

# THE FARMER'S EDGE



HURLEY & ASSOCIATES  
Agri-Marketing Centers

## Coronavirus Crisis Still on Center Stage for the World's Economy

By John A Johnson

Leaders around the world are in a desperate race against the clock to find a cure and/or effective vaccine to stop or significantly slow the insidious disease that has managed to cripple every major economic entity on the planet. We have reached the second wave of infection, which so far is yielding much larger numbers, both in total number of cases and deaths for most locations. Even in the face of such news, the world is slowly beginning to show real signs of economic improvement as we as individuals learn to cope with the new realities of living in the midst of a world-wide pandemic.

Earlier this year, the U.S. economy was rocked by the worst pandemic that this nation has seen for many generations. The coronavirus outbreak triggered a lockdown order, and struck fear into the hearts of our citizens, especially the older and more vulnerable among us. None of us had a clear picture of how serious or how easily contracted this infection really was. The sudden shock of the hard hitting virus reeked havoc

among our elderly and nursing home patients, while leading to the fastest and sharpest decline in our stock markets on record, and almost instantly pushed the U.S. economy into our first recession in more than a decade. Some 40 million Americans were out of work, due to the businesses that employed them either shutting down or slowing to the point that their jobs were no longer necessary. As early as late June, however, stock markets had recovered much of their Mid-March losses, and key parts of the economy had already begun to show signs of slowly beginning to improve.

A cursory look at economic data indicates that we are beginning to see signs of resiliency across broad areas of the economy. Most economists are hoping for a quick recovery with sustained rebounds. The signs of modest recovery are evident in manufacturing, housing and even auto sales. Those results vary among the different areas, but all are in positive territory at this time. Consumer spending, which is the engine of the U.S.

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# Coronavirus Crisis Still on Center Stage for the World's Economy

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economy, is up compared to late March and April. We wonder what percent of that spending is driven primarily by the unprecedented government stimulus and central bank liquidity programs? Even with widespread job losses, disposable personal income is actually rising as a percentage of overall expenses, in many cases current unemployment benefits exceed what workers were actually earning.

On the flip side of our domestic economy, the most critically harmed industries are still suffering sub-pre virus performance metrics. Those industries are primarily travel, in all phases whether it be by plane, train or bus. The cruise line industry is especially hard hit following outbreaks on several cruise ships at sea which quickly became problematic for the people on board. Motels and hotels across the country are operating at fractions of their normal occupancy for this time of year. Many of these should be enjoying their prime vacation business opportunities, but we aren't there yet. Theme parks are suffering as well, any venue such as baseball, rodeo, livestock shows, circus – in short anything that requires close contact with a large crowd is struggling if it even has survived the massive wave of closures and cancellations. We read of the cancellation of the annual Rose Bowl Parade for January 2021, the farthest out cancellation we've seen.

Leaders for the European Union have finally reached a tentative agreement to a combination of loans and grants

