

THE FARMER'S EDGE



HURLEY & ASSOCIATES

Agri-Marketing Centers

What Really Matters

By Dan Bakker and Sara Barber, Foundation Livestock Service

Success...It is a word used in every business, competitive sport, and school. We fondly remember copies of "Successful Farming" magazine laying on the kitchen table. But what does success actually mean?

In agriculture we often hear success defined as the number of cows milked, number of acres farmed, yield per acre, number of employees, how new and fancy the machine sheds are...the list is endless. These measures of success are neither good nor bad but measuring success solely on what we can see from the road can create a dangerous trap. "If I just get bigger I will be ok." "The key to profitability is economy of scale." Don't get us wrong, bigger is not bad. Bigger without a true north is a disaster.

Success may best be defined by staying aligned to your true north.

Defining your true north starts with these three questions:

What really matters?

What direction do you want to go?

What result do you wish to achieve?

Now you may be saying to yourself, "Hold on, this is farming. We cannot predict what will happen in the future, there are too many factors out of our control. We just need to take one day and one season at a time."

We recognize and also challenge that statement. Each and every farming operation, whether big or small, livestock or grain farming, is a business and needs to be run like one. Every business has unknowns and external factors that affect it. At times we find ourselves paralyzed by the unknown. These are good moments to go back to your true north.

A practical way to establish your business' true north is via vision, mission, and value statements. As we have introduced this concept to agriculture businesses, the first response we often get is, "Why? Seems like a waste of time, everyone knows what we stand for by watching us." CAUTION: This is where lack of clarity becomes very apparent. For example, you may step in to help a teammate who is struggling with a project because you value collaboration. Someone else could see



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What Really Matters

By Dan Bakker and Sara Barber
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that action and think it means that you don't trust the other person to get the job done.

Vision, mission, and value statements bring the gift of CLARITY. The vision is what you do, the mission is how you do it, and the values are what matters to you. For example, in our business our vision is "Our clients will maximize their potential". Our mission "Developing people and processes with true measures of success". Our values are honesty, respect, perseverance, and integrity. These values define how we go about our days and our work.



These defining statements become the yardstick by which every idea and action is measured. No new venture or investment is made without comparing it to those statements. They are also a great way to describe your business to a potential employee or vendor. It shows you know where you are going and what you believe in. It is how you define success.

This true north can also be used to help each other and hold each other accountable. If someone is out of line with the business' values, they can be redirected by comparing their actions with the core values. Of course, these corrections

must be done within your established values and in a respectful manner.

As you develop your true north be sure to get multiple perspectives. How does your spouse define success? Your children? Your employees? God? No one functions well in a vacuum.

It has been interesting to us as we help farms establish their true north and an effective communication plan, that we hear the older generation say, "Well this is what we talked about when we stopped for coffee every morning." They are exactly right. That coffee break was a time to look their co-workers in the eye, and discuss challenges, and make a plan. Communication may look different now than it used to but the bottom line is communication matters.

Every business and individual has a different definition of success. Which is why it is so important that you spend time working on your business, if you don't then nobody will. What does success look like for you? What really matters to you? These questions can be challenging to work through by yourself and with your team. The good news is there are professionals that you can work with to help you define your true north. Surround yourself with a team of people that are looking out for you and will be courageous enough to ask you the questions that really matter.



Sara Barber, DVM is passionate about helping livestock producers maximize their potential: the potential of themselves, their team, their livestock, and ultimately their business. She loves to help people develop and has a heart for agriculture. Sara believes that when everyone on the farm knows their strengths and is given room to develop

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Railroad Strike Update

By Tom Williamson



U.S. railroads and the 11 unions forged a tentative agreement in mid-September. The unions must now ratify the agreement, which at this point seems tenuous. The Labor Relations Board, Secretary of Labor and President Biden all pushed for the unions to accept the recommendations of the Presidential Emergency Board, which is basically the basis for the tentative agreement. It includes an increase in worker wages by a total of 24 percent over five years, stretching back to 2020, including what industry groups said would be an average payout of \$11,000 per worker upon ratification.

Crucially, unions won the right to take unpaid time off to attend medical appointments without penalty. Workers also were promised an additional day off and a guarantee that their health insurance premiums would not rise after the contract expired and while union leaders and management negotiated a new one.

Railroads have imposed new work rules on unions to increase crew availability on the “call boards”, where railroads can require a worker to be at work within one hour of a phone call. This is needed to improve rail service which is suffering after railroads implemented “Precision Scheduled Railroading (PSR)” whereby trains run on a precise schedule regardless of the number of cars on the train. Shippers and receivers continue to suffer from poor local service, which PSR does not address and is the subject of complaints to the U.S. Surface Transportation Board by numerous trade associations including the National Grain and Feed and The Fertilizer Institute as well as many railroad customers.

