

THE FARMER'S EDGE



HURLEY & ASSOCIATES

Agri-Marketing Centers

Sociable Farming

By Ryan Dennis

I remember the first time I heard about Facebook. A girl in my college class told me that it was “kind of neat” and that I should check it out. She described it to me: “You create an online profile that says you like all sorts of eclectic bands and try to put up pictures that only make you look good. You can post anything, but mostly about what you cooked for dinner or what made you annoyed that day. You try to get as many “likes” as possible because that makes you feel good.”

I thought that is stupid. That will never catch on. Fifteen years later, Facebook is so big that it is trying to bring out its own currency. Some pundits—including, reportedly, the US government—are starting to get nervous that Facebook may one day become large enough to be more powerful than actual governments. It turns out I was wrong. Facebook did catch on. Most people are willing to admit that technology is a double-edged sword: We’re gaining some sort of convenience, but often lose some other essential part of the human experience. (I appreciate how fast I can look up a restaurant on my Motorola, but worry when I see people unable to walk on the street without a phone in front of them.) Regardless, the thing is, most of us are unwilling to go back in time and live without the devices and gadgets that we’ve become accustomed to. In the same way, I don’t like what social media may be doing to people’s attention span and how they get their information, but I know it’s here to stay. Although I could never imagine my father in the parlor with a selfie stick recording the morning milking to upload on YouTube, it was obvious that it wouldn’t be long until there were farmers who

did. Needless to say, the Millennials in agriculture have it covered by now. Anyone so inclined can gorge themselves on tacky farming-related music videos, anti-vegan rants, endless clips of someone playing the trombone to a herd of cows, and plenty of good-looking women driving combines. In Ireland, there is even a custom silage outfit called The Grassman that have their own Youtube channel and sell merchandise for all the rural teens to wear.

Farming and social media are well acquainted by now.

The 1920s and 1930s saw a boom in the farm novel in North America. Everyone was writing about farming—even people who never passed by a cow or a field in their life—because it was the hot topic. There were more rural readers back then, and even those in the city wanted to read about the lifestyle that was different from their own. Since then, however, novels about farming have practically disappeared. There are fewer farmers, and fewer people to write about agriculture. The result is that there are fewer ways for those outside of the industry to learn about it, as well as opportunities for farmers to get to see their lived experience reflected back to them. The same can be said for films, with the portrayal of farming becoming increasingly scarce and inaccurate.

It seems, to some extent, that social platforms have been able to fill that gap concerning the presence of farming in media. Some YouTubers have become extremely popular (and wealthy) by chronicling everyday farming chores, suggesting that there is still a curiosity about what happens

continued on page 2



IN THIS ISSUE:

- 1-2 Sociable Farming
- 2 Love is in the Air
- 3-4 Option Management in Volatile Markets
- 4, 6-7 Heavy Handed Stimulus Programs Stifle American Productivity
- 5 Strong Relationships = Strong Decisions
- 6 Consultant Spotlight: Landon Fischbach
- 7 HA Portal Highlight: Highlight Cash Flow

Love is in the Air

By Myron Friesen

How do farm families separate love for their families from goals for their farm? What follows is what I heard from a new client recently. "It seems hard for my wife and I to agree on how to handle things when we talk about estate distribution. We both love our children, but she gets soft and mushy when she wants everything to be perfect and equal. I look at the farm as a business that has certain goals. Our children have many differences as well. Those differences range from one farming with us full time to others not even knowing where we own land. My wife thinks our distribution plan is a reflection of our love for our children and I fear some of our children will feel the same way she does. I love all of our children more than you can imagine, but to me, that does not mean every asset has to be split equally. What should we do?"

That is a very real and somewhat common issue that farm families deal with. In our society, people tend to hear messages like "you deserve" or "you are entitled to" or "if they loved you, they would...". Dealing with those messages and feelings can be a challenge but the first step is for you and your wife to be clear on family and farm goals with each other. You and your wife need to listen to each other's concerns and write them down. You may need the help of a qualified farm estate advisor to identify potential solutions. I once heard someone say, "People will not remember what you did for them, but they will remember how you made them feel." Sometimes people try really hard to make every bucket equal for their children, only to find out some children aren't happy anyhow. I have seen estates distributed that seem very lopsided, and yet the family members were all incredibly satisfied and not resentful at all. I've also observed plans that looked fair and yet everyone was upset.

