# THE FARMER'S EDGE

**Winter 2024** | VOL 29 NO. 4

HURLEY & ASSOCIATES
AGRI-MARKETING CENTERS

*May the true meaning of Christmas fill your home with the love of Christ. Wishing you and your family a blessed and joyous holiday season.*

*Merry Christmas!*

From Hurley & Associates

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# Big Changes on the Horizon for the U.S. Government

By John A Johnson

The November 5 election will go down in the history of this country as the election that changed the direction of the nation in many ways:

1) The ruling party will shift from the Democrats to the Republican Party.

2) There is a generational switch in upcoming leadership in our nation's capital. Generally, we have a wave of younger politicians that have come to the front of leadership positions in both parties, which will change the basic direction of our country.

Surprisingly, with only a few exceptions, many of the younger leaders of the two major parties are much more conservative than their older counterparts in one party, while the younger liberals are much more liberal than their senior members in the other. The worst problem with that scenario is that rather than healing the increasingly bitter partisanship that we have experienced over the past 20-odd years, we will likely see the philosophical divide and the combative rhetoric grow even more pronounced if this trend continues.

The incoming President elect, Donald Trump, has made many promises. First and foremost, he plans to tackle our runaway inflation, which has added some 20% to the inflation index over the past 4 years. Many say that this is a poor gauge of the real increase in the cost of things that are necessary to survive, namely food, energy (aka gasoline) and housing. The argument is that costs have gone up much more. We admit that government statistics have a Herculean task to capture all the costs associated with the above-mentioned necessities, but many private estimates have the total price increases totaling more in the 30% range, depending on where and how extravagantly one chooses to live. Most economists agree that the average cost increases for bare necessities for a family of 4, total in the $3,300 per year range.

There have been several strategies announced to combat increasing costs. One is the famous campaign mantra of the Trump campaign, "drill, baby drill" - becoming the premier petroleum producer in the world, and thereby able to have a major influence on the World's petroleum market. There is no question that this can be accomplished, remember the $40/barrel oil of Trump's first term? There is also no question that higher-priced energy influences the cost of everything else that consumers buy. There are very few, if any, commodities or products that are not at some point transported by a petroleum-consuming ship, truck or train. In some cases, by all three between the producer and the consumer.

Two more of the planks in the platform were:

1) Lower taxes. There are differing opinions on this one. Some economists say that lowering taxes can reduce the price of goods, while others say that leaving consumers with more disposable income will only increase demand.

2) Lower interest rates. Again, leaving consumers with more disposable income.

Higher tariffs on imported goods designed to level the economic playing field are also on the agenda. Most economists are of the opinion that higher tariffs will result in even higher prices, at least in the short term. We thought that the Trump administration was very good at negotiating trade deals in its first try. We will have to wait and see about this one.

One of the very innovative elements of the new administration is the recruitment of Elon Musk and Vivek Ramaswamy to head up a new department, which already has an acronym: DOGE (aka Department of Government Efficiency). The function of this department is to ferret out government waste and make recommendations for Congress to eliminate it. They also plan to target unnecessary departments, bloated payrolls in various departments, and wasteful grants and unnecessary expenses. They have mentioned "Cost Plus Contracts" for defense and construction spending as well. This all appears to be deflationary as we reduce government spending and lay off hundreds, if not thousands, of unnecessary employees. The answer is that if we can ramp up domestic manufacturing as we implement downsizing government spending and employment, we can compensate for the resulting higher unemployment.

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# Big Changes on the Horizon for the U.S. Government

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Before we get too excited about this one, we should note that never in modern history has our government gotten smaller and less expensive, never. We will have to see it to believe it.

We would humbly ask your permission to deviate from our normal format of discussing domestic and international economic news. This month, we would like to wind up our time and space by taking a few minutes to wish everyone a very Merry Christmas in these troubled times. We have political turmoil, shooting wars in Ukraine and Israel as well as terrible relations with China, Russia and Iran.

The world currently is truly a fearful place, with many of our young men and women in harm's way in so many places around the world. Our prayers go out for them and their families as they bravely and selflessly serve to protect our safety and freedom.

