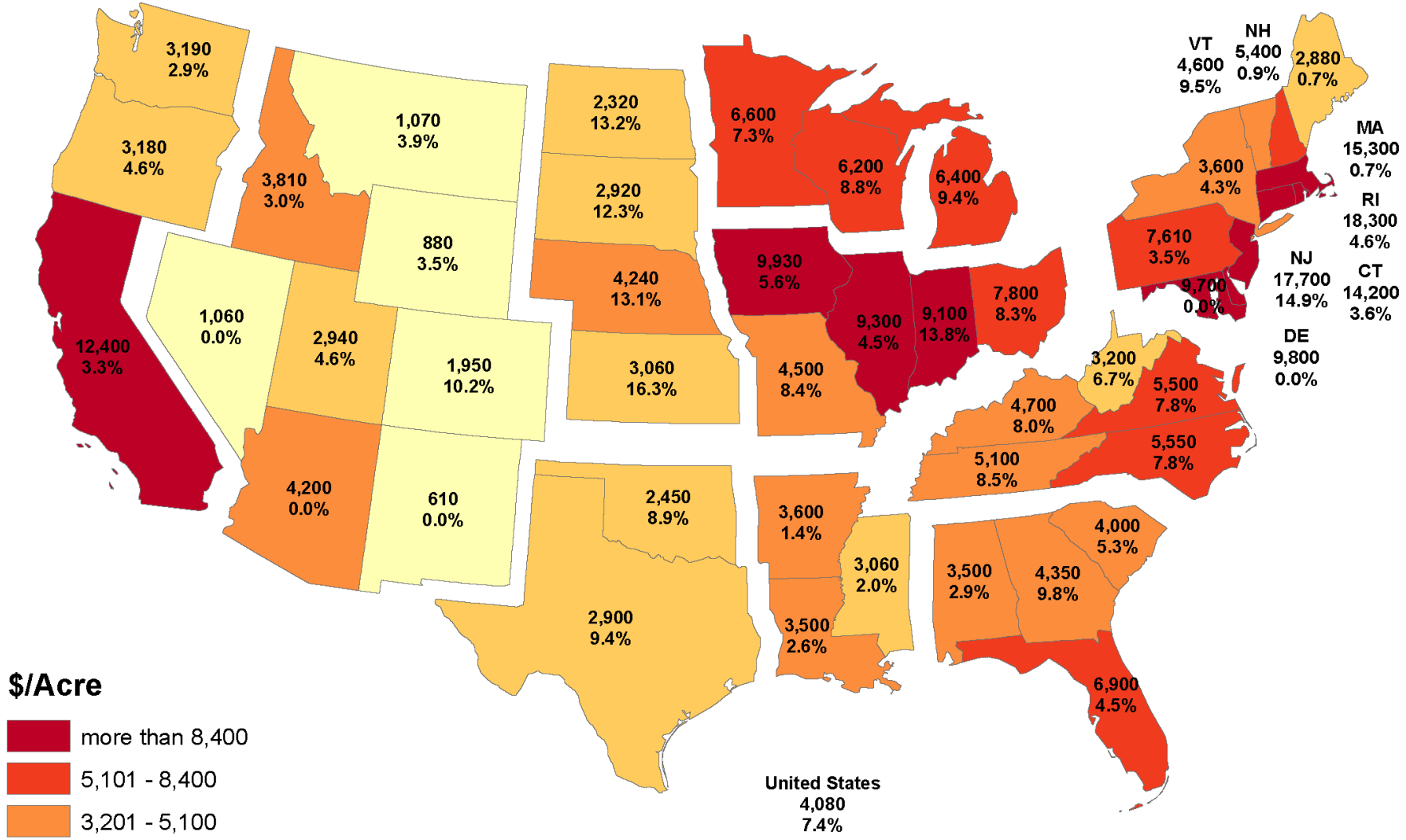
Midwest Farmland Values

THE 2024 FARMLAND MARKET…



2023 Farm Real Estate Value by State

Dollars per Acre and Percent Change from 2022



$/Acre

- more than 8,400
- 5,101 - 8,400
- 3,201 - 5,100
- 2,201 - 3,200
- 2,200 or less

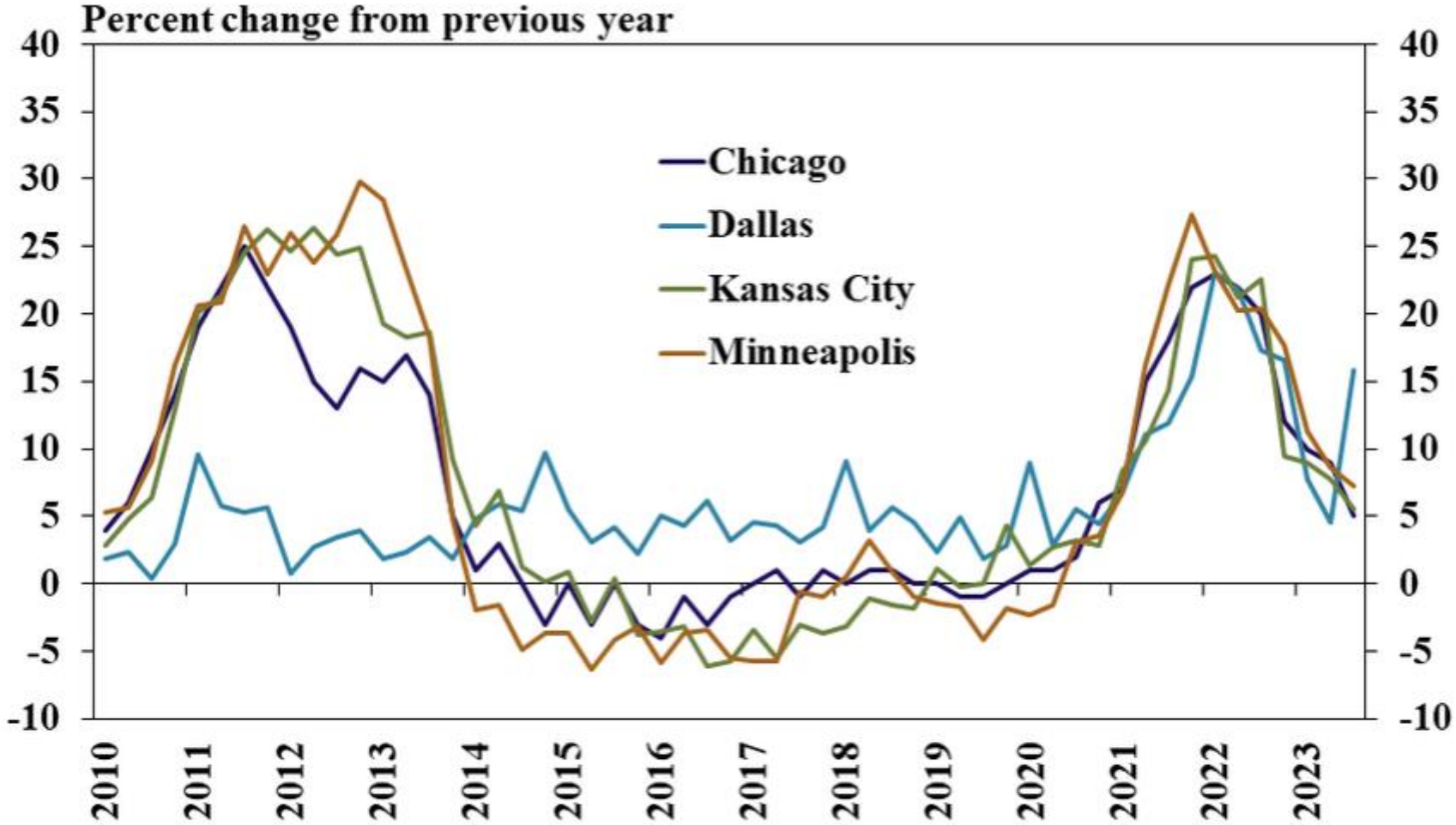
USDA - NASS August 4, 2023



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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.



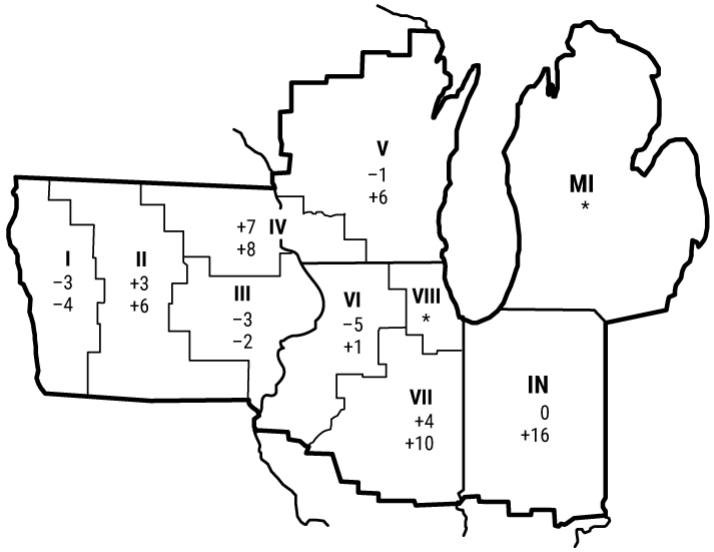
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Chicago Federal Reserve Survey

Percent Change in Dollar Value of "Good" Farmland

	July 1, 2023 to October 1, 2023	October 1, 2022 to October 1, 2023
Illinois	+1	+6
Indiana	0	+16
Iowa	+1	0
Michigan	*	*
Wisconsin	+1	+9
Seventh District	+1	+5



Top: July 1, 2023 to October 1, 2023
Bottom: October 1, 2022 to October 1, 2023

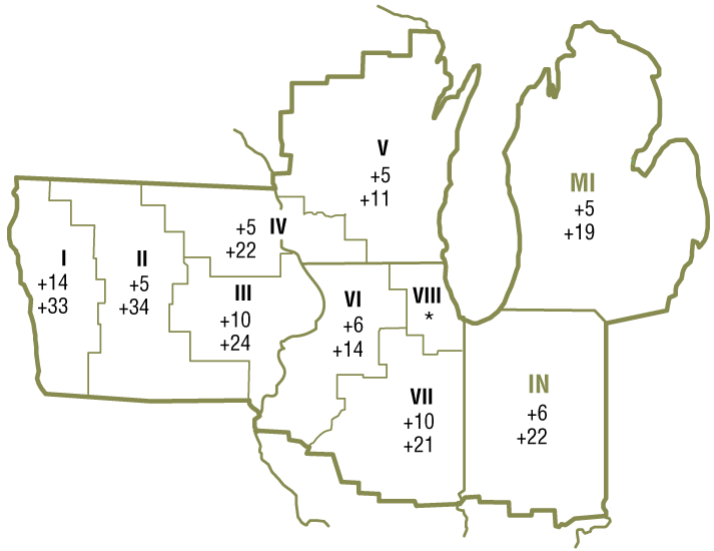


Source: Federal Reserve Bank of Chicago, AgLetter, No. 2002, November 2023

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

FCS Illinois – Benchmark Farms
Late Summer 2023

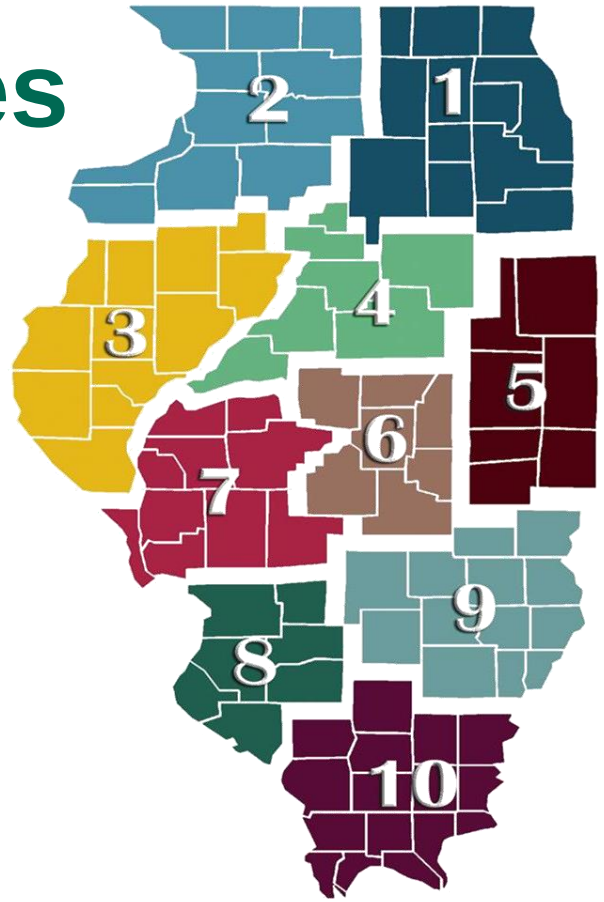
Land Class	Productive Index Rating	Average Value Range Per Acre	Average % Change 2023 vs 2022
1A	133 - 147	$17,500 - $19,400	+4.2%
2B	117 - 132	$11,900 - $17,700	+14.1%
3C Central	100 - 116	$7,800 - $11,800	+12.3%
3C South	100 - 116	$5,400 - $14,000	+7.5%