Math and planning can be done to keep the farm business strong, but you also need to make all children feel good about what you did. So

how can you make your children feel good? You can start by actually telling them you love them and do things that reinforce that. Train them that your love is not always reinforced with money. I see some children start to believe that love and money are always hand in hand. At your death, they may view less money as less love and whoever gets the most, must've been loved the most.

Communication is big. Some advisors suggest everyone gets to see your will ahead of time. To some that may sound good, but sometimes things change. What then? Someone finds out they are now getting less, therefore they may perceive they are now loved less. Sometimes explaining the general concept of your distribution plan will suffice without discussing all the details. This leaves you margin for changes in the future if needed.

So, let's get back to the differences between you and your wife. There needs to be a balance between your math and her feelings. Be careful how any differences are portrayed to your children. It would not be good if you told some of your children, "If it was up to me, I would do it this way", while your wife is saying the same thing to other children. Needless to say, that will only stir up more problems. Hopefully, your children will sense unity between the two of you. Years from now hopefully their memory will not be just what you did for them, but also how you made them feel. That would be a win for you and your wife.

Myron Friesen is co-owner of Farm Financial Strategies in Osage, Iowa. During the past 19 years, he has worked exclusively with farm families across the Midwest to develop farm transition strategies. Friesen grew up on a Mountain Lake, Minnesota farm. He owns and operates a 950-acre crop and livestock farm with his wife and four children.

Sociable Farming

By Ryan Dennis

Continued from page 1

in a barn. I've stopped becoming surprised when a tweet showing a picture of cattle in a pasture gets several hundred likes. Social media, when all the cat memes and epic fail videos are put aside, has allowed some farmers to find a voice again and connect directly to consumers. Ultimately, I've come to realize that the more I complain about social media the more curmudgeonly I sound. And it might be true: if you cannot beat them, you should probably join them instead.

*Ryan Dennis is the author of the novel *The Beasts They Turned Away* (époque press), set on an Irish dairy farm. He is a former Fulbright Scholar in creative writing and has taught at several universities. Find out more about Ryan at www.penofryandennis.com or contact him directly at RyanDennis@themilkhouse.org.*

Option Management in Volatile Markets

By William Norman:

The intent of this article is to help you understand the mathematics (risk/reward) of managing options in the current market environment.

The most frequently used strategies are call and put options. Call options gain in value in a rising market. Put options insure against the price falling before we make a sale or hedge.

The following steps are examples. Provided for educational purposes only. Commissions and fees are not included. Please contact your consultant for needs specific to your operation.

Managing Call Options

Example: Corn is trading at \$4.20

Sell or hedge corn @ \$4.20. Purchase a call option for \$.20.

This allows us to have a \$4.00 floor and upside potential if prices increase.

Fast Forward: The corn market is now trading at \$6.00. What we know:

1. Our option is now worth at least \$1.80. (The difference between the \$4.20 strike and \$6.00 current market).
2. Our floor is still \$4.00.
3. Our option is now more similar to futures, than a near the money strike call. We now have at least \$1.80 risk in our option.

Now we should evaluate our position to look for ways to improve our floor. The recommended strategy would be to roll our call option to a higher strike price. This allows us to raise our floor price and continue to participate in a rising market and eliminates equity risk.

Example: A \$4.20 call is trading at \$1.80, and a \$6.00 call is trading at \$.45. Buy the \$6.00 call for \$.45 and sell \$4.20 call at \$1.80 for difference of \$1.35. This adds \$1.35 to your \$4.00 floor, which is now \$5.35. This also keeps upside open with \$.45 risk.

Evaluate risk/reward –

$\$1.35 / \$1.80 = 75\%$

$\$.45 / \$1.80 = 25\%$

We locked in \$1.35 of \$1.80 for a cost/risk of \$.45 or a 3 to 1 risk reward.

We feel an acceptable risk reward ratio should be at least 2 to 1 or 66.66% and preferably 75 – 80% (3-1 or 4-1). A 4-1 ratio of 80% or above is typically attained on options near expiration and very deep in the money.