Unions have voted, but Union management has not disclosed the results and are not in a rush to announce them. Therefore, a rail strike could happen almost anytime this fall. If it does, most farm inputs (fertilizer, chemicals, machinery, etc.) and most farms products (corn, beans, soybean oil and meal, ethanol, DDG, etc.) would virtually stop moving, shutting down a massive segment of the ag industry. Additionally, most food production, auto and equipment manufacturing, chemical production, etc. will be negatively impacted. There is still a shortage of truck drivers and no surplus capacity to handle inputs and outputs for most industries.

I feel there is a 50/50 chance unions will not ratify the agreement and U.S. Congress will have to act to prevent a strike. And I feel Congress would act within a day or two, but unions have a lot of options to impact rail service like having members take sick days or slow down their work resulting in even worse rail service to customers.

Tom Williamson owns Transportation Consultants Co. (TCC) which he started in 1984. TCC is used by many major agriculture firms for the outsourcing of some or all of their corporate transportation functions. Tom has extensive experience in transportation of bulk and consumer commodities on every Class I railroad and on every navigable river in the U.S. TCC clients include grain, grain processing, ethanol, alcohol and food companies. TCC also charters both barge freight and ocean freight.

Tom was Director of Transportation for Anaconda Company from 1970 to 1975 and Assistant Vice President of Continental Grain from 1975 to 1981.

Tom and his wife Terry own Iron Horse Railcar Management that manages private rail car fleets and tracks the rail car leasing market and negotiates leases for railcars for clients. They also own Locomotive Leasing which buys, rebuilds and leases switch engines.

Tom was raised on a farm in West Texas, graduated from Texas Tech with a BBA in Transportation and graduated from the New York Academy of Advanced Traffic.

Tom has a married son that splits his time between Boston and Tokyo and has twin (boy and girl) grandchildren.

Consultant Spotlight: JASON FREY



What do you most enjoy about your job?

Above all else, I enjoy the people I get to interact with every day. Clients, coworkers and industry professionals alike all contribute to the fulfillment this job brings. The transition of professional relationships to include true friendships is something I value immensely.

How did you get started in your career?

My immersion into agriculture is rooted in my upbringing. Having been raised working farm fields and cattle with my family, the draw to serve those in agriculture has always been a large part of my personal identity. My path to Hurley is a result of great friendships with people in many facets of the production and marketing side of the industry that lead to opportunities I wasn't aware existed.

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

My passion lies in helping our clients identify and achieve their operational goals through a sound decision making process. Sharing in the victories, the setbacks and helping to provide clarity of action in times of uncertainty motivates me daily.

What would be your ideal vacation?

For someone who doesn't swim very well, I sure love the water. An ideal vacation is hard to pin down but it would include water, family and friends. A sandy beach, a boat (or canoe) with sunshine and no bugs sounds wonderful.

Jason was raised on a diversified small grain and registered cattle operation in north-central North Dakota near the town of Granville. He graduated from North Dakota State University with a degree in Animal and Range Sciences. Since his time at NDSU, Jason has stayed involved in the agriculture industry through his experiences in agriculture lending, production agriculture and livestock marketing throughout the Dakotas and Minnesota. His love of the industry and passion for helping people brought him to Hurley & Associates in 2018.

In addition to his Farm Marketing Consultant responsibilities at Hurley, Jason serves as a Team Leader in the Glenwood office, on the Hurley Scholarship Committee and has held a mentorship role to new consultants within the company.

Jason and his wife, Audrey, have four children that keep them running in all directions. In his spare time, Jason enjoys being outdoors, spending time on the water, coaching, supporting his kids' sports teams and being a dad.

Prepare for Pain

By John A. Johnson

The U.S. economy is spellbound as we wait for the decision of the Federal Reserve Board, which is in the process of its two-day September meeting as we go to press. The economic prognosticators' consensus has centered around the choice of either a 75 or 100 basis point increase for the universally expected interest rate hike. In fact, the Chairman of that board has announced for all to hear, that we should "prepare for pain", as our financial regulators struggle to bring the most brutal inflation we have experienced in many years to heel. The inflation that was promised to be "temporary", or "transitory" appears to have become firmly entrenched in our U.S. economy. Anyone who is buying gasoline, heating oil, natural gas, groceries, clothing, or almost anything of value that we could name, is seeing/feeling the pinch of much higher prices.

Wages have managed to climb some 4% on average, nationwide, while we are struggling with an 8%+ overall inflation rate. The average American worker feels as though he/she has fallen behind the race to maintain our standard of living, because we have.