Source: FCS Illinois, Benchmark Farms Study, August 2023

2023 Illinois Farmland Values

Land Category	Avg. of all Completed Sales	2023 Change (Change from 2020)
Excellent	$16,906	Up 6% (55%)
Good	$12,726	Up 7% (51%)
Average	$9,544	Up 14% (49%)
Fair	$7,478	Up 15% (40%)
Recreational	$5,313	Up 7% (44%)

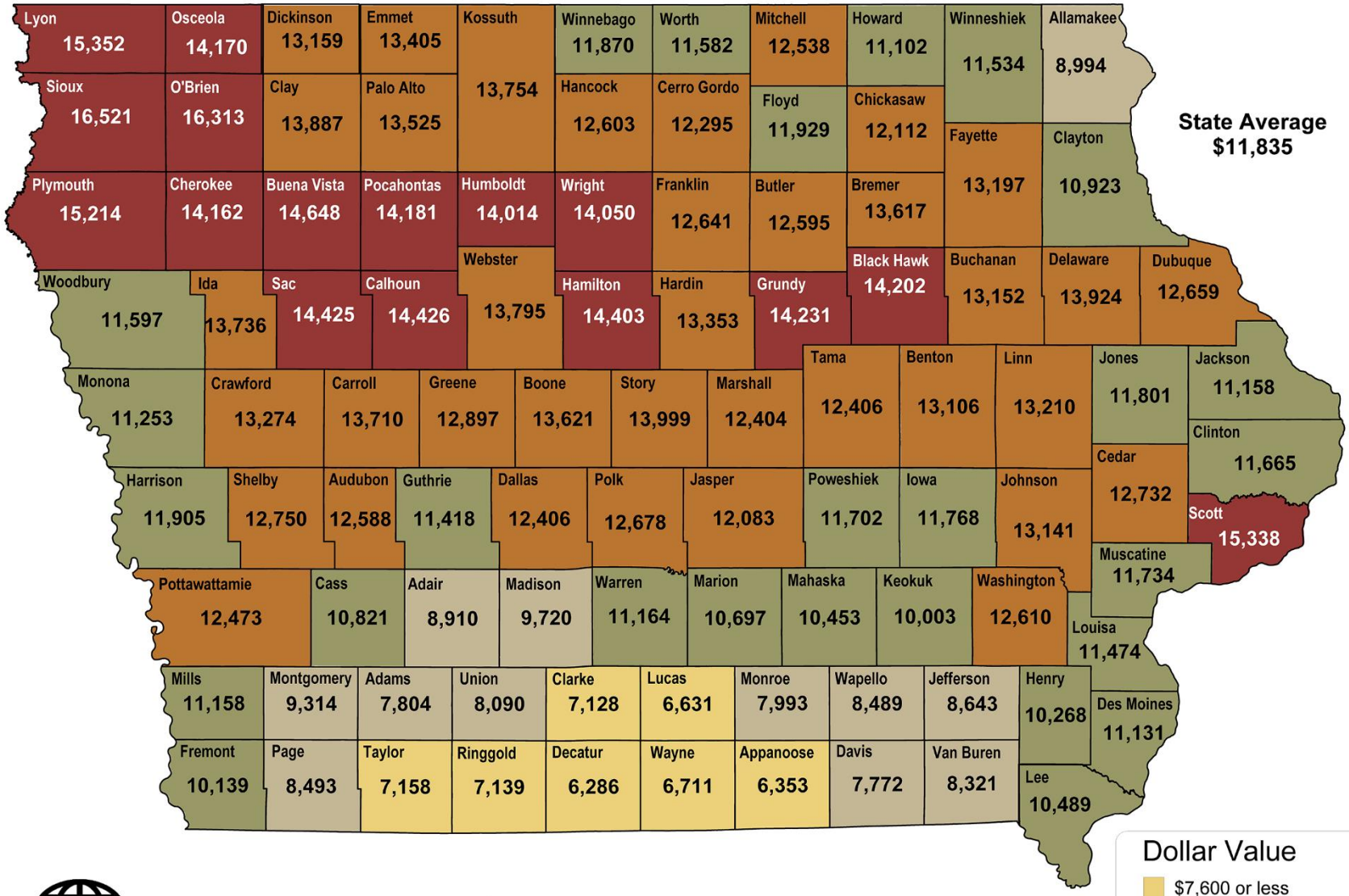


Illinois Society of Professional Farm Managers and Rural Appraisers



Source: 2024 Illinois Farmland Values & Lease Trends

2023 Iowa Land Values



CARD
Center for Agricultural and Rural Development

Iowa State University
Extension and Outreach



Source: ISU – December 2023 Land Values Survey

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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?





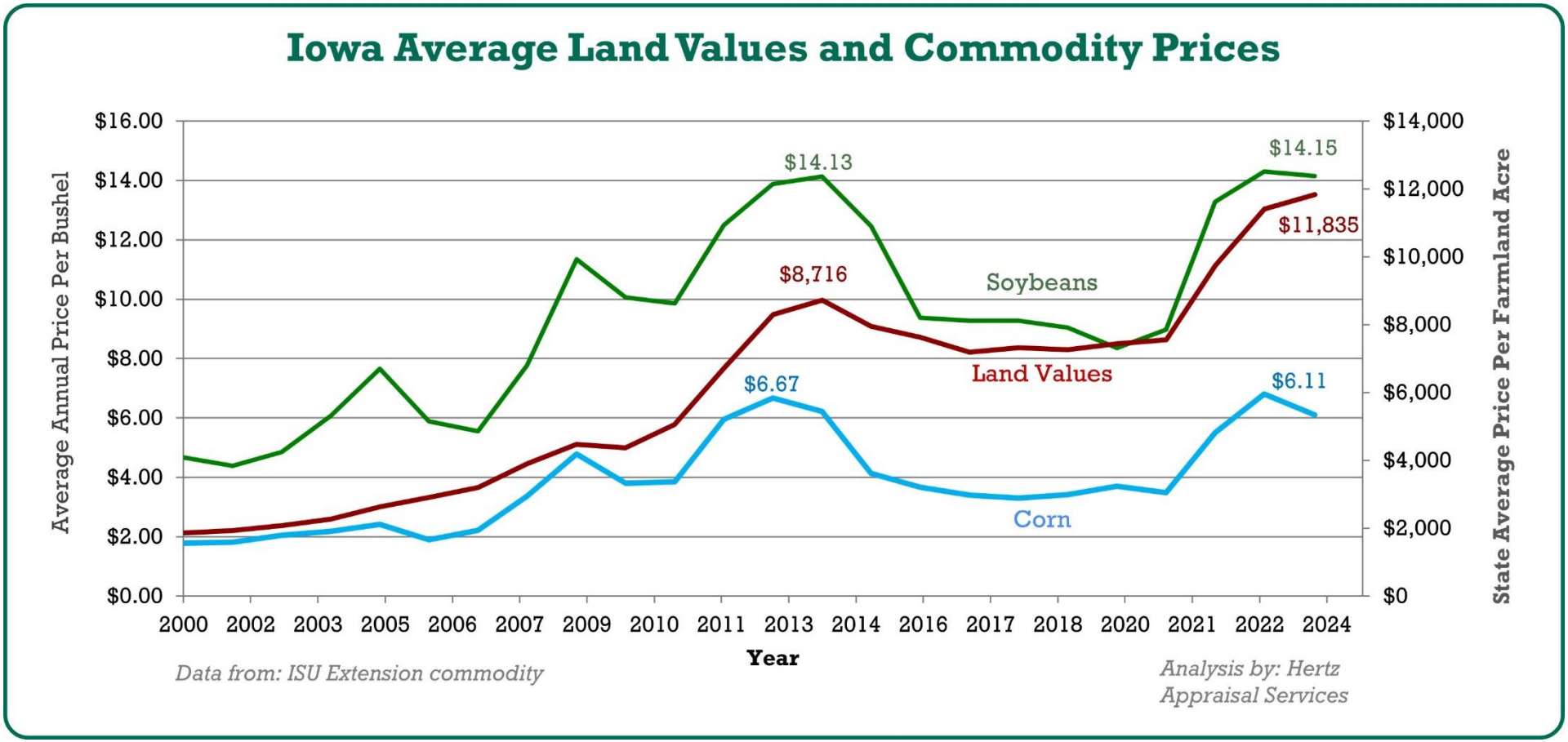
Midwest Farmland Values

WHAT'S DRIVING THE MARKET? -COMMODITY PRICES



Source: Iowa RLI March 2023 Land Values Release

Land Values & Commodities





Source: Iowa State University Extension

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Commodity Prices…

CONTRACT	LAST	5-DAY Δ		ONE MONTH Δ		YEAR-TO-DATE Δ	
Corn (Mar '24)	4.60-3/4	-13-1/2c	-2.9%	-30c	-6.1%	-138c	-23.1%
Corn (May '24)	4.73-1/4	-13-1/4c	-2.7%	-29c	-5.7%	-129c	-21.4%
Corn (Jul '24)	4.83-3/4	-12-1/4c	-2.5%	-27c	-5.2%	-118c	-19.5%
Corn (Dec '24)	4.94	-10-3/4c	-2.1%	-22c	-4.2%	-10c	-1.9%
Wheat (Mar '24)	6.16	-15-1/2c	-2.5%	-15c	-2.4%	-169c	-21.6%
Wheat (Jul '24)	6.35	-12-3/4c	-2.0%	-17c	-2.5%	-134c	-17.4%
Hard Red (Mar '24)	6.28	-15-3/4c	-2.5%	-35c	-5.2%	-206c	-24.7%
Hard Red (Jul '24)	6.35-1/4	-11c	-1.7%	-35c	-5.2%	-166c	-20.7%
Soybeans (Mar '24)	12.56-1/4	-55-3/4c	-4.3%	-70c	-5.3%	-118c	-8.6%
Soybeans (Nov '24)	12.08-1/2	-50-1/4c	-4.0%	-65c	-5.1%	-104c	-7.9%
Soybean Meal (Mar '24)	369.4	-21.3	-5.5%	-34.6	-8.6%	-31.9	-8.0%
Soybean Oil (Mar '24)	47.63	-0.35	-0.7%	-2.58	-5.1%	-11.33	-19.2%
Board Crush (Mar '24)	80-1/4c	-1c	-1.3%	-34c	-29.9%	-78c	-49.1%
Board Crush (May '24)	79-3/4c	-1c	-1.3%	-9c	-9.9%	-74c	-47.9%
MATIF Wheat (Mar '24)	220.750	-1.00	-0.5%	-9.00	-3.9%	-60.75	-21.6%
Canola (Mar '24)	618.90	-41.20	-6.2%	-54.20	-8.1%	-34.50	-5.3%
Cotton (Mar '24)	80.19	-0.76	-0.9%	+0.51	0.6%	-0.24	-0.3%
Palm Oil (Mar '24)	3682	-57	-1.5%	-125	-3.3%	-241	-6.1%
Live Cattle (Feb '24)	170.575	+1.650	1.0%	+1.600	1.0%	+3.825	2.3%
Feeder Cattle (Mar '24)	224.150	+1.025	0.5%	+6.675	3.1%		
Lean Hogs (Feb '24)	70.000	+1.550	2.3%	+0.650	0.9%	-16.700	-19.3%

Source: Barchart

As of 01/06/2024



Source: NoBullAg.com

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Commodity Prices…
December 2024 Corn