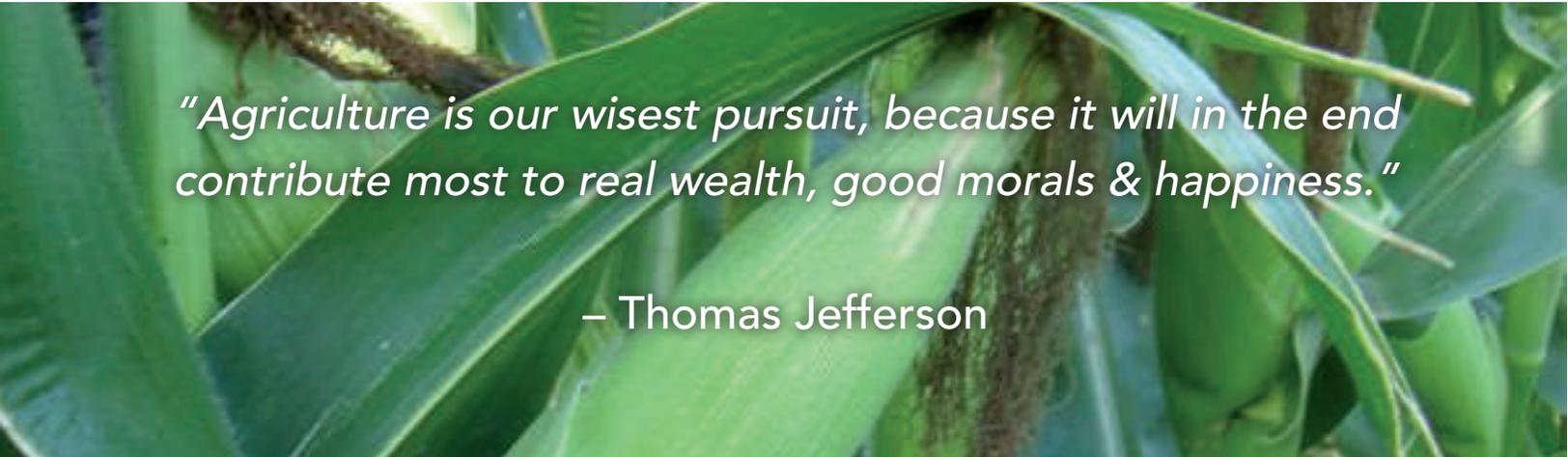
supported by the more well to do Northern members, to aid the Southern members financially, in order to keep all the E.U. economy afloat. The agreement was reached over a marathon session, which ended this third week in July. At this point there are more than a few details remaining to be worked out.

Asian economies are struggling as well since so many of their traditional import destinations struggle through pandemic-induced slowdowns in their own collective economies, and consumption of many items are reduced. Meanwhile world trade is slowing overall, many countries are learning some of the pitfalls of being so heavily import-dependent for important, day-to-day items that are literally necessary for survival. There is a major push in many corners of the world to reverse the globalization of our world's economy where this is possible.

The depth and breadth of this current global economic upheaval depends on the duration of the current health crisis. At any rate, this pandemic will be remembered on the same scale as the bombing of our World Trade Center, which was nearly two decades ago but still affects our lives every single day. Our lives and behavior will be forever changed in many ways, only time will tell us exactly how.

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*John A Johnson has worked for Hurley & Associates since 2007. John is semi-retired now living the life of chasing his grandkids. John is based in Sikeston, MO.*



*"Agriculture is our wisest pursuit, because it will in the end contribute most to real wealth, good morals & happiness."*

– Thomas Jefferson

# Successful Influence

By Brandon Sowers

The definition of influence is “the capacity to have an effect on the character, development, or behavior of someone or something”. Everything in our world exerts an influence on who we are and what we do. This can be a good thing, as well as a bad thing.

In today’s agricultural industry, farmers are forced to take on several roles, sometimes simultaneously. The majority of farmers that navigate this well and go on to become successful often have a circle of influence around them. A circle that consists of people who are highly trusted and respected, and these relationships are not easily gained over time but can be lost quickly. In the farming world, this tends to look like a parent or grandparent, a longtime lender, a seed dealer, an insurance agent, or a marketing consultant. For a farming operation to truly become successful, it often needs to be treated like a business, with profit as a bottom-line measuring stick. This becomes tricky when the farming operation is a 7th generation family farm, or the partnership between a pair of brothers that are just beginning, or a widow that is trying to carry on a legacy. The counsel of this circle of influence helps guide a farmer when making important decisions, and often profitable decisions.

*“You are here to make a difference, to either improve the world or worsen it. And whether or not you consciously choose to, you will accomplish one or the other.”*

Richelle E. Goodrich

What does this circle look like to you the farmer...the business owner? At the end of the day, the owner of the business, or farming operation, owns the triumphs and failures of the business, but that circle of influence can give an advantage of knowledge that only years of experience can compare to.