To all our friends, customers and fellow employees we wish everyone a

*Very Merry Christmas*

*and a*

*Happy and Prosperous New Year!*

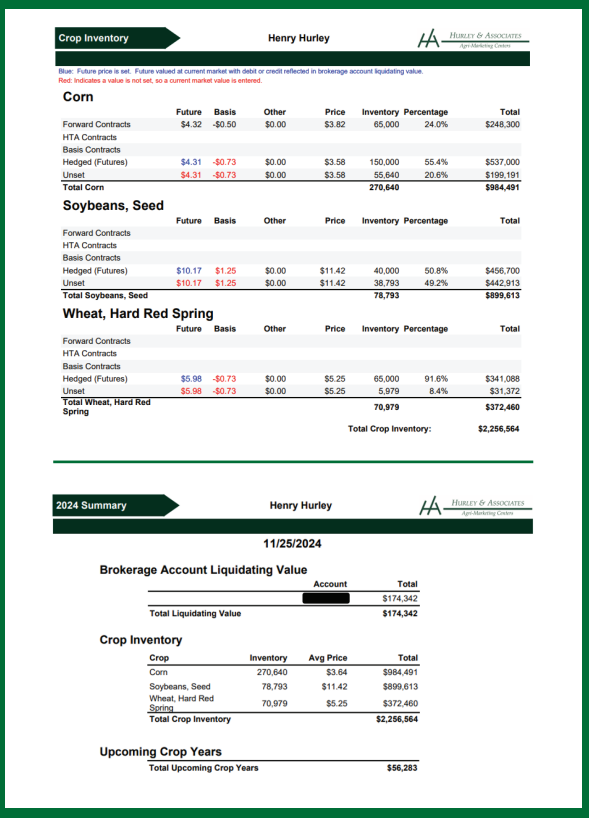
*John A. Johnson has worked for Hurley & Associates since 2000. John is semi-retired now living the life of chasing grandkids. John is based in Sikeston, MO.*

# HA Portal Highlight

## Current Asset Values

The Hurley Advantage portal is a great place for our producers to partner with their lender on the information needed for loan renewals. The Current Asset Value report provides simple and clean current asset values for a producer's balance sheet. The report breaks down the assets into four categories:

1. Hedge Account – provides current liquidating value for any brokerage account(s).
2. Inventory – displays, by crop, the current inventory and current average price for stored units. Detailed information on undelivered contracts and unset units can be found on this page.
3. Growing Crop – displays, by crop, the projected inventory and current average price for crops still in the ground or future planting. A breakdown of contracts, unset bushels, and planned production are provided after the detailed crop inventory pages.
4. Upcoming Crop Year – for information purposes only, this area provides equity totals for future crops years. The final page of the report breaks down the equity between realized, open futures and open options.



Crop Inventory — Henry Hurley — Hurley & Associates Agri-Marketing Center

Blue: Future price is set. Future valued at current market with debit or credit reflected in brokerage account liquidating value.
Red: Indicates a value is not set, so a current market value is entered.

**Corn**

| | Future | Basis | Other | Price | Inventory | Percentage | Total |
|---|---|---|---|---|---|---|---|
| Forward Contracts | $4.32 | -$0.50 | $0.00 | $3.82 | 65,000 | 24.0% | $248,300 |
| HTA Contracts | | | | | | | |
| Basis Contracts | | | | | | | |
| Hedged (Futures) | $4.31 | -$0.73 | $0.00 | $3.58 | 150,000 | 55.4% | $537,000 |
| Unset | $4.31 | -$0.73 | $0.00 | $3.58 | 55,640 | 20.6% | $199,191 |
| Total Corn | | | | | 270,640 | | $984,491 |

**Soybeans, Seed**

| | Future | Basis | Other | Price | Inventory | Percentage | Total |
|---|---|---|---|---|---|---|---|
| Forward Contracts | | | | | | | |
| HTA Contracts | | | | | | | |
| Basis Contracts | | | | | | | |
| Hedged (Futures) | $10.17 | $1.25 | $0.00 | $11.42 | 40,000 | 50.8% | $456,700 |
| Unset | $10.17 | $1.25 | $0.00 | $11.42 | 38,793 | 49.2% | $442,913 |
| Total Soybeans, Seed | | | | | 78,793 | | $899,613 |