Source: Marketwatch.com

Commodity Prices…
November 2024 Soybeans

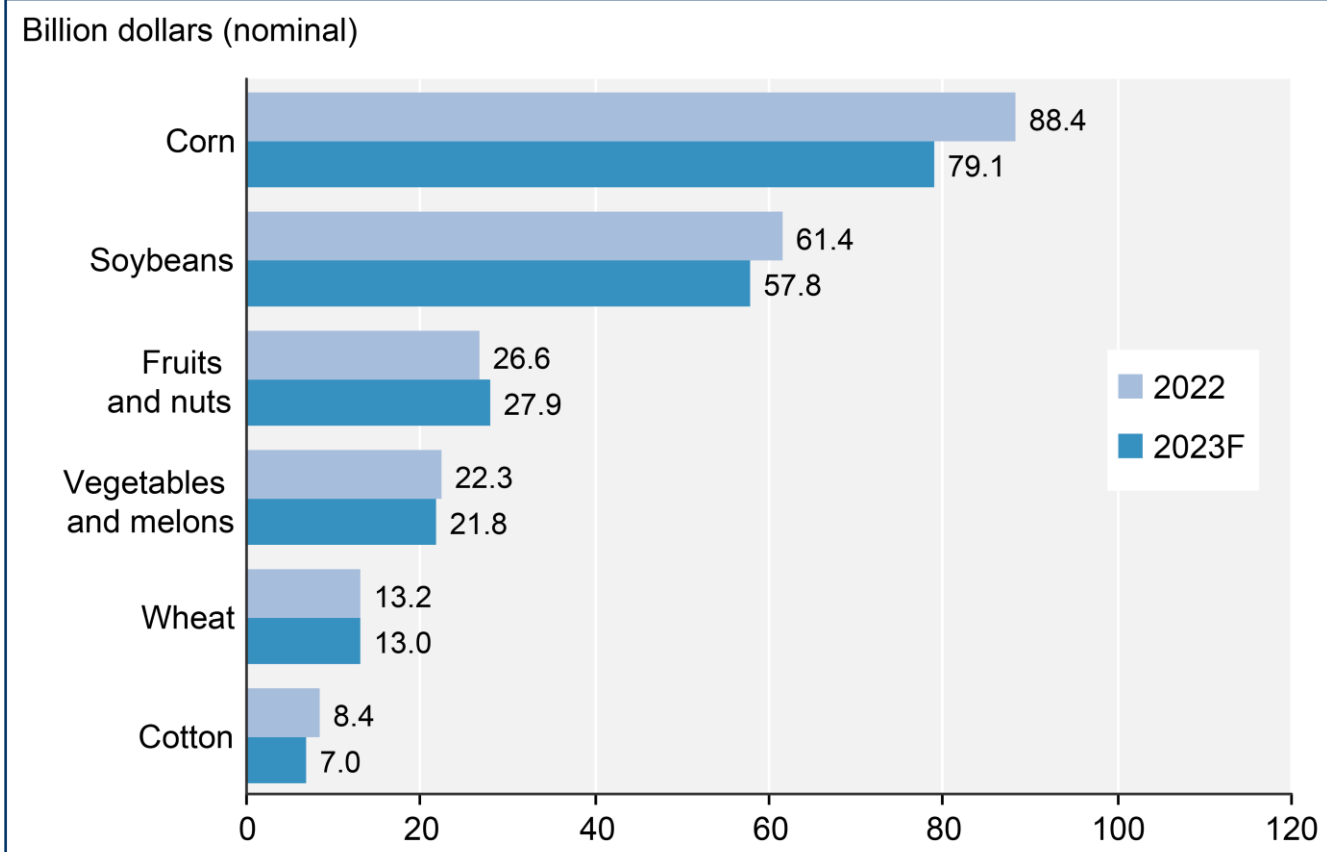




Source: Marketwatch.com

Corn is King…

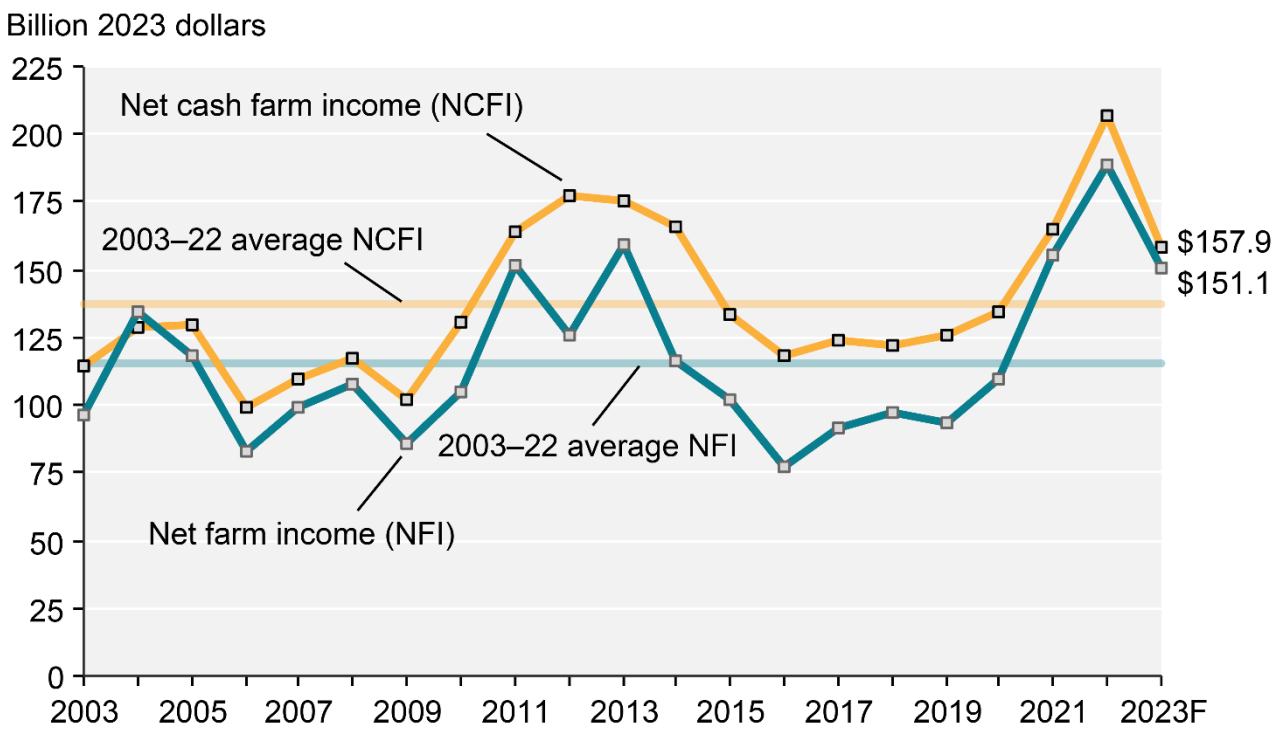
U.S. cash receipts for selected crops, 2022–2023F



Note: F = forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of November 30, 2023.

Agriculture was Uber-Profitable in ‘22…
But 2023 not as much…

U.S. net farm income and net cash farm income, inflation adjusted, 2003–23F



Note: F = forecast. 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 2023 by USDA, Economic Research Service.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of November 30, 2023.



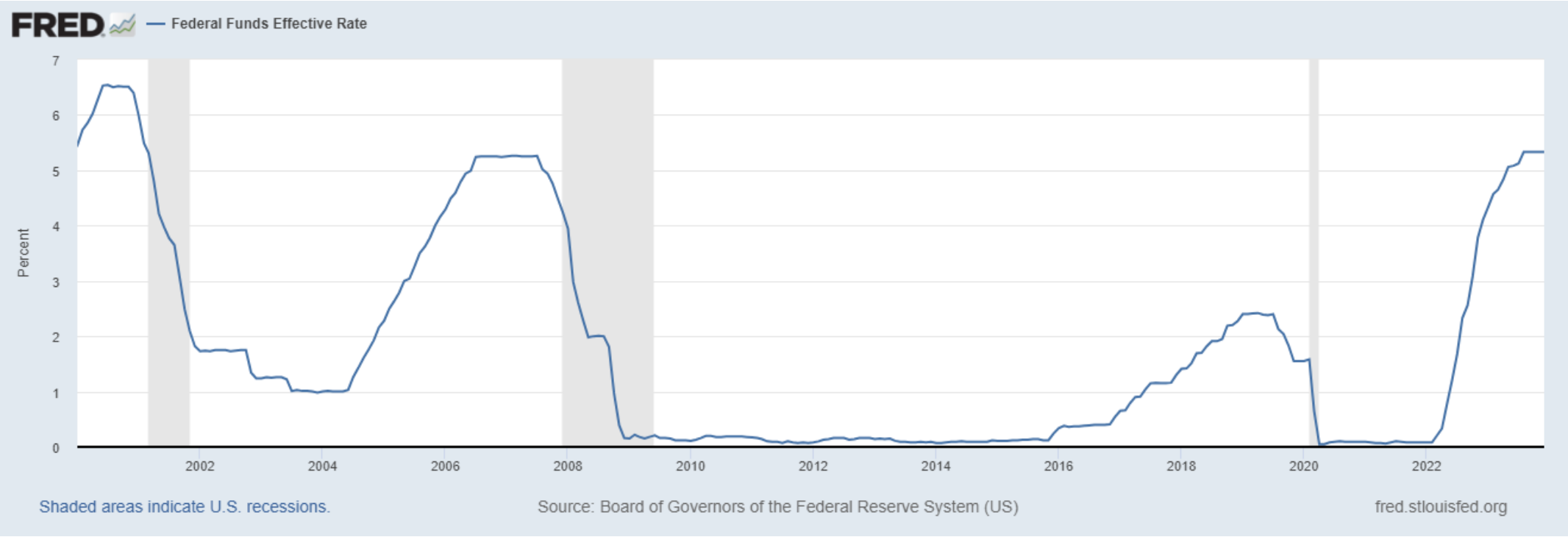
Midwest Farmland Values

WHAT'S DRIVING THE MARKET?
-INTEREST RATES



Source: Iowa RLI March 2023 Land Values Release

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.

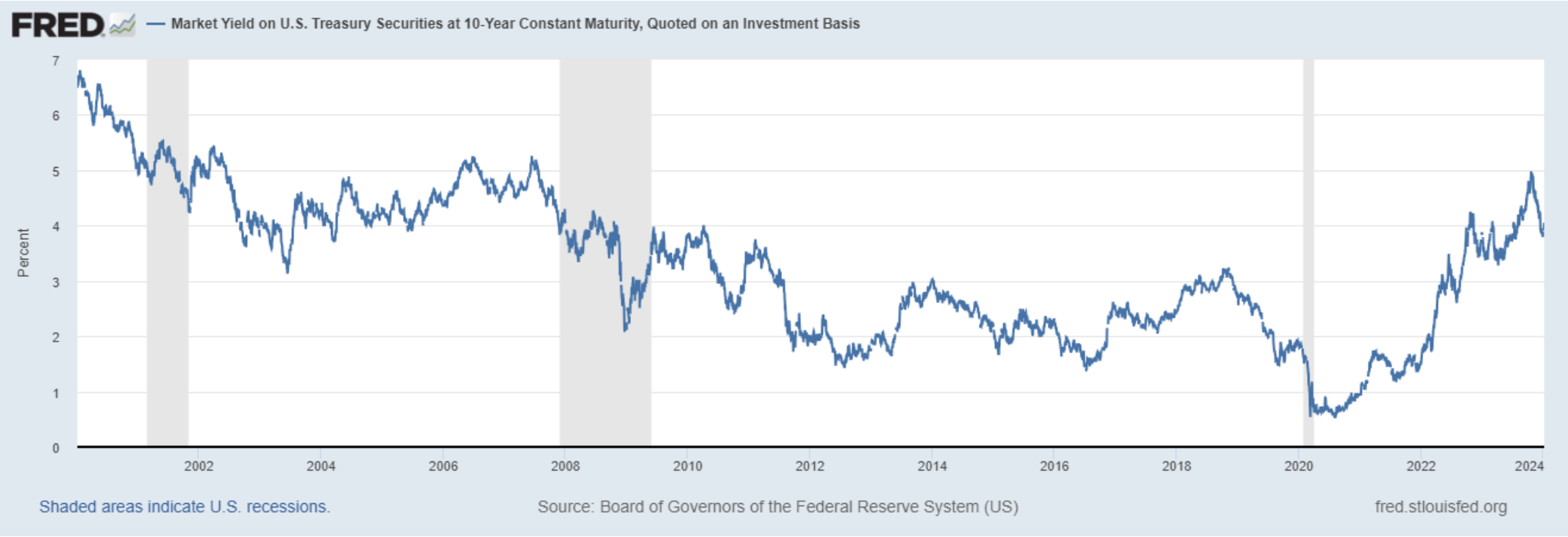
– Directly affects consumer loans and credit cards.