The upward spiral in inflation began as workers were staying home during the Covid-19 pandemic, and we began to receive Covid-19 bail-out checks. The lack of worker production, including workers in manufacturing and transportation, created shortages and price increases in almost all of our everyday items. The spike in energy costs also exacerbated the trend. Meanwhile, imported goods backed up on board ships in the nation's harbors. We developed a classic case of too few goods being chased by too much money. Now that we have for all practical purposes exited the emergency phase of the Covid-19 pandemic, many of the workers who either worked from home, or stayed home and drew unemployment checks, have opted not to return to the work force. The result is that employers of nearly every stripe are begging for workers and finding nobody willing or able to fill their positions. The strong labor market is being touted as the bright spot in our nation's struggling economy.

While our domestic economy is in disarray, our foreign relations aren't faring much better. Our tension with the Russians over their invasion of Ukraine seems to cloud what was a more amicable relationship only a couple of years ago. China is making war-like maneuvers over and around Taiwan, with frequent flyovers and circling

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them, the entire farm will thrive. Sara earned her Doctor of Veterinary Medicine from the University of Minnesota in 2000. She is a WeAlign Certified Coach and a COSMO Certified Coach.

Sara enjoys life with her husband and three children on their acreage in Southwest Minnesota. She is energized by cross country skiing, a roaring campfire, and conversations with her Father and friends.

Dan Bakker is motivated to help animal agriculture producers maximize the efficiency of their animals, facilities, and employees. This is done by helping farms motivate and engage employees in creating a culture of continuous improvement, which results in a more profitable, sustainable business.

Dan served for eleven years as operations manager on a dairy farm

as it grew from 500 to 1,200 cows. Dan is certified through the People First Leadership Program and Lift Leadership Training. He is also a COSMO Certified Coach.

Dan enjoys being with his family, the outdoors, and working on his own small acreage.

“Agriculture was the first occupation of man, and as it embraces the whole earth, it is the foundation of all other industries.”

– Edward W. Stewart

Prepare for Pain

By John A. Johnson

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with war ships. These developments make North Korea and Iran chanting "Death to America" seem like minor inconveniences.

Europe is struggling with its own problems with energy prices skyrocketing. Natural gas has more than tripled in price in the past 18 months. The Russian pipeline is their main supplier, except for the importation of liquified natural gas by sea from the U.S. European energy purchases have largely fueled the Russian energy export economy since the pipeline was finished.

The Pandemic has also taken its toll on Europe causing inflationary spikes much like, or maybe worse than, the U.S.

And finally, but probably more significant than all the rest, global agricultural production has struggled this year due to weather issues and skyrocketing input costs, as well as potential shortages of vital inputs like fertilizer and chemicals. Those issues are more pronounced and have a larger effect this year because they affect the U.S., as well as South America. These are the two very champions of world ag production. When these two main producers and exporters of corn, wheat and soybeans fall short, the world markets feel and react.

U.S. planting weather was too dry in many areas, then too wet, and finally dry again for growth and development. Corn and soybean yields are a real guessing game this year due to the random dry/wet areas, as well as scorching temperatures for many places at various times around the country. Some failed corn was cut early for silage where the farmers were equipped to utilize it, many aren't.

The Southwest was plagued with a major drought in grassland as well as cropland. Some of the area has been much too dry for more than a year. Millions of beef cows were loaded up and hauled to town to avoid the high cost of winter feed with little to no home-grown hay available. Attractive killer cow prices helped make the decision for many producers. The major sell off continued well past the USDA's July Cattle Inventory Report and was not picked up by reporters. We look forward to the January report to see how many beef cows we actually have left. Texas and Oklahoma, two of our major cow/calf states were especially hard hit.