**Wheat, Hard Red Spring**

| | Future | Basis | Other | Price | Inventory | Percentage | Total |
|---|---|---|---|---|---|---|---|
| Forward Contracts | | | | | | | |
| HTA Contracts | | | | | | | |
| Basis Contracts | | | | | | | |
| Hedged (Futures) | $5.98 | -$0.73 | $0.00 | $5.25 | 65,000 | 91.6% | $341,088 |
| Unset | $5.98 | -$0.73 | $0.00 | $5.25 | 5,979 | 8.4% | $31,372 |
| Total Wheat, Hard Red Spring | | | | | 70,979 | | $372,460 |

Total Crop Inventory: $2,256,564

2024 Summary — Henry Hurley — Hurley & Associates Agri-Marketing Center

11/25/2024

**Brokerage Account Liquidating Value**

| | Account | Total |
|---|---|---|
| | [redacted] | $174,342 |
| Total Liquidating Value | | $174,342 |

**Crop Inventory**

| Crop | Inventory | Avg Price | Total |
|---|---|---|---|
| Corn | 270,640 | $3.64 | $984,491 |
| Soybeans, Seed | 78,793 | $11.42 | $899,613 |
| Wheat, Hard Red Spring | 70,979 | $5.25 | $372,460 |
| Total Crop Inventory | | | $2,256,564 |

**Upcoming Crop Years**

| | |
|---|---|
| Total Upcoming Crop Years | $56,283 |

To access these reports in your portal, go to the Reports menu and select Current Asset Value.

### DID YOU KNOW?

You can provide your lender access to the Hurley Advantage Portal. Giving your lender direct access to the information they need can simplify requests and save time! Ask your Hurley team how to get that set up.

## CONSULTANT SPOTLIGHT

### CAL NOAH

**What do you most enjoy about your job?**
Developing and building relationships with the producers we serve. There is nothing more rewarding than hearing stress levels lessen as we build trust and grow in our relationship.

**How did you get started in your career?**
I always wanted to find a career that was heavily influenced by relationships and numbers. This led me to becoming a grain merchandiser, where I was introduced to Hurley & Associates. Hurley matched my values to a T, and it was an easy decision to make the change.

**What are you the most passionate about when it comes to serving our clients?**
I am equally passionate about what I believe the consultant role entails; education on marketing tools, asking the right questions about the farm operation, challenging producers against the status quo, and helping producers set goals. Ultimately, plotting a road map together that we call a market plan.

**What would be your ideal vacation?**
Hawaii, as it would be a perfect balance of spending time with my fiancé on the beach, as well as sneaking away for an axis deer hunt.

*Cal grew up in Spencer, IA where he learned the value of integrity, hard work, and giving back to his community. Through his father's financial advisor business, Cal observed these values in action and gained an appreciation for the foundational need for risk management. Cal graduated from SDSU in December of 2020 with a major in Ag Business and a minor in Economics.*

*Prior to joining the Hurley team, Cal was a canola merchandiser for a crush plant in Velva, ND. He is looking forward to utilizing his merchandiser knowledge and working with clients to individualize plans that support the goals of their operations.*

*Cal strongly believes in Hurley & Associates core values of responsibility, service, and family; he will apply these values with his service to each individual's operation. In his free time, Cal enjoys hunting, golfing, and spending quality time with friends and family.*

# Keeping the Whole Farm in the Family

By Matt Hawkins, Northwestern Mutual

Since the beginning of modern agriculture, the farmer has worked with their accountant to deduct just about every penny they made to keep this year's tax bill as low as possible while reinvesting in the farm. This worked exceptionally well due to the average value of a farm and utilization of Step-Up in Basis tax provisions. We have found ways to pass on the farm with minimal tax implications.

As of today, in the year 2024, the current debt of the national government is sitting at $35.7 trillion and rising at a rate of around $1.8 trillion per year in fiscal spending with an interest expense for the year of $1.16 trillion.