– Currently 5.25%



Source: St. Louis Federal Reserve Bank

Interest Rates – 10 Year Treasury



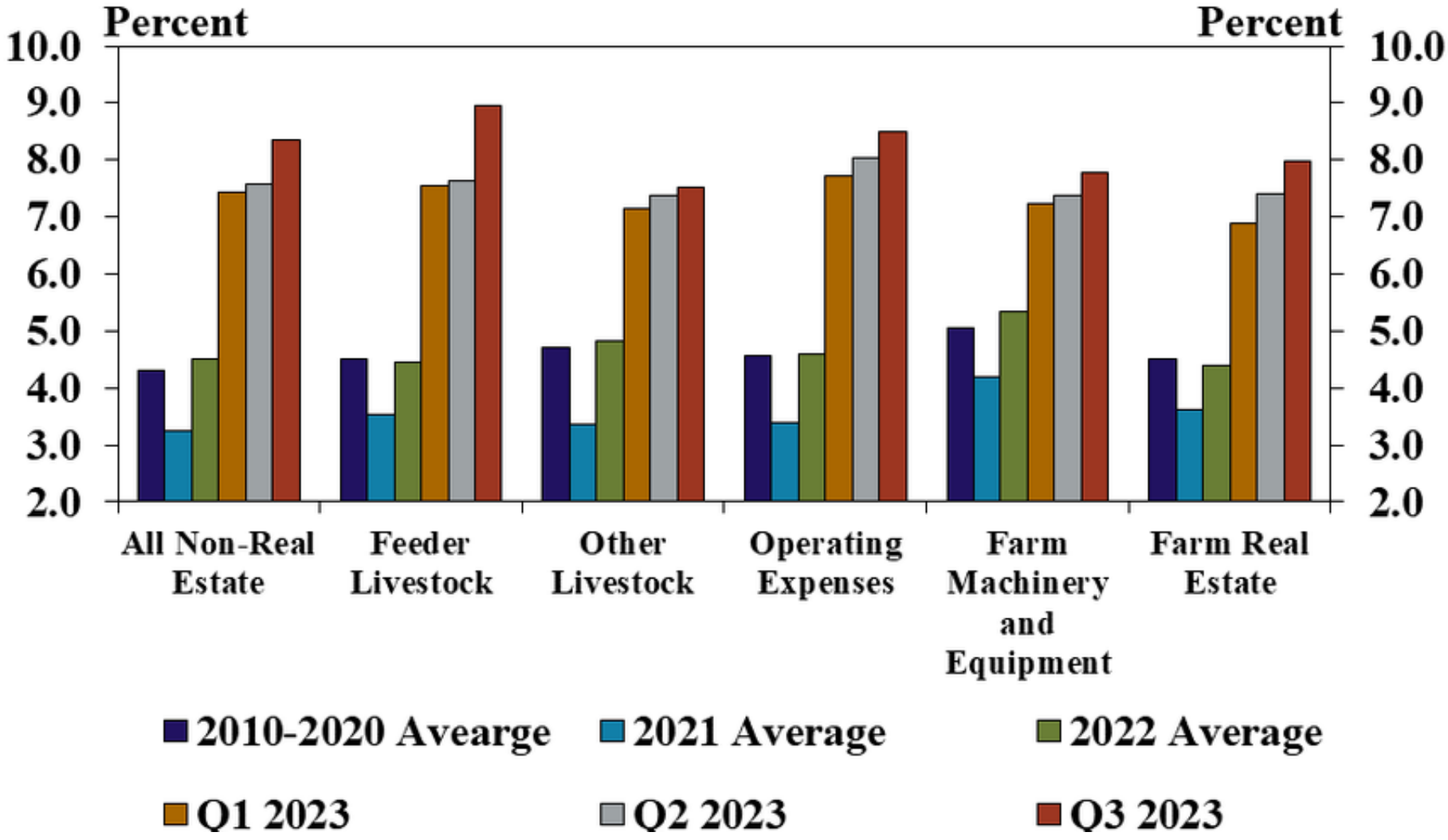
10-Year Treasury – The 10-Year Treasury is the benchmark used to decide mortgage rates across the U.S. and is the most liquid and widely traded bond in the world.

– 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

Back to Interest Rate Reality…

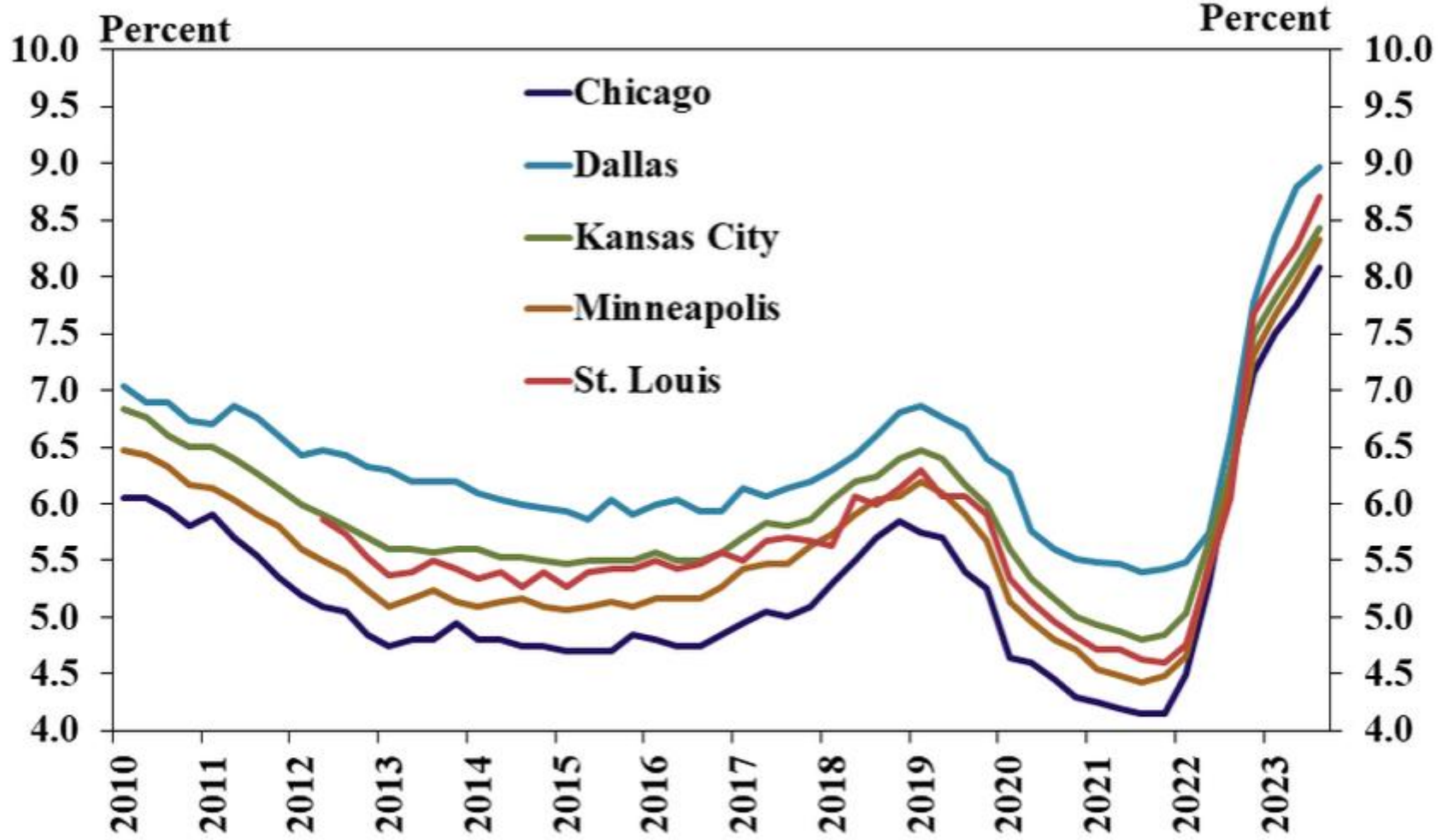




Source: KC Federal Reserve

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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



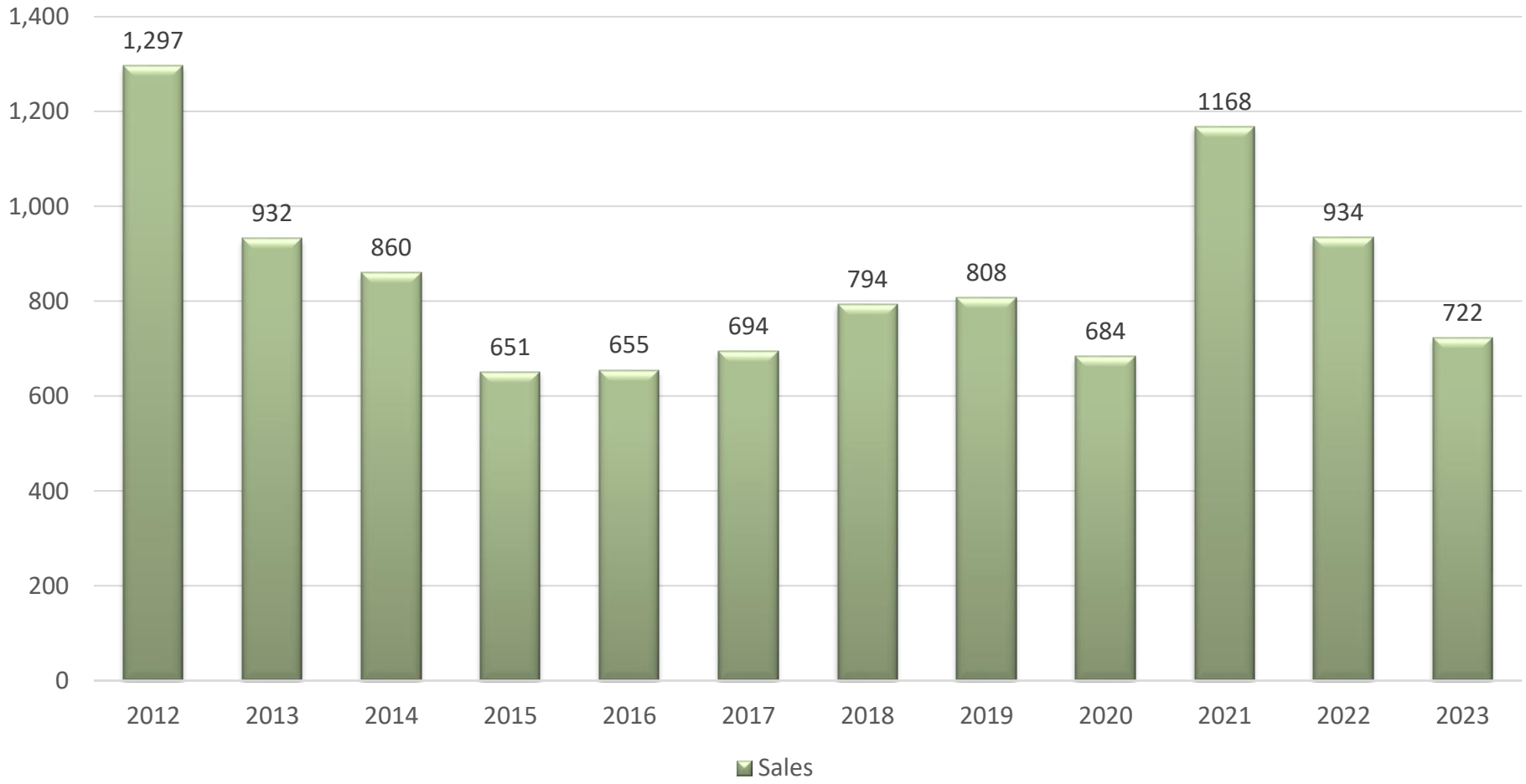
Midwest Farmland Values

WHAT'S DRIVING THE MARKET?
-SUPPLY OF LAND



Source: Iowa RLI March 2023 Land Values Release

Land Sale Volume – IA Farmland Market Sales





Source: Farm Credit Services of America

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

All Categories of Farmland **Illinois - 2023**

The change in rate of land turnover across all classifications and regions.

	Excellent	Good	Average	Fair	Recreational	Transitional
Region 1	Steady	Up	Up	--	Steady	Steady
Region 2	Steady	Steady	Steady	Steady	Steady	--
Region 3	Steady	Steady	Steady	Steady	Steady	--
Region 4	Down*	Down*	Down*	Down	Steady	Steady
Region 5	Down*	Down*	Down*	--	Up	--
Region 6	Steady	Steady	Steady	Steady	Steady	--
Region 7	Down*	Down*	Down*	Down*	Steady	--
Region 8	Down*	Down*	Down*	Up	Up	
Region 9	----	Steady	Steady	Steady	Steady	--
Region 10	----	Down	Down	Down	Down	--