When you select the people to take a seat at the table of influence for your operation, be meticulous in selecting people that will benefit your operation. People who will care more for your success, than their own. People who care more about becoming better than becoming bigger. People who say we and not me. These are the kind of people who will applaud your success and urge you to continue to improve. These are the kind of people who you reflect on one day and wonder how you could have done it without them. Select those trusted people. The experts in their fields. Lean on them for their knowledge. Learn from them. Own the decisions to be made but support your answer with their wisdom, and in the end, through all this partnering, knowledge gathering, and support, you will be invited to sit at someone’s table of influence. Take it and pay it forward.

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*Brandon Sowers joined Hurley & Associates in 2016 because of the commitment Hurley has to get to know each client personally and their customized individual approach to ag marketing and risk management. He enjoys working with farmers at a personal level, getting to know them as individuals and also about their operations. Brandon is located at the Grundy Center location.*



# Financials first; Marketing from a business perspective

By Kayla Smith

Having an in-depth understanding of your farm's financials is a critical part of your marketing plan and approach. No matter the price environment, having sound financials is vital when action needs to be taken.

In a lower price environment like we are experiencing today, there are a number of factors to consider. During these times, we must remember to think of the farm as a business. Using a business mindset is helpful in being more proactive in placing floors when needed, maintaining discipline, and reducing stress levels. Placing floors in a lower market can be a difficult decision. Having sound farm financials is key in making that decision easier. Specifically, these financial figures can provide direction and the courage to place those floors. Once you know what your operation's needs are, you can see what tools are available to reduce risk and defend profitability. During depressed markets, the right action to be taken might be to minimize loss or make a loss known. Regardless, that decision still needs to be made especially when doing nothing can be one of the riskiest marketing strategies. Another thing to keep in mind is that your operation is always changing. Changes could be in production, cash flow, personal living, etc. and could affect how you and your consultant market your grain.

During high price environments, we also must remember to think of the farm as a business. It is still essential to be proactive in setting floors. Until a price is locked in, your crop's value has not been captured. If the price is profitable, locking in a floor is not a bad business decision.

Financials play a key role in making the decision to set a floor easier especially when it is profitable. Your farm's goals are an important factor to consider when setting floors on your crops. For some producers, their goal may include things like paying for their kid's college tuition, saving for a down payment, a new equipment purchase, etc. Financials can help us stay grounded in our decision making during high price environments when things might be highly profitable. Also, during high price environments, it is an ideal time to look out into the deferred years. Even though you might not know your exact cash flow needs in the deferred years, you likely have a reasonable estimate of what they will be.

Regardless of the price environment, farm financials should always be a vital component of your marketing decisions. In order to make the tough decisions easier, it is important to approach them with a business mindset that is derived from your farm's financial situation and goals.

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*Kayla Smith joined the Hurley & Associates team in 2017. Kayla is located in Grundy Center, IA and serves as a Farm Marketing Consultant. Her favorite part of the job is applying personalized marketing plans to each individual producer, as well as furthering clients' education in the marketing tools available.*

***“The farmer is the only man in our economy who buys everything at retail, sells everything at wholesale, and pays the freight both ways.”***

**– John F. Kennedy**

## Consultant Spotlight: JOHN MELIUS



### **What do you most enjoy about your job?**

I enjoy assisting in other's success and having a direct impact on client's financial, emotional, and relational well-being.

One of my favorite quotes is **"We make a living by what we get, but we make a life by what we give"** ~ Winston Churchill. I am blessed to be surrounded by people that live this out daily, with the focus on others rather than self. This leads to a life of fulfillment and gratitude.

While our vocation is complex, it is very easy to wake up energized to serve our clients and each other.

### **How did you get started in your career?**

I was introduced in college 15 years ago when a Hurley

employee came into our classroom. Hurley allowed me to be the guinea pig for the internship program, and the rest is history.

### **What are you most passionate about when it comes to serving your clients?**

We serve the stewards of God's physical creation. If our motive is to serve our clients with a long-term, disciplined approach to decision making, our clients will thrive. No form of technology can replace the human element of trust, and our aim is to forge a trusted partnership that will last for multiple generations.