Put Strategies

Let's continue using the previous price structure with the corn market trading at \$4.20. Instead of selling or hedging \$4.20 corn, you can buy a \$4.20 corn put for \$.20, still creating a \$4.00 floor maintaining upside above that level.

Fast Forward: Corn now at \$6.00 and our \$4.20 corn put is worth \$.05. Currently our floor is still \$4.00. We can purchase a \$6.00 put for \$.50 and sell our \$4.20 put for \$.05 or a difference of \$.45. Therefore, raising our floor by \$1.35.

The difference in strikes $\$6.00 - \$4.20 = \$1.80$ minus the cost of the \$6.00 put (\$.45) = \$1.35. This is added to the previous floor for a new floor of \$5.35 or 3-1 Risk Reward.

The same risk reward percentages apply here. An acceptable risk reward ratio of 2-1 or 66.66% is a minimum to raise your floor and our preference is 75 – 80% or higher, while maintaining upside potential.

Short dated options give us an alternative of trading new crop futures, November Soybeans or December Corn in months with an earlier expiration date. These options offer the advantage of less expensive premiums but for a shorter time window. The trade off with the shorter time window is you may have to reposition to extend your coverage.

Example: Today, June 2nd, July short dated options expire in 23 trading days. There is likely more volatility ahead so more time and protection are needed, hence rolling options up and out may be necessary.

continued on page 4

Option Management in Volatile Markets

By William Norman

Continued from page 3

When rolling options up and out it becomes difficult to meet the recommended percentage guidelines because of the additional time premium. Our recommendation for this situation is to use the differences in the month your position is in currently to determine the strike price to roll to.

Example: If you are currently in a July short dated call option, find the higher strike call that is an acceptable return in the 75 – 80% + difference. Then buy that strike call in the month you want to be in. View the different strike decision and the time decision as separate decisions.

The market is offering incredible opportunities. But with those opportunities come risk. Use the tools available to seize market opportunities.

If you have questions, ask your Hurley consultant for assistance.

William "Freddie" Norman has been an advisor to Hurley & Associates since 1988 and is based in Memphis, TN.

The trading of derivatives such as futures and options and over the counter ("OTC") products or "swaps" may not be suitable for all investors. Derivatives trading involves risk of loss and past financial results are not necessarily indicative of future performance. Examples are exactly that, and no representation is being made that any person will or is likely to achieve profits or losses based on those examples.

Heavy Handed Stimulus Programs Stifle American Productivity

By John A. Johnson

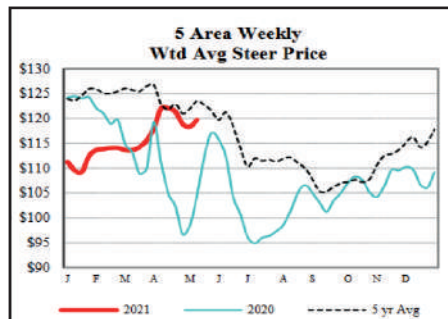
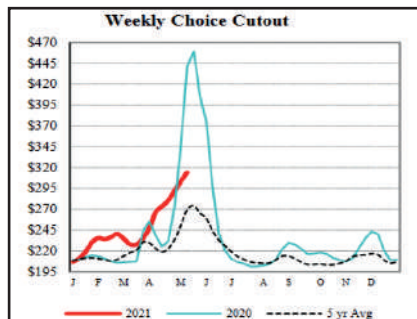
Many American industries are suffering from a lack of workers who are willing to show up and perform the tasks necessary to make this country work. One of the most noticeable areas is in our domestic meat packing industry. We have beef cutout values continuing to ratchet higher, while at the same time there is still a burdensome supply of over-finished cattle standing in feed yards, eating very expensive grain while packers are operating with limited capacity due to slow downs related to the Covid-19 pandemic. At this point they are unable to muster a full complement of workers to make a dent in the supply of available slaughter-ready cattle. We would refer readers to Dr. Derrell S. Peel, Oklahoma State University Extension Livestock Marketing Specialist's comments on his podcast, Sunup, from May 15, 2021, on YouTube.