Where is this money going to come from? Do we believe taxes will be more favorable for us in the future?

There are three main taxes that we need to consider. Many farmers keep in check ordinary income tax on an annual basis and most farmers are familiar with capital gains taxes when selling land for example. Far fewer farmers have paid too much attention to Estate Tax.

Why is that?

There has historically been quite a large gap for the average farm between Net Worth and the Estate Tax Exemption levels. With stagnant or even dropping estate tax exemption levels, paired with phenomenal appreciation of farm land values, it's time to start paying a little more attention!

In the Midwest, there are several states that have state estate tax/inheritance tax laws. For example, Minnesota (MN) has had a state estate tax imposed since 2006. This initial exemption amount per person was $1 million, and increased to $3 million in 2020. Since 2020, this number has remained the same. Over this same 4 year period (2020-2024), farm land has appreciated in many areas of Minnesota by +50%. (The tax rate on every dollar above the $3 million exemption level for MN ranges between 13% and 16%.)

"Well, I'm in North Dakota/South Dakota/Missouri/Texas/Nebraska, we don't have to worry about that…"

Between 2003 and 2024, Federal Estate Tax exemption levels have increased from $2 million to $13.61 million, with a planned rise to $13.99 million next year. However, there are indications that this amount could be significantly reduced, potentially cutting the $14 million exemption in half by January 1, 2026.

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# Keeping the Whole Farm in the Family

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In the Minnesota example, farmland values over the last 75 years have grown at an average rate of 6.2% per year. Our hope is the exemption level starts to increase, at minimum, with the rate of historical average inflation (3.1% average between 1913-2019).

If land continues to grow at 6.2% on average and the exemption levels grow at half of that, many family farms will face challenges in managing estate taxes after the passing of a family member. This can, unfortunately, lead to the sale of some of the land. Investors from out of state or even overseas, along with corporate farms, are often aware of this situation and might see potential opportunities to purchase land at lower prices, with the option to rent it back to future generations.

If you're uncomfortable with the idea of your neighbor, someone like Bill Gates, or another country being your landlord or neighbor, it's crucial to proactively develop a plan.

There are many professionals who have whole/partial solutions to these problems. All solutions have pros/cons associated. The best plans we see are plans that have input and coordination between the attorney, the accountant, and the financial planner. Sometimes we see the lender involved as they generally have the most up to date balance sheets and understanding of cash flows.

The attorney – aids in creating formal documents which carry out the plan.

The accountant – aids in short/mid-term tax strategies.

The financial planner – aids in constructing the plan and implements the appropriate tools which can help fund and protect the plan (Investments/Life Insurance/Long Term Care Insurance).

These financial tools and conversations with attorneys, accountants, and financial planners take time, energy, and money. Being a successful generational farm no longer means being the fastest growing and most efficient… If we don't pause on occasion to ensure that what we currently have goes to the next generation, we are simply growing a tax bill that the next generation doesn't have the cash to pay for.

I have seen $1 million+ fertilizer bills as well as machine sheds filled with eight paid-off brand new Combines. I have seen feedlots with $5 million of steer inventory and I know what a new set of tracks runs on four-wheel drive. I have seen people out recording field boundaries and soil sampling on the perfect grid. I have seen people sit side-by-side with their agronomists to generate the perfect application prescriptions which they apply with the latest and greatest application and seeding technology. All these things are great things to make our day-to-day operations successful and profitable over a short rolling number of years.

What time, money, and energy are we putting toward our 5, 10, 20 and 30 year operation goals?

Yes, show a little more income today, pay a little more in taxes today, and start paying for some conversations and tools that will keep the WHOLE farm in the family tomorrow.