*** Denotes a change of 15% or higher**

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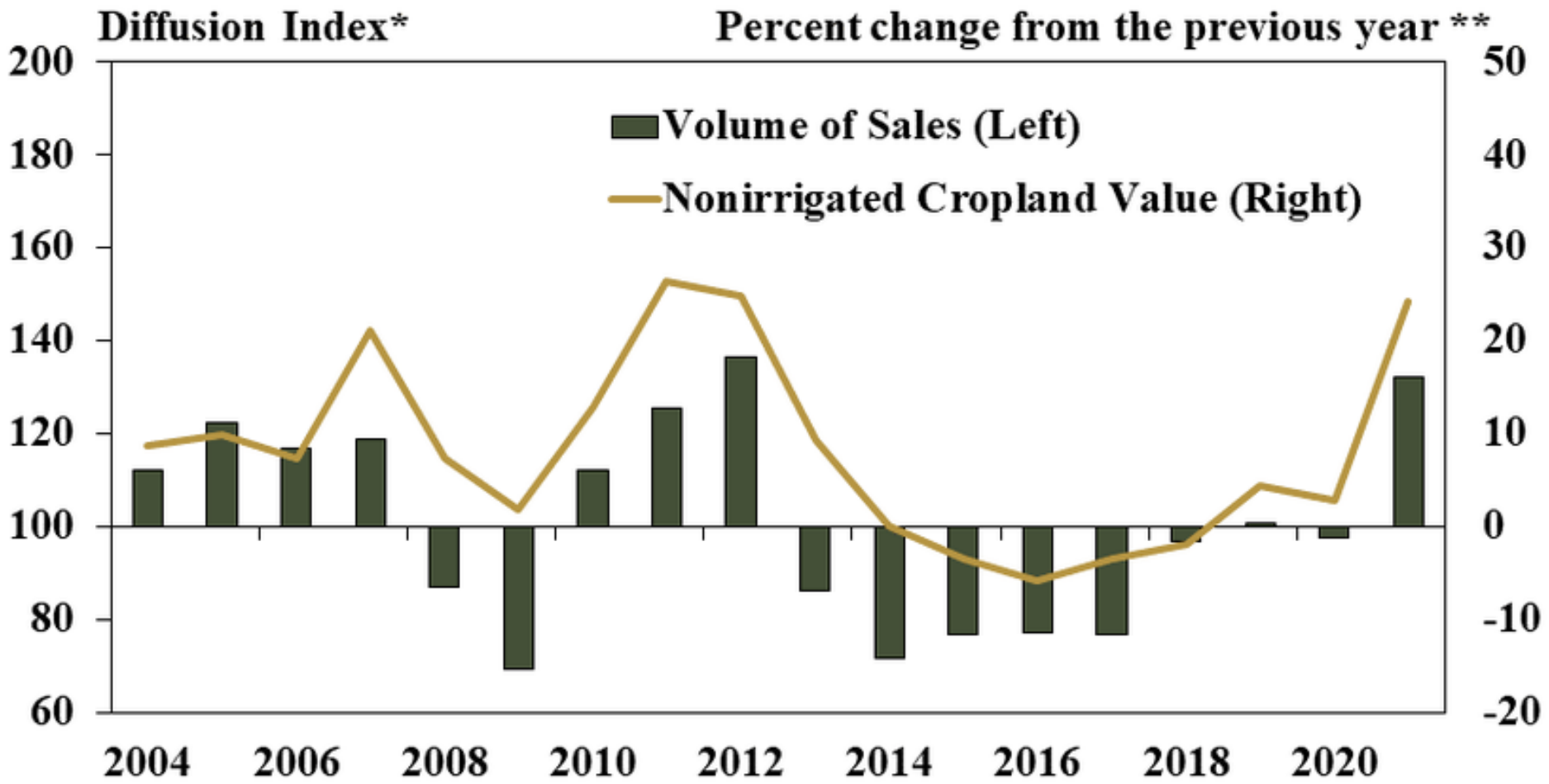


Source: 2024 Illinois Farmland Values & Lease Trends

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



Source: Ag Credit Survey, KC Fed

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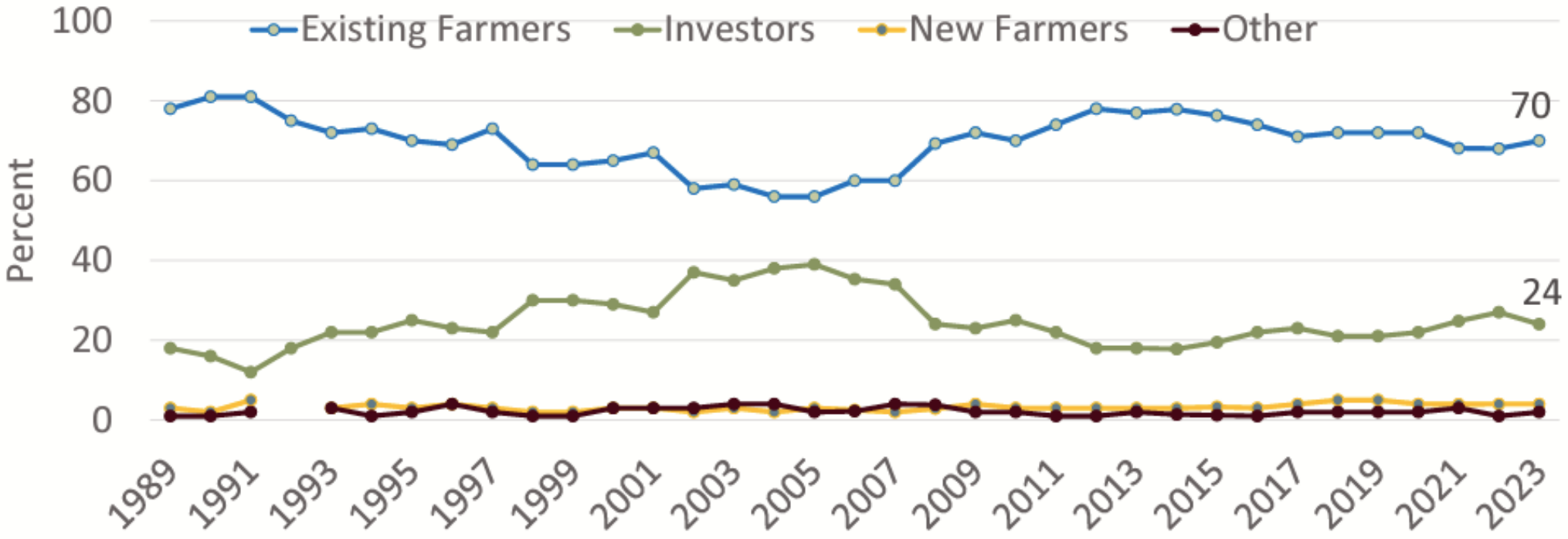
Midwest Farmland Values

WHO IS BUYING FARMLAND?



Who Are The Buyers?

Iowa Farmland Purchases by Buyer Types, 1989–2023





Source: ISU Land Values Survey, December 2023

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

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%
CompositeREITS	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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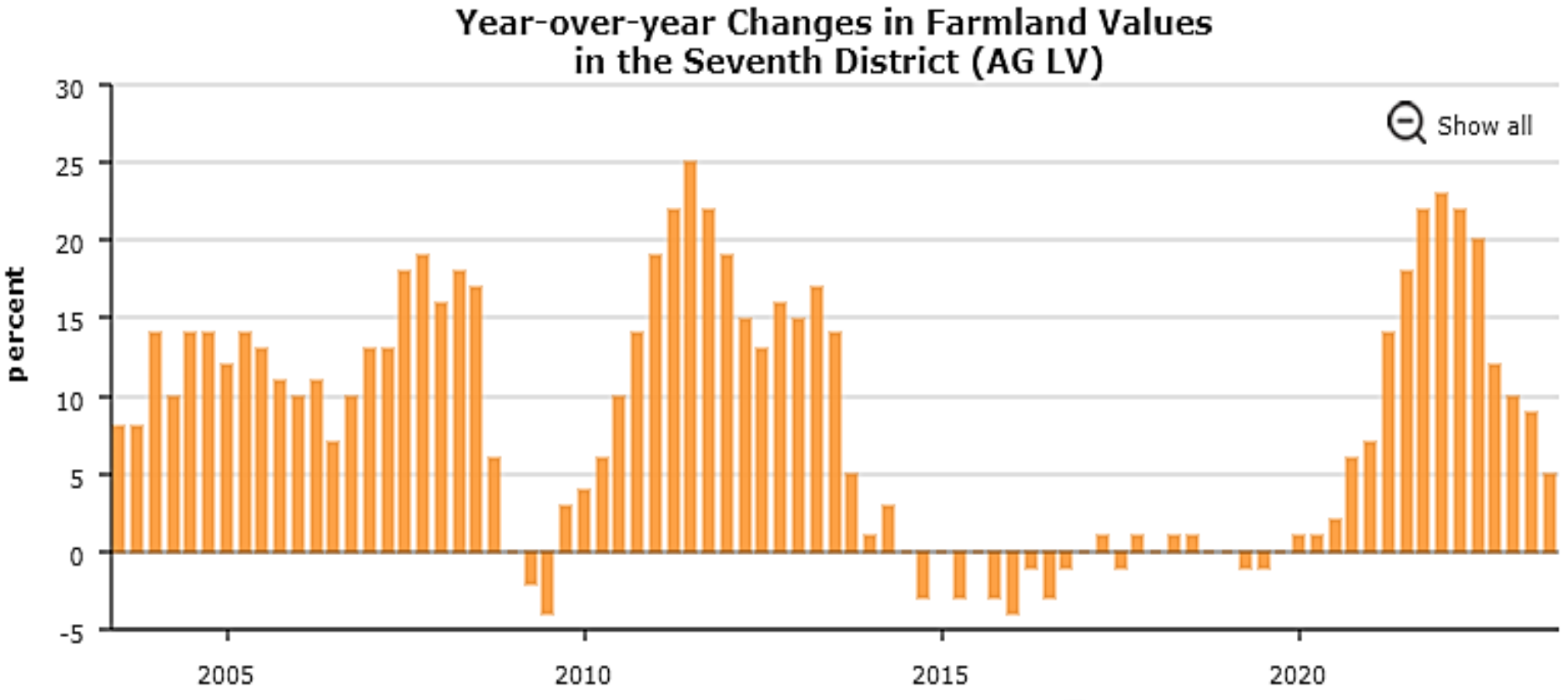


Source: University of Illinois, TIAA Center for Farmland Research

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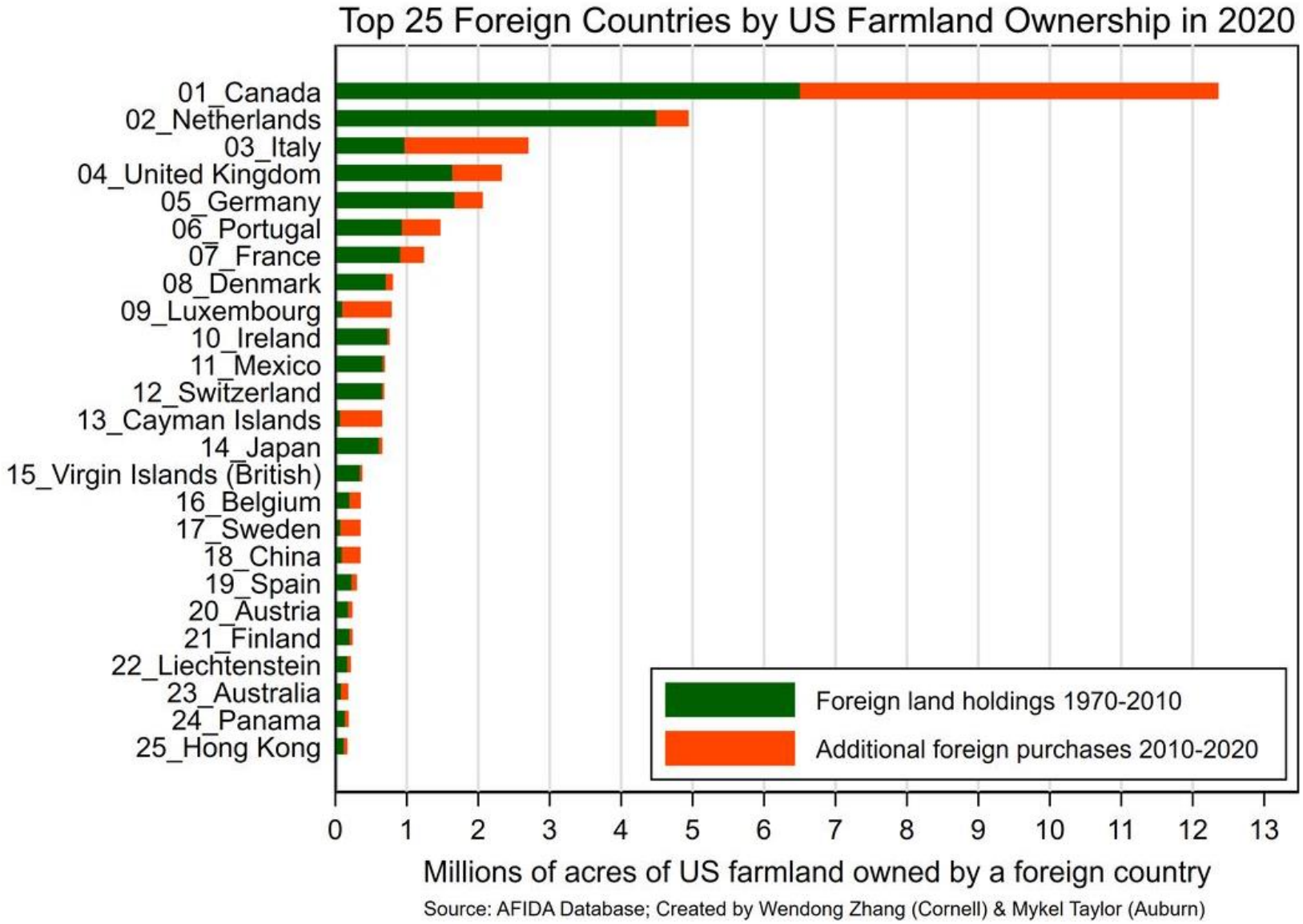
Farmland: Financial Performance