In the meantime, cutout values are soaring as demand for beef, both foreign and

domestic, is fueled by hungry consumers. There is at the same time a dwindling supply of beef available globally, as some traditional beef exporters are facing reductions in shipments. Australia, recovering from a multi-year drought, is in the process of rebuilding its decimated cow herd, while Argentina is limiting exports to calm recent inflationary pressures. Australia and New Zealand are major suppliers to both the U.S. and China, while some 74% of Argentina's exports also go to China.

These recent charts from the USDA National Cattle and Beef Summary pretty well tell the story for the cattle business. The beef carcass price is at an all-time non-pandemic high, while cattle feeders struggle to stay afloat with current prices paid for fed cattle:

The picture is not any rosier for U.S. cow/calf producers either, as the USDA Weather Service reports that 60% of the U.S. cow herd is in a severe drought area. With grain so expensive and finished cattle at the current prices, calves need to stay on a for-



continued on page 6

Strong Relationships = Strong Decisions

By: Dantae Anderson

Farming is a tough business to be in. It is busy, stressful, risky, exciting, and provides new challenges every year. Making good business decisions in this fast-changing industry is paramount in being successful.

We all know that teams outperform individuals. Forming a team of professionals who help you make solid choices for your farm or ranch gives you an advantage in the industry. Since decision-making drives business performance, this decision advantage goes straight to your bottom line. Building relationships with your lender, marketer, insurance agent, agronomist, accountant, and mentors in the field are key to having a successful operation. Developing a network that understands your operation and cares about those involved creates a reliable sounding board to share ideas and discuss plans with. Your professional team can offer different perspectives, helping you to see opportunities and move your entire operation in the right direction. Each member will add valuable information to your decision-making process by monitoring the markets, researching current issues, and talking to other area producers daily. A skilled team that understands your operational goals can provide specific information that benefits you as a manager and lessens stress during decision-making. Having this additional knowledge available from reliable resources allows you to focus on daily management tasks and opportunities for improvement.

It is never too late to create a group of professionals and mentors to turn to for advice - but the sooner, the better. When adequate time is given to planning for the ups and downs of the markets, Mother Nature, or any other curveball, your end goals can be kept top of mind. We often live with a reactive mindset and make kneejerk emotional decisions resulting in undesired outcomes. Collaborating with your professional team ahead of time will help you manage with a more proactive approach. Having a written marketing plan to communicate goals to

your marketer, establishing a drought plan to convey herd reduction strategy to your loan officer, or consulting with an insurance agent to determine risk and obtain the best coverage, are all ways to utilize your professional team.

Being involved in production agriculture myself, I know the toll that information overload and decision making can take. In our operation, we regularly connect with a team of experts who break down information that pertains to our operation's needs. This year we are experiencing a very severe drought. Thankfully, several years ago, a mentor helped us create a thorough drought plan, which has been updated annually. Each year we share the revised plan with our mentor, who helps us stay accountable. Knowing that difficult decisions were reached ahead of the natural disaster using logic and facts, made tough choices amidst challenging times less stressful. Selling a portion of our operation took an emotional toll, however we know that it was the best decision because we did the homework upfront. Having the knowledge and support of our mentor allows us to keep moving forward and confidently know that we will get through this.

The agricultural industry has become more globalized, increasing the importance of building strong relationships with skilled people you trust. By working together with your trusted team, you will be able to enjoy what you do, create a successful and lasting operation, be competitive, and manage in the ever-changing industry.

Dantae Anderson, Farm Credit Services of Mandan Loan Officer/Mott Branch Manager

Consultant Spotlight: LANDON FISCHBACH



What do you most enjoy about your job?

I enjoy wading through the challenges and successes for each of the operations I serve. We always strive for open, honest, and transparent relationships with the farms we serve. The trust that our clients place in us is not taken lightly, and I enjoy being able to have those deep conversations not only about business but about life in general. I want to always be a lifelong learner and I have learned a lot

from my clients over the past 4 years.

How did you get started in your career?

I graduated from Dakota Wesleyan University with a degree in accounting. I did not know if I would end up in a career in the agricultural industry or not coming out of high school. As I got more in-depth in my auditing and tax education as well as working for a public accounting firm, I realized quickly that all my conversations with my professors, classmates, and co-workers pivoted back to farming and how my education could potentially provide a service to farmers in some way. I have always thoroughly enjoyed numbers and using those to help make strong business decisions and to rid of some of the emotion that comes into play.