### **What would be your ideal vacation?**

The ideal vacation would combine golfing and hiking in the mountains, followed by good food and drink by the water with family and friends – with no bugs!

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*John grew up on a family farm near Chelsea, SD where they raised corn, soybeans, wheat and cattle. He graduated from SDSU with degrees in Ag Economics and Ag Business, along with a minor in Ag Marketing. John has continued to further his education and insight into agriculture through participation in TEPAP (The Executive Program for Ag Producers) and SDARL (South Dakota Ag and Rural Leadership) where he currently serves on the board of directors.*

*John has been with Hurley since January 2006. Through his background on the farm, as well as his education, he has become deeply knowledgeable in farm production paralleled with the knowledge of ag marketing and finance. John enjoys partnering with operations to challenge producers to make solid business decisions in securing revenue for the operation.*

*John lives in Brookings, SD with his wife Jodi and 4 children – Avery, Reid, Landry and Jack. John believes that life is more about what you give than what you get, and he strives to do this in his vocations of husband, father, coworker, and consultant.*



*"The ultimate goal of farming is not the growing of crops, but the cultivation and perfection of human beings."*

**– Masanobu Fukuoka**

# Measurable Success

By Bobby Reifenrath

Will you be successful this year? How do you know? These are two of the questions that every business owner ought to be able to answer. Without a tangible way to measure success, it can be next to impossible to be satisfied. This is why we preach so often that we must have a goal to shoot for, somewhere to aim. As we grow closer to harvest, now is a great time to stop and assess if your goals on the farm can be met. This could be as simple as making a trip to the field for a yield check, or as in depth as creating a mark-to-market cash flow to assess a Return Over Cost goal.

From time to time, I meet with producers and ask them what their profitability goal is for the operation. This is often followed by a smirk and an answer of 'all I can get'. After we agree that is not an attainable goal, we often find that there is not a tangible goal for the farm. This is typically followed with a discussion about defining success. Think about any other organization. They have all laid out what success is and are able to set goals to work towards that. For example, the high school basketball team is aiming for the state title, the college student has the path to their degree mapped out, the newlyweds meet with the bank and realtor to plan for their new house, the seed salesman works toward his sales quota, and all of us work towards our retirement number. In each case, we first answer the question, 'what is success?', and then lay out the steps to get there. Your farming operation is no different. We must first define what success is and then lay out a plan to get there.

Over the years, I have penciled in quite a few different goals for producers. Below are a few examples:

1. I want to profit \$50 per acre this year on my corn crop
2. I want to create a 5% Return Over Cost with my fed cattle
3. I want to pay myself \$40,000 this year as a salary from the farm
4. I want to increase revenues by 25% to have the ability to bring my son back to the farm in 5 years

You will quickly notice that all of these goals contain a few key pieces. They are all **Specific, Measurable, Attainable, Relevant,** and **Time-based**. This is also known as a SMART goal.

To create a SMART goal, start with the end in mind. A teenager decides they want to be a doctor first, and then goes back to map out the steps to get there. Your business can do the same! Start by asking yourself 'what would I consider a successful year?' Then, go back and create the necessary plans to get there. Will there be hiccups along the way? Absolutely, but we are better able to correct course when we know where the target is.

When anyone takes the necessary time to create a SMART goal, they are then able to plan towards achieving that goal. In farming, this is usually done with your team of professionals. This may include your lender, agronomist, nutritionist, accountant, and marketing consultant. All of these folks are there to help you reach your defined goal. However, if a SMART goal has not been determined, all of your teammates may be aiming at different targets. So, I will ask again, 'will you be successful this year? How do you know?'

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*Bobby Reifenrath is a Farm Marketing Consultant with Hurley & Associates, he is our Nebraska Consultant based in Brookings, SD. He works primarily with producers in South Dakota and Nebraska.*



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Wessington, SD  
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Wheaton, MN  
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Canyon, TX  
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Caruthersville, MO  
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Snook, TX  
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