*Matt Hawkins and Ben Dahl are Financial Planners who specialize in working closely with farmers across the United States; helping navigate retirement, estate, and succession planning to secure their legacy and ensure a smooth transition to future generations. They represent Northwestern Mutual Life Insurance and Wealth Management Company.*

*Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company (NM) and its subsidiaries in Milwaukee, WI. Matt Hawkins and Ben Dahl maintain separate financial representative practices, but frequently collaborate as Northwestern Mutual colleagues. This publication is not intended as legal or tax advice. Financial Representatives do not render tax advice. Consult with a tax professional for tax advice that is specific to your situation. For more information, visit www.northwesternmutual.com.*


# NOW HIRING

**Farm Marketing Consultant**
Locations: Brookings, SD, Wayne, NE and Charleston, MO

- Farm Marketing Consultants provide tailored marketing and risk management services to farmers, helping them achieve economic stability and profitability. Responsibilities include client relationship management, market analysis, and business development.

**Client Service Representative**
Location: Charleston, MO

- The Client Service Representative supports the daily operations of the hedge desk by executing a variety of tasks, including placing futures and options orders, data entry, and market monitoring.

We are seeking employees who approach challenges with a fresh perspective. If you thrive on taking personal initiative and contributing to organizational growth, Hurley & Associates offers an ideal environment. We value individuals who achieve personal success while fostering team achievements. At Hurley, we seek someone committed to embracing both the toughest and most rewarding aspects of their career journey, dedicated to personal and organizational growth alike. Join us if you're driven to make a tangible impact; as a pivotal member of our small business, your contributions will shape our clients' futures and the trajectory of our team.

# 2024 **SCHOLARSHIP** Recipients

Hurley & Associates is dedicated to our mission of supporting the economic stability of farm families. In accordance with that philosophy, we are pleased to announce the 2024 selection of well-deserving college students as this year's Hurley & Associates Scholarship recipients. The chosen recipients embody the intent of the scholarship: to give back to the families and communities we are built from by providing financial support to students attending select universities that have positively impacted our Hurley family.

To qualify for the award, each applicant is a full-time student working toward a two-year or four-year undergraduate degree with at least 30 completed college credits and two semesters minimum on campus. The students are attending select universities (South Dakota State University, North Dakota State University, and Murray State University) with studies relating to agriculture, business, or related field with the desire to work in the agriculture sector. These universities have directly impacted Hurley & Associates by maintaining active involvement through attending career fairs, partnering with classroom education visits, and many summer interns and full-time employees are alumni.

All applicants had the opportunity to craft a personal statement about themselves, as well as familiarize themselves with Hurley & Associates' Mission Statement and Playbook to understand what makes Hurley & Associates the company it is. One common theme they have all possessed is an interest in the advancement of the agricultural industry. The thirteen recipients will now be able to engage in a shadow day at a Hurley office to learn more about the organization and see the mission in action.

**Below are the following 2024 Hurley Scholarship recipients receiving $1,500 each:**

## SOUTH DAKOTA STATE UNIVERSITY

### LEDGER BURGGRAFF
Sophomore, Agriculture & Biosystems Engineering

### LEXI GLOEGE
Sophomore, Animal Science Major - Industry Relations Specialist

### KYLE HAGEN
Junior,
Ag Systems Technology Major

### JACK HECKATHORN
Sophomore,
Business Economic Major

### JAYDEN HOUSELOG
Senior,
Agriculture Business Major

### SYDNEY KLEIN
Sophomore,
Construction Management Major

### NATHANIEL LAHR
Sophomore,
Agriculture Business Major

## NORTH DAKOTA STATE UNIVERSITY

### MCKAYLA CARLSON-HUGHES
Senior,
Agriculture Educational Major

### CARLY OLSON
Sophomore, Animal Science - Husbandry, Communication, Management & Nutrition Focus

### TY MACDONALD
Sophomore,
Animal Science Major

## MURRAY STATE UNIVERSITY

### HEIDI HITE
Junior,
Agriculture Education Major

### MCKENNA ICE
Sophomore,
Animal Health Major

### KASSIDI METCALF
Sophomore, Agriculture Science/ Agronomy Major

**We wish the recipients all the best as they continue investing in their future!**

*Hurley Scholarship Committee*
*Matt Kunerth, Liz Waletich, Jason Frey, and Daniel White*

# Hurley & Associates
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Trent Hurley, Chief Executive Officer
David Hurley, President of Hurley & Associates, Inc.

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