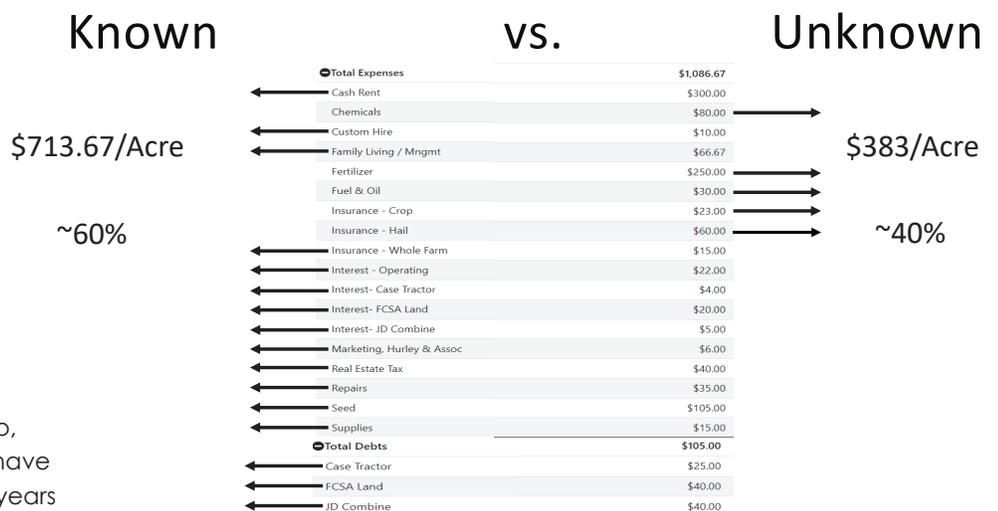
One thing that could be somewhat of a mitigating phenomenon to the major drought-induced loss to our beef cow herd is that a lot of the modern-day dairies decide how many replacement heifers they want/need and artificially breed some of their more productive cows with sex-specific semen, which produces 95% or more heifer calves for replacements. The balance of the cows are bred with semen selected to produce bull calves. The bull-producing semen is usually from angus or other black breeds. The resulting steer calves grow like a house afire and produce a carcass that is very desirable to a large portion of our consumer base.

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.

Gaining Confidence Marketing in Deferred Years

By Joseph Prohaska

As I have talked to people within the farming industry over the past year or so, there has been a reoccurring phrase I have heard. "I cannot sell anything in future years because I am not sure what my expenses are going to be." While it is true you can't forecast every future expense perfectly, we



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Gaining Confidence Marketing in Deferred Years

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could evaluate which fixed expenses are known, and analyze which variable expenses we don't know yet.

By saying we don't know what the operation's expenses are, it is an easy excuse to not take any action. Over the past couple of marketing years, those who have waited have been rewarded. If history repeats itself, we know that will not last forever. In the current environment, deferred opportunities continue to be as strong as any point in time in recent history.

When trying to get a baseline of an operation's expenses, it can be overwhelming if you don't know where to start. The most guidance you can have is by starting with a template. There are a few items in the list above that could be argued either side of the "Known vs. Unknown" column, but typically the expenses on the "Known" side don't vary drastically year to year. For the upcoming crop year of 2023, prepaying for inputs allow us to gain even more "Known" information. By building a baseline of expenses, it creates a fantastic opportunity to do a quick test of potential profitability in future years. Just like all operations have unique marketing plans, so are their expense structures.

Now that we know with relativity what our expenses are, we can overlay that with where our potential revenues are at. We can use the operation's APH as a baseline, or crop insurance guarantees if we want to be more conservative. Using round numbers for examples sake, if the operation's APH on corn is 200bu/ac x \$6.00 cash (2023 Crop), we know the potential revenues are \$1,200/ac. If we round our expenses to \$1,100/ac, we have within a range of certainty that we are operating at approximately \$100/ac profit in the current environment.

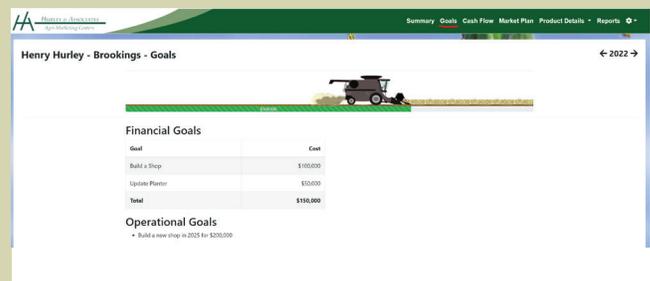
These concepts are elementary at their core but provide a high level of clarity in an uncertain environment. Regardless of what markets do going forward, we can be confident that decisions are being made treating the operation as a business.

HA Portal Highlight

Goals

Reaching goals are a critical piece to the longevity of the farm operation. The HA Portal displays how an operation is progressing toward their financial goals. Clients that have defined goals with their consultant can quickly see this information. In the midst of the harvest season (maybe in the combine) is a great time to check out the portal and view one's performance on goals.

You can view this in the portal by clicking on the second tab labeled goals:



Joe was raised in Grimes, Iowa near the Des Moines metro area and enjoyed helping out at his grandparent's farm in Northwest Iowa growing up. He attended Des Moines Area Community College after graduating high school before transferring to South Dakota State in the Fall of 2017 to continue his education. He graduated with a bachelor's degree in Business Economics while minoring in Entrepreneurship. He was fortunate enough to have the opportunity to be an intern with Hurley & Associates during the Summer of 2019 to learn about their approach to risk management. He was hired on as a Farm Marketing Consultant with Hurley & Associates in September 2019. His favorite part about his job is seeing the value that a sound marketing service and plan can provide for an operation. Outside of work, Joe enjoys participating in sports, fishing, and spending time with family and friends.



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