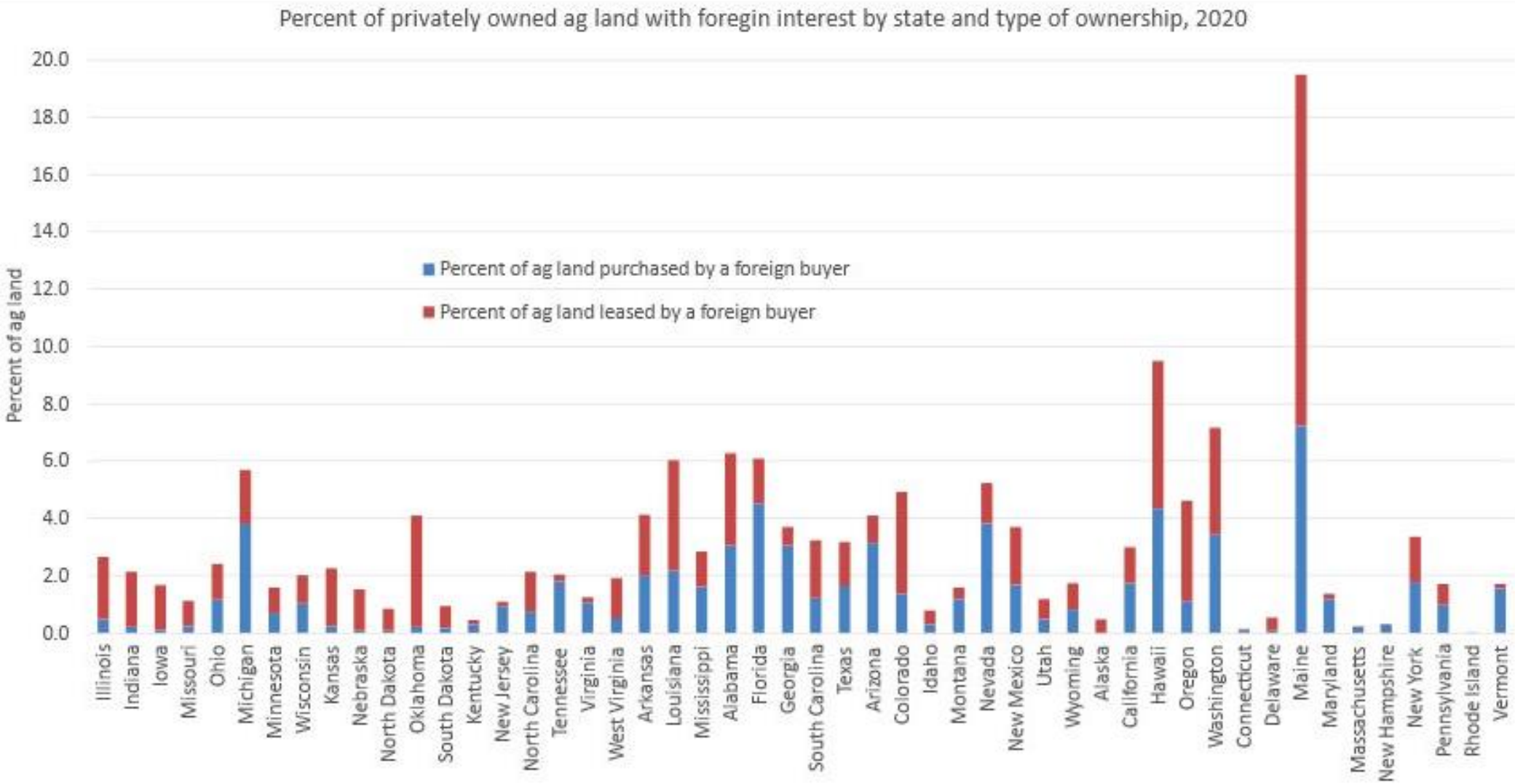


Source: Chicago Fed, November 2023

Foreign Farmland Ownership



Foreign Farmland Ownership

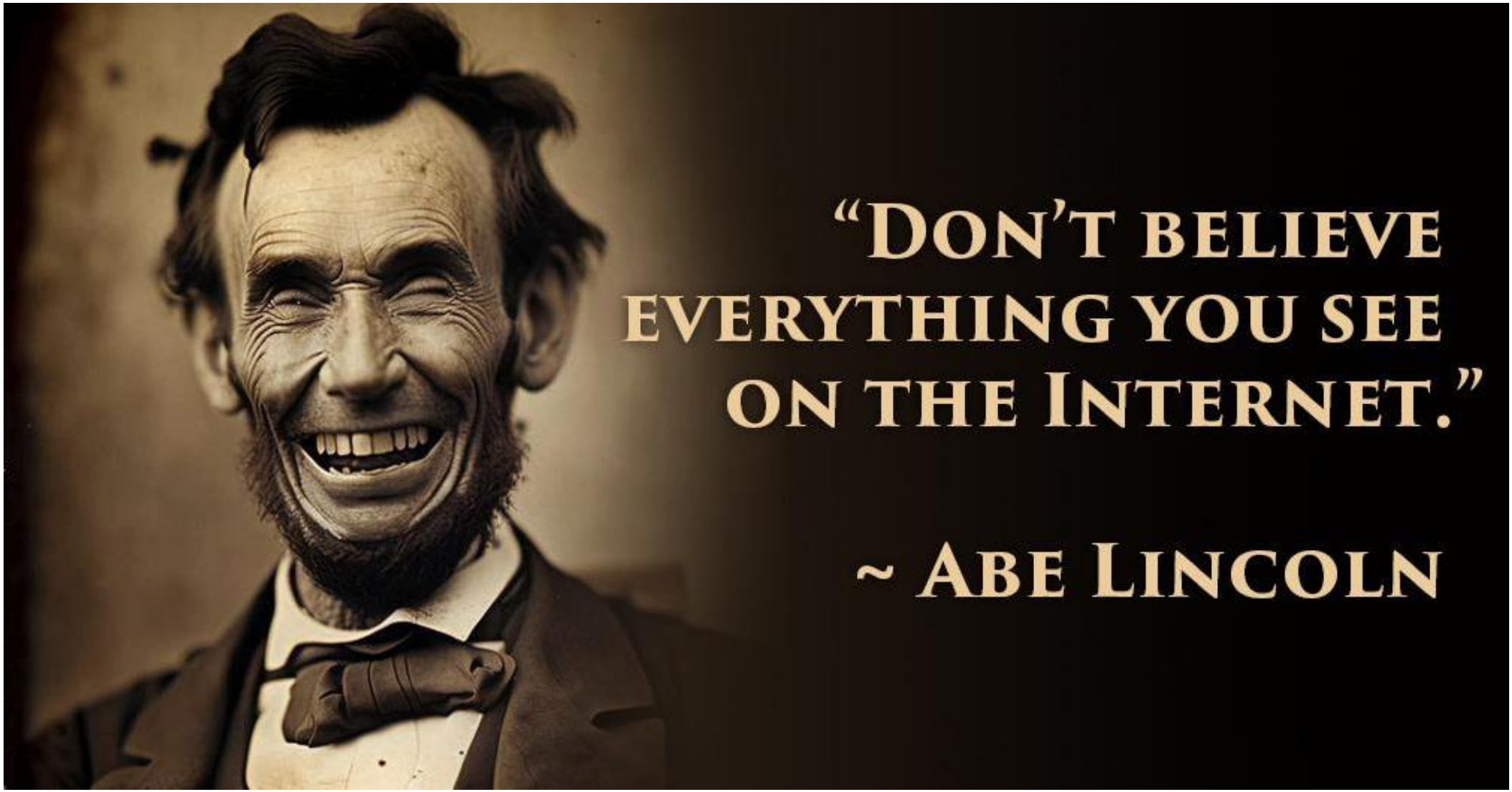




Source: Ag Foreign Investment Disclosure Act Database
(Study by Wendong Zhang & Mykel Taylor)

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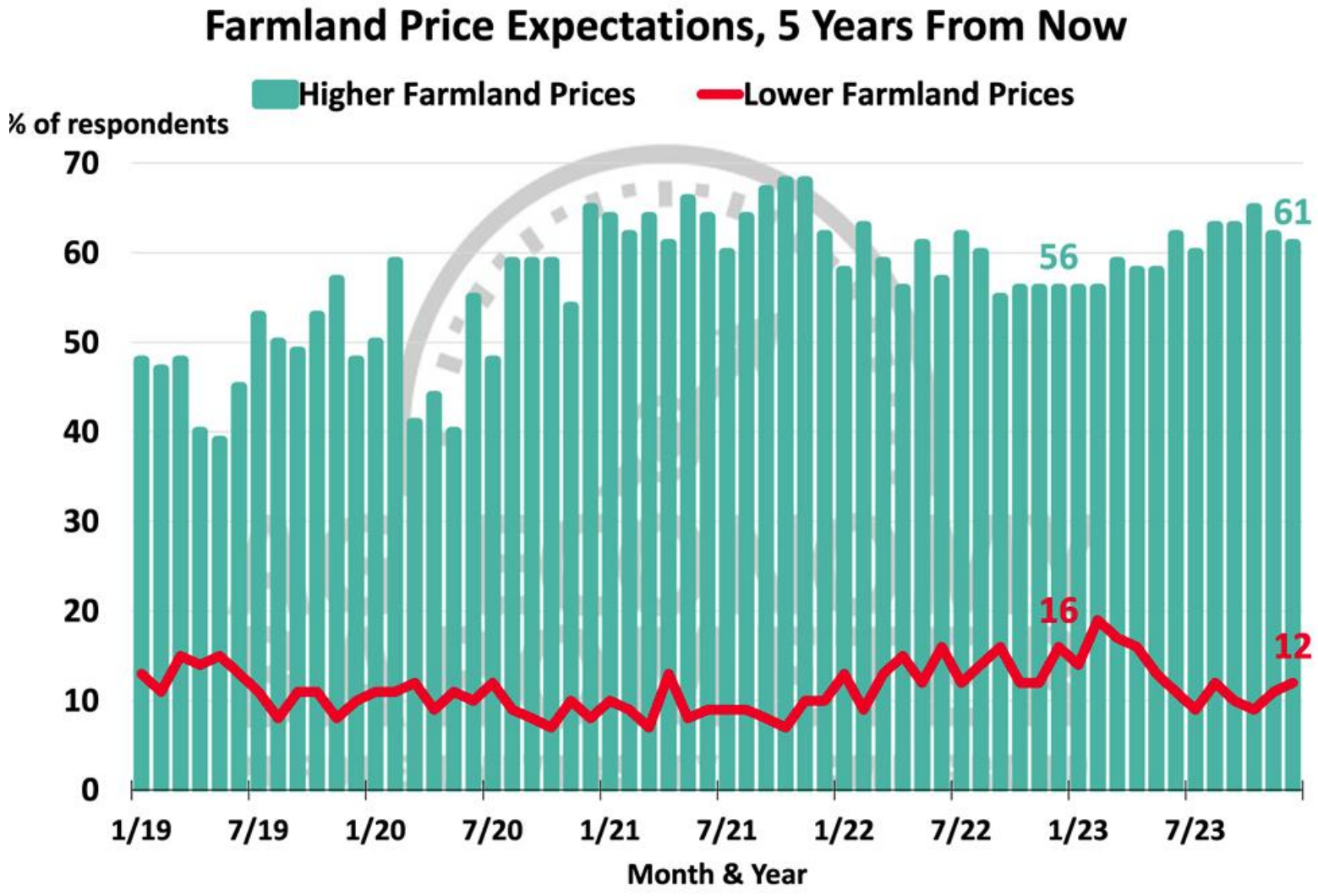


Midwest Farmland Values

WHAT TO EXPECT IN THE NEAR FUTURE?