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

The ability to give them a picture of how the farm sits day-to-day (their own Daktronics scoreboard). Hopefully, as clients and their trusted partners get used to navigating through our HA portal software, that will be a very strong tool that they rely on. There is a lot of grey area in farming year-to-year with expense structure, weather, and other factors. I enjoy trying to give farmers the most knowns on the revenue side of their business to help make the big decisions necessary in production, financial, and workforce management.

What would be your ideal vacation?

I am not one to pick a location, but the people I am with to experiences new places mean a lot. I enjoy being around my loved ones and friends regardless of where that may be. I was fortunate to travel at the end of my college career to Israel. That experience has not only molded me in faith but seeing the world from a whole new perspective that I was not accustomed to growing up in a small rural community.

Landon grew up on a grain and livestock farm near Mellette, SD. On his family farm, they raised soybeans, corn, wheat, and cattle. Hard work and accountability are part of his core values and his foundation in the Ag industry. These values have motivated him to continue educating himself so that he can offer the best service to his clients and be a productive team member.

He graduated from Dakota Wesleyan University with a degree in Accounting. Landon spent his years in college as a certified tax preparer, as well as an auditor with the public accounting firm Eide Bailly, discovering tax strategies and financial reporting to benefit businesses of different industries, but enjoyed his work with Ag producers the most. Landon joined the Hurley & Associates marketing team in May of 2017.

Heavy Handed Stimulus Programs Stifle American Productivity

By John A. Johnson

Continued from page 4

age-based ration if possible, to reduce the ultimate cost of a high-grade finished animal. The cheapest and most efficient forage in the summertime is an ample supply of green grass. Grass produces milk for the calf and nutrition for the cow. The weaned stocker cattle, which will be brought into the feedlot later in the year can also make faster and more cost-efficient gains on grass that is ample and nutritious. It is a simple fact that grass requires rain.

The USDA also reports pasture conditions. Some highlights from this week's Pasture and Range Conditions Report, which is the worst May report in its history:

• US	43%	Poor to Very Poor
• AZ	88%	Poor to Very Poor
• ND	75%	Poor to Very Poor
• UT	71%	Poor to Very Poor
• NM	65%	Poor to Very Poor

The drought has caused beef cow slaughter, which has been gradually gaining steam over the past 18 months, to increase dramatically in the past month. The latest available data shows that cow slaughter increased some 13 % over the past six-week average. The poor pasture conditions indicated in the above chart will lead to limited hay and forage production for the summer and increase the pressure to liquidate breeding cows. Hay supplies are running below normal, and producers are loathed to think about expensive purchased feed during a protracted fall and winter-feeding situation.

The meat-packing industry is not the only segment of our domestic economy that is struggling with a decided lack of workers willing to take jobs that are offered on al-

continued on page 7

Heavy Handed Stimulus Programs Stifle American Productivity

By John A. Johnson

Continued from page 6

most every corner in America. Many business owners are blaming the critical lack of employees seeking work on the stimulus checks that potential workers are receiving from the Federal Government. These payments are made in addition to the regular state unemployment that workers are entitled to. Many workers can remain at home and draw as much or more than they can earn at work. Who can blame them? There is an economic axiom that says, "When working and not working pays the same, most people are inclined to take the latter".

The lack of productivity is hurting American businesses that need inventory to function. That inventory, for many items, is at rock bottom and not improving at this writing. Too much money chasing too few products to buy is the absolute sure catalyst for inflation. We have already seen inflationary signs in grocery stores and at the gas pump as fuel and food, (which are prices that the government does not count in their inflation calculation??), have led the way to higher prices for many other goods and services. Businesses raise wages and pay "sign-on bonuses" and other incentives in attempts to entice workers back into the workforce. Those costs must be borne by the people who utilize those goods and services that those workers produce.

All this is taking place while producers and merchants struggle to keep inventory on the shelves. The lack of parts to make cars and trucks has caused auto manufacturers to create a huge backlog of unfinished vehicles, while dealers with potential customers for those vehicles, languish with near-empty lots and very limited inventory to sell.