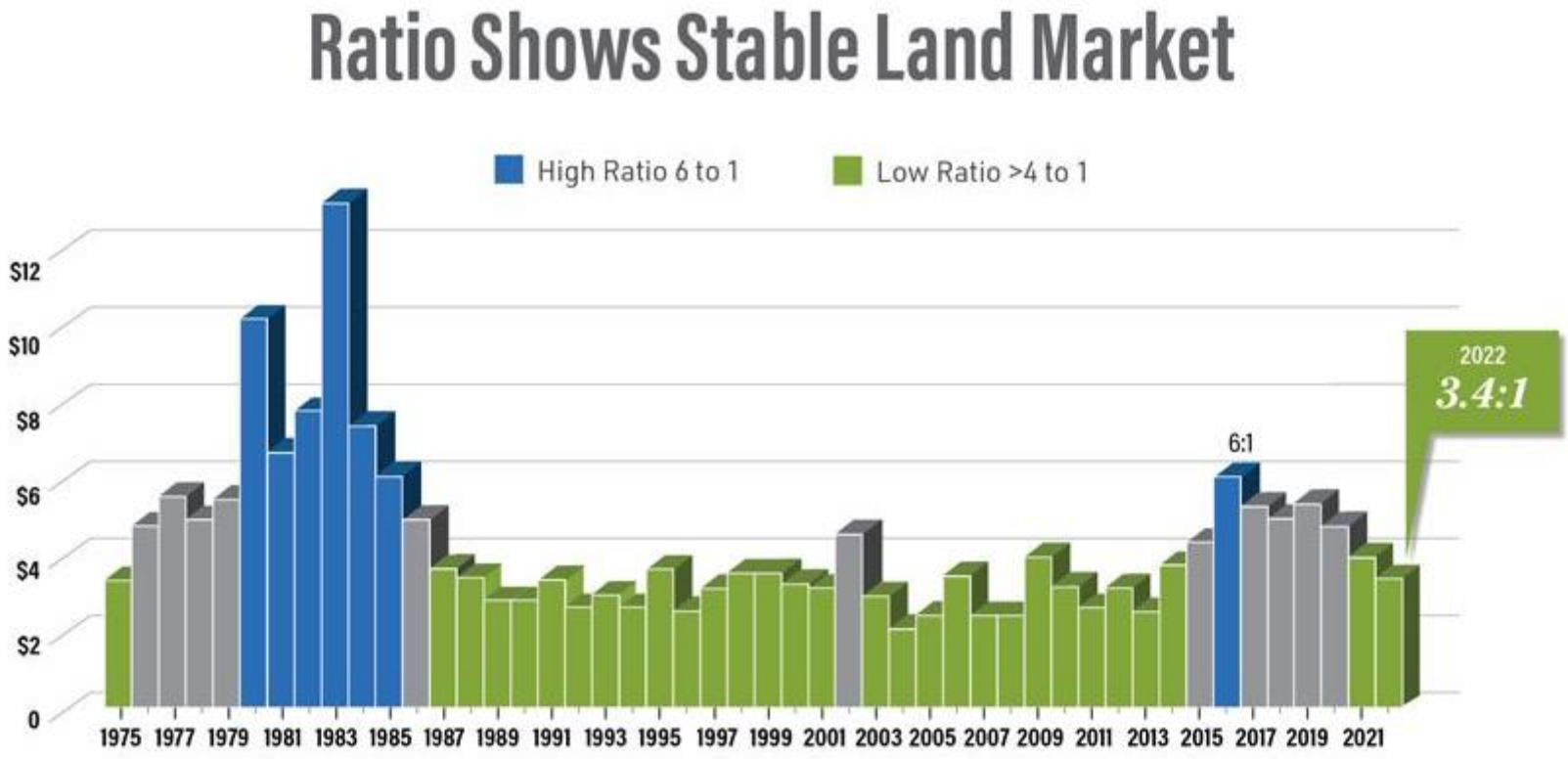
Longer Term Expectations



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



Is this another 1981?



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



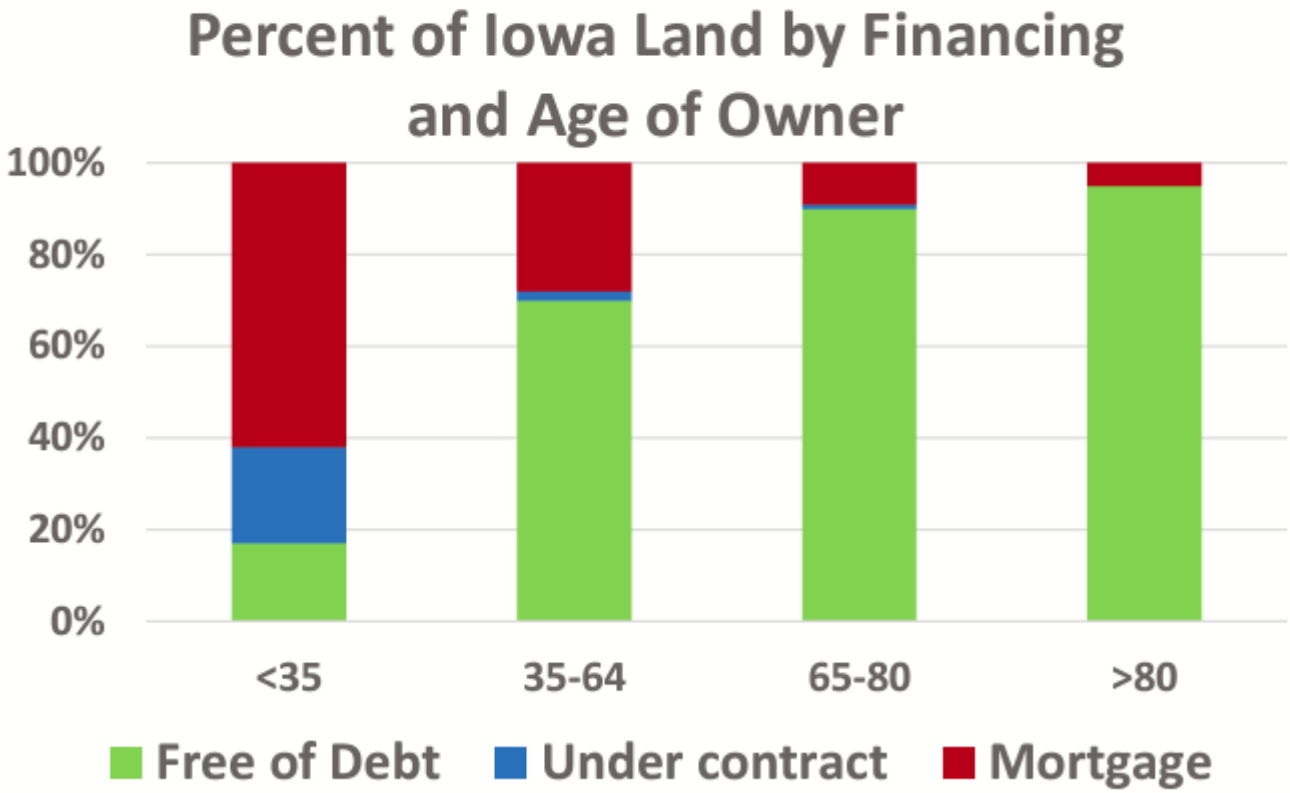
84%



Source: Iowa State University

Who Owns That Land?

84% of Iowa land is owned debt-free

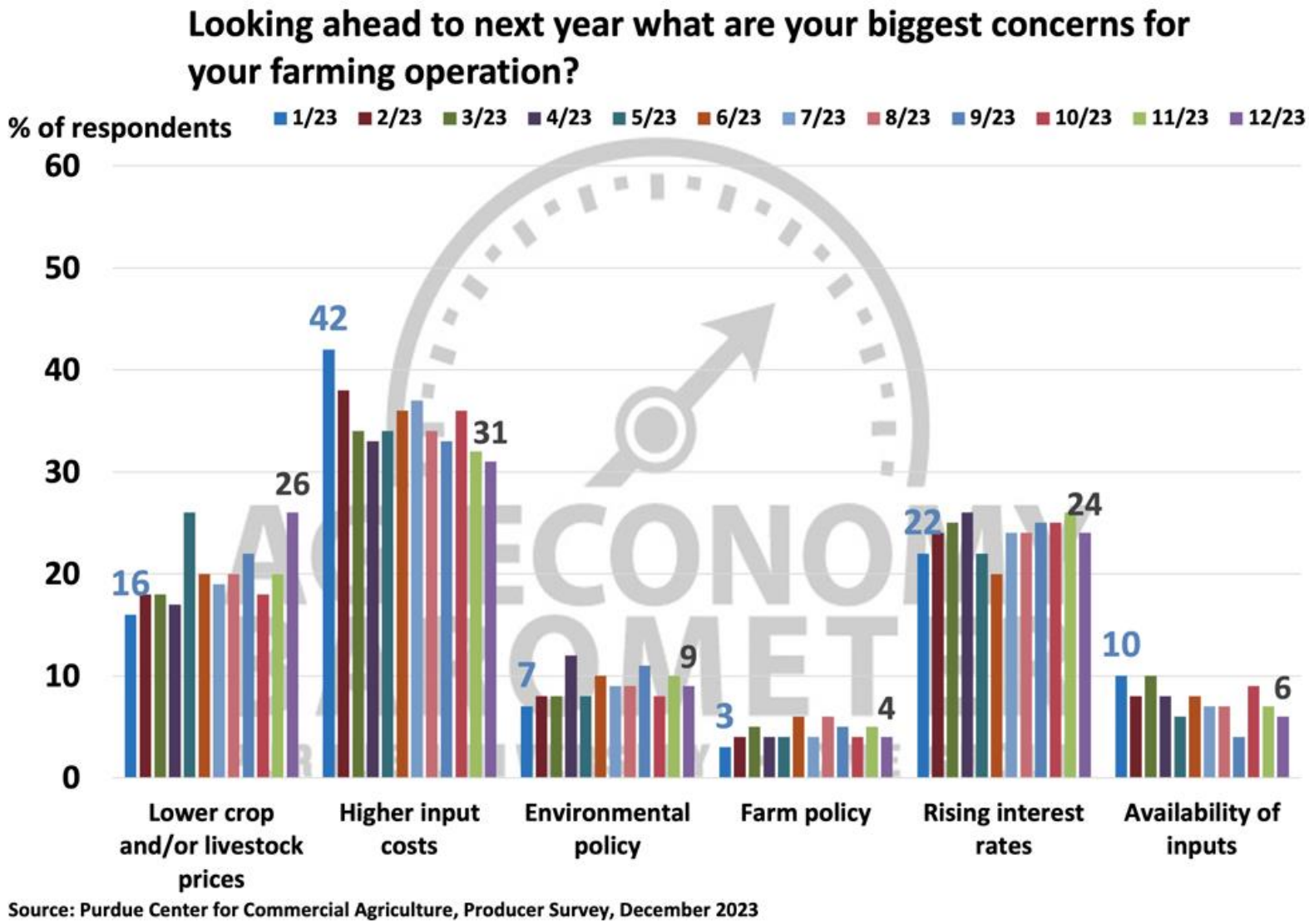


	2012	2022
> 50 Years	20%	10%
40-50 Years		9%
30-40 Years	15%	15%
20-30 Years	19%	21%
10-20 Years	21%	22%
< 10 Years	24%	22%



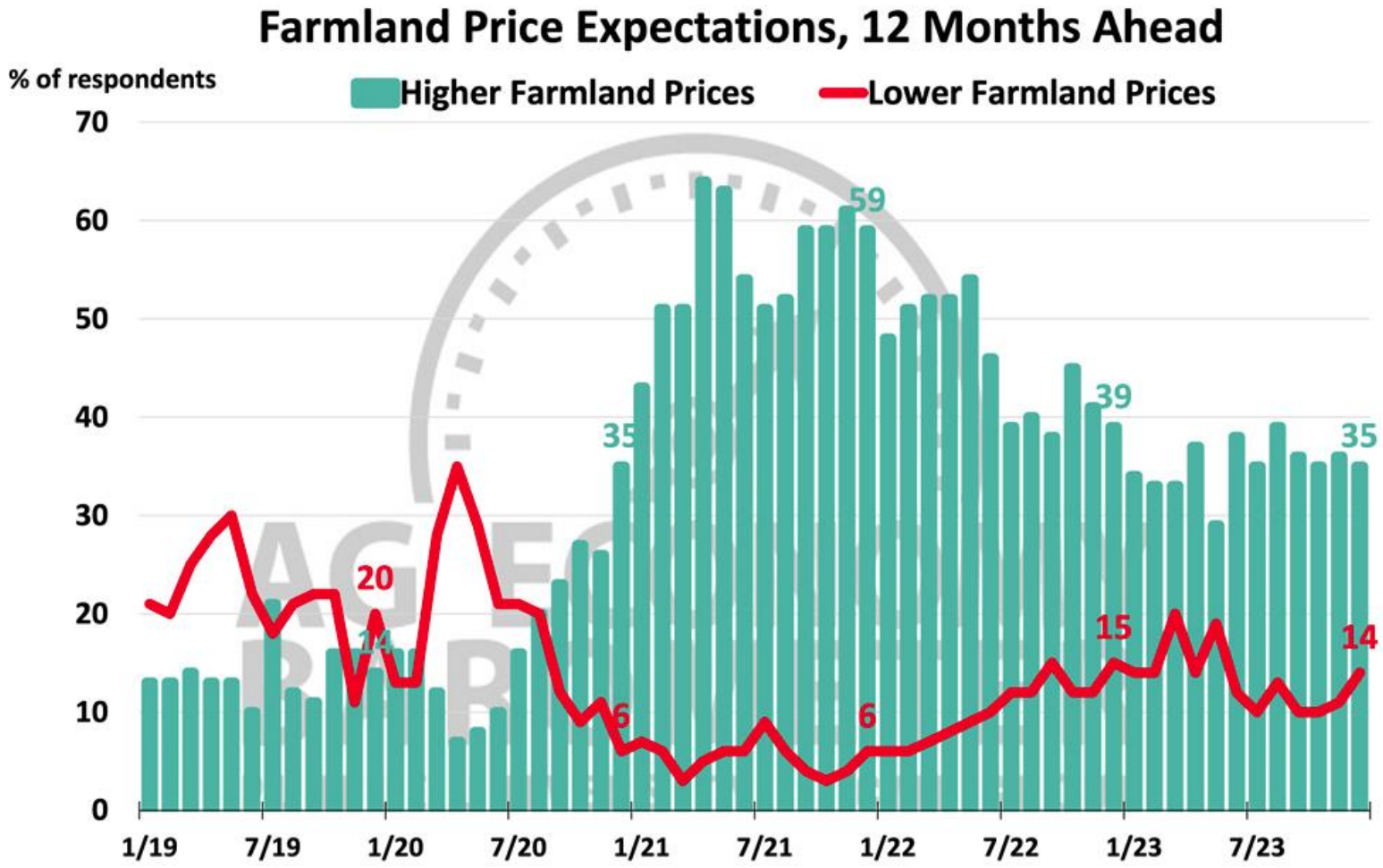
Source: ISU Land Values Survey, December 2023

There Are Concerns…



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

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.

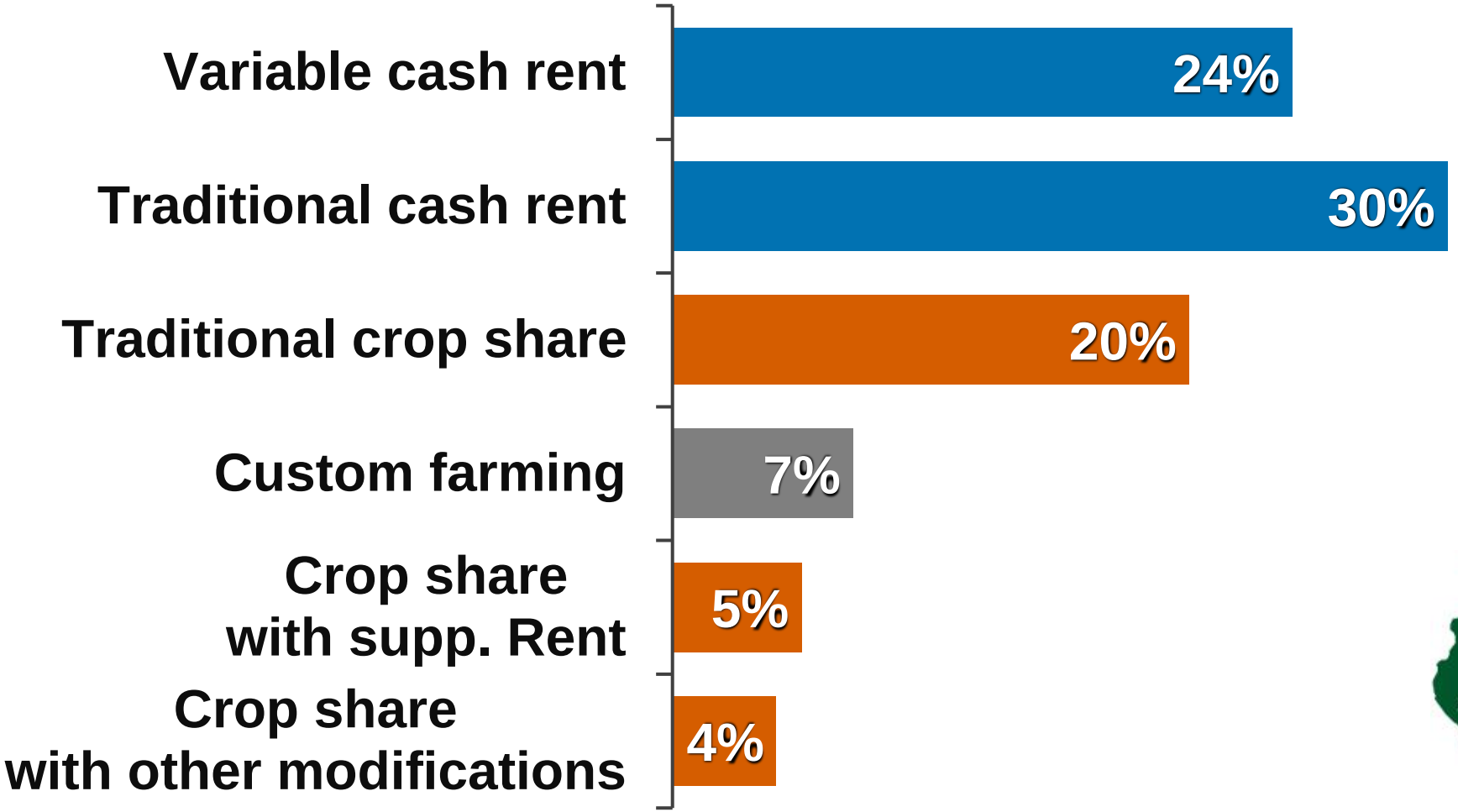


What to watch in the coming months…

- **Farm Policy Under Biden, or a new Administration**
  - New Farm Bill in 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?



Farm Lease Arrangements - 2023



Illinois Society of Professional Farm Managers and Rural Appraisers

ASFMRA



Source: 2024 Illinois Farmland Values & Lease Trends

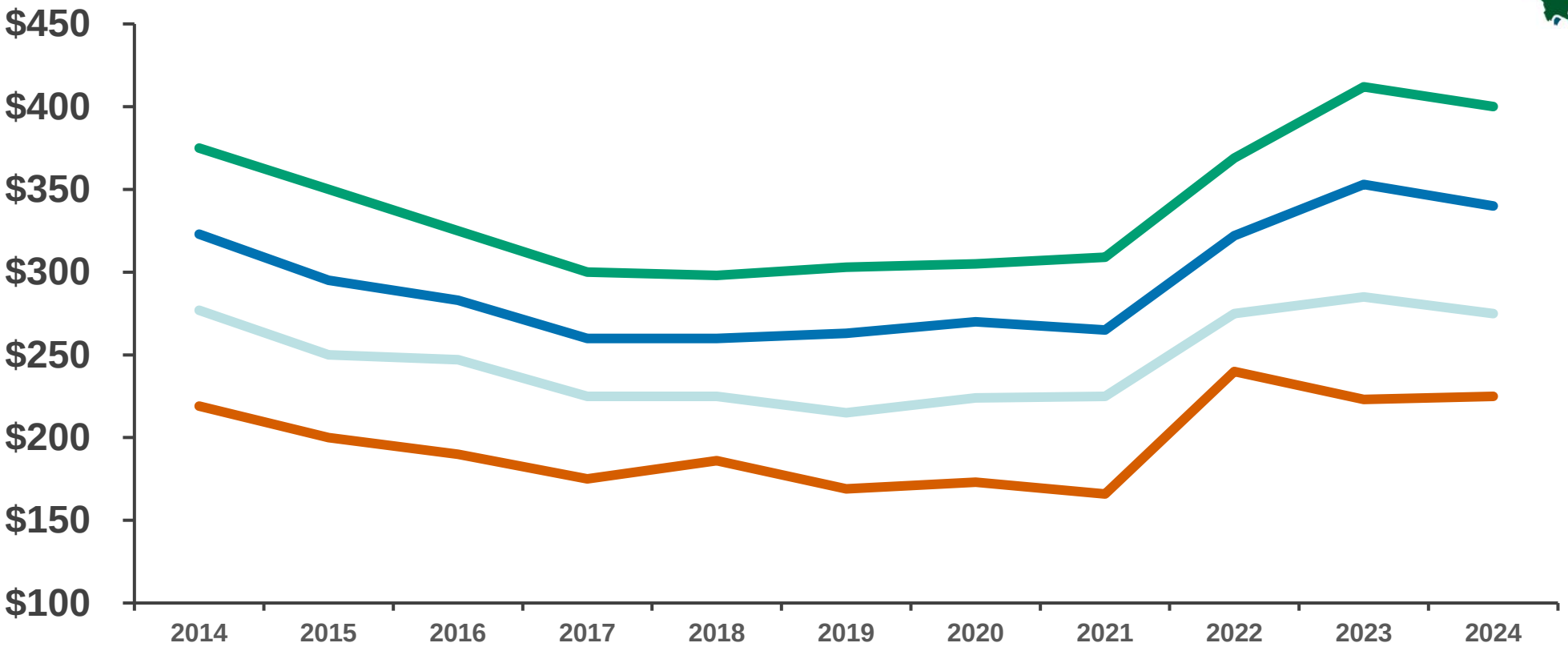
Incomes From Alternative Lease Types – 2023 vs. 2022

Land Class	Traditional Crop Share		Cash Rent		Custom Farming	
	2022	2023	2022	2023	2022	2023
Excellent	$344	$350	$358	$350	$494	$370
Good	$304	$313	$300	$313	$442	$343
Average	$247	$250	$237	$275	$347	$275
Fair	$196	$163	$182	$220	$263	$214



Source: 2024 Illinois Farmland Values & Lease Trends

Cash Rents 10-Year History

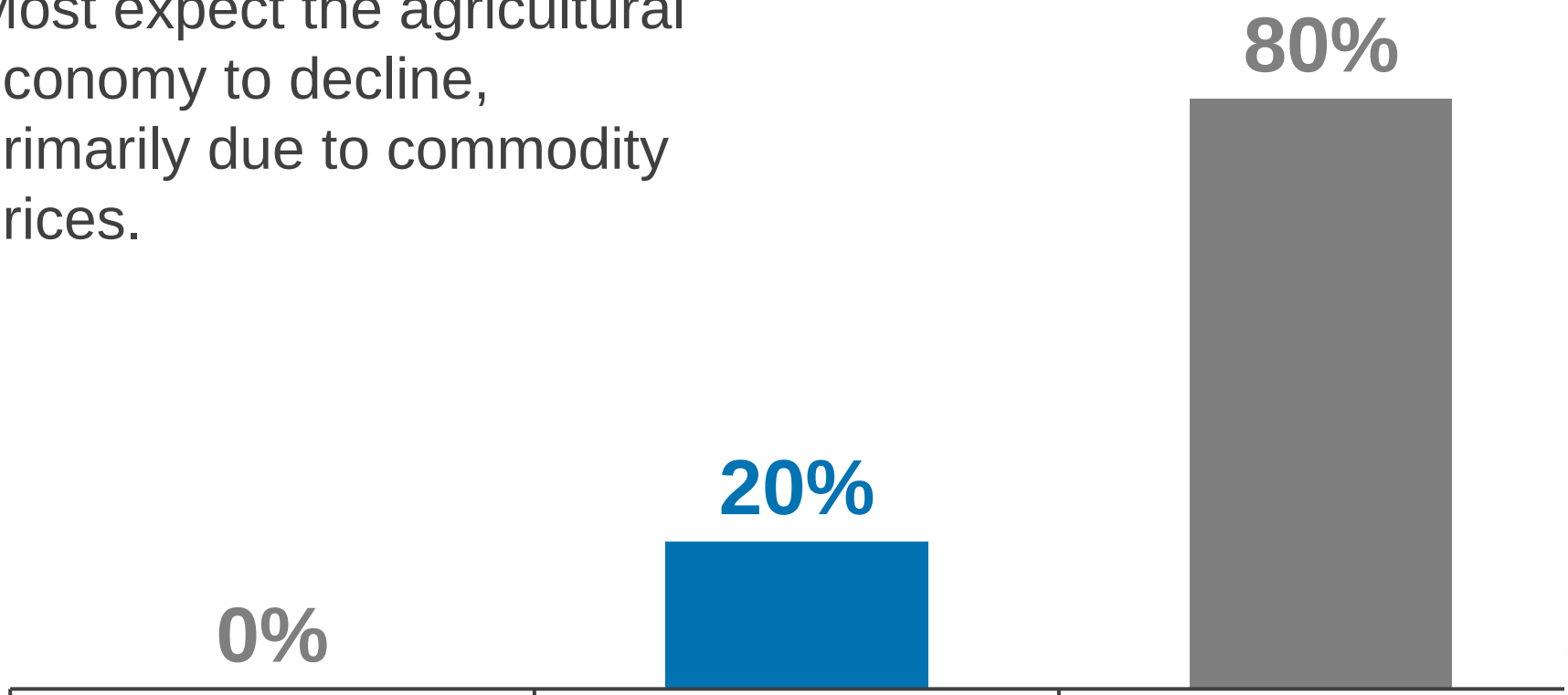


Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Excellent	$375	$350	$325	$300	$298	$303	$305	$309	$369	$412	$400
Good	$323	$295	$283	$260	$260	$263	$270	$265	$322	$353	$340
Average	$277	$250	$247	$225	$225	$215	$224	$225	$275	$285	$275
Fair	$219	$200	$190	$175	$186	$169	$173	$166	$240	$223	$225

Source: 2024 Illinois Farmland Values & Lease Trends

Cash Rent Expectations for 2025

Most expect the agricultural economy to decline, primarily due to commodity prices.



Source: 2024 Illinois Farmland Values & Lease Trends

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