One other somewhat related problem with the supply chain is the long line of ships in every major port of the U.S. These ships are waiting to be loaded with our exportable goods or to have imported goods they have brought to our shore unloaded. In many cases, wanting or needing to do both. The serious worker deficit has affected our dockworkers in the same way as it has much of the rest of America.

With the labor situation this critical under a partial re-opening, we are led to wonder what the situation can be like as we continue to rev our economy back up to full speed?

John A. Johnson has worked for Hurley & Associates since 2000. John is semi-retired now living the life of chasing grandkids. John is based in Sikeston, MO.

HA Portal Highlight

Highlight Cash Flow

By: Mindy Whitehill

The Hurley Portal is a great place to stay up to date with the impact the current market is having on your bottom line. In particular, we would encourage you to review your Current Cash Flow to see your Cash Surplus after expenses, debt, and goals. Assuming you have provided updated cost of production data to your consultant, the Portal will give you an accurate snapshot of where your operation stands.

If you want to do some comparative analysis to see the positive impact of stronger markets, check out the Historical Reports feature of the Portal and compare a cash flow from earlier in the year to your current one. You may be pleasantly surprised by what you see!

Growth Goal \$60,000

Current Cash Flow ^o

Revenue	\$777,276
Expenses	\$511,800
Debt	\$13,950
Cash Surplus	\$251,526
Goals	\$60,000
Cash Surplus	\$191,526

Example of the cash flow section shown on the Executive Summary page of the Hurley client portal.



HURLEY & ASSOCIATES

Agri-Marketing Centers

415 E. Marshall
PO Box 471
Charleston, MO 63834

Phone: (573) 683-3371
Toll Free: 1-800-524-0342
Fax: 573-683-4407
email: info@hurleyandassociates.com
www.hurleyandassociates.com

PRESORTED
STANDARD
U.S. POSTAGE
PAID
WATERLOO, IA
PERMIT NO. 134

Except as otherwise noted, the contents of this newsletter are copyrighted materials of Hurley & Associates Agri-Marketing Centers of Charleston, Inc. and contain trademarks, service marks and trade names of Hurley & Associates Agri-Marketing Centers of Charleston, Inc. and/or affiliates.
ALL RIGHTS ARE RESERVED.

While the information contained in this newsletter is derived from sources which are believed to be accurate and timely, there may be inadvertent factual inaccuracies or typographical and other errors, and the information is not warranted or guaranteed for accuracy or completeness. Any opinions expressed herein are subject to change or correction without notice and Hurley & Associates Agri-Marketing Centers of Charleston, Inc. and its affiliates disclaim all liability for errors or omissions in these materials, and disclaims all liability for the use or interpretation by others of information contained in this newsletter. This material should be construed as the solicitation of trading strategies and/or services provided by Hurley & Associates, Inc. noted in this newsletter. We believe positions are unique to each person's risk-bearing ability, marketing strategy, and crop conditions, and therefore, Hurley & Associates Agri-Marketing Centers of Charleston Inc. does not give blanket recommendations. Any examples given are strictly hypothetical and no representation is being made that any person will or is likely to achieve profits or losses similar to those examples.

Decisions based on information contained in this newsletter are the sole responsibility of the reader, and in exchange for receiving this information, the reader agrees to hold Hurley & Associates Agri-Marketing Centers of Charleston, Inc. and/or its affiliates harmless against any claims for damages arising from any decisions that the reader makes based on such information. The risk of loss in trading commodities can be substantial, therefore, carefully consider whether such trading is suitable for you in light of your financial condition. Past performance is not indicative of future results, and there is no guarantee that your trading experience will be similar to past performance.

Trent Hurley, Chief Executive Officer
David Hurley, President of Hurley & Associates, Inc.
Ida V. Hurley, Founder
Dennis E. Hurley, Chairman of the Board

LOCATIONS

Grundy Center, IA
319-777-7952

Britton, SD
605-277-1750

Cologne, MN
320-634-4001

Brookings, SD
605-692-1533

Glenwood, MN
320-634-4001

Wessington, SD
605-554-0230

Wheaton, MN
320-563-8490

Canyon, TX
979-272-2182

Caruthersville, MO
573-333-1138

Snook, TX
979-272-0539

Charleston, MO
573-683-3371

Edna, TX
361-782-6715