

# THE FARMER'S EDGE



HURLEY & ASSOCIATES

Agri-Marketing Centers

## Ready, Set, Go!

By Dale Moore

A new year, new administration and new Congress add up to a new mandate for those of us fortunate enough to represent farmers and ranchers in Washington, D.C. With more than 60 new members of Congress and a slate of cabinet nominees, we are "Zooming" like never before. A pretty clear picture is already emerging of what's ahead.

One key action that must be taken quickly by the new administration to show concern for agriculture will be to follow through on implementation of the COVID assistance package finished in the final hours of the 116th Congress. There will also be significant attention focused on ensuring farmer/rancher/worker safety in the agricultural and food supply chain.

I also anticipate there will be several familiar faces among the political appointments made for agriculture and rural programs to show that President-elect Biden appreciates and recognizes rural America. I would also note that his early announcement of who he intends to nominate for the U.S. Trade Representative position shows that trade will be a day one focal point, and rightly so. International trade's impact on

virtually all agricultural commodities is well documented.

We have seen firsthand the disruption caused when unfair retaliatory tariffs are placed on our commodities and products. We need fair trade, quick resolution of trade disputes and protection against non-tariff trade barriers.

President-elect Biden has talked a lot about infrastructure, and that is a good thing for agriculture and rural America. The needs are clear and topping the list is broadband. The pandemic made painfully clear the consequences of the digital divide creating "haves" and "have nots." The gap is devastating to rural communities not only because of the critical role of technology on farms today, but also in health care and education with telemedicine and virtual learning becoming necessities. It will also be important to address long-standing (and long-neglected) bridges, locks, dams and harbors that are critical to transporting vital supplies to farms and moving commodities to market.

There is no doubt that climate policies will be on the table in 2021, with the

continued on page 2



### IN THIS ISSUE:

- 1-2 Ready, Set, Go!
- 3 What Are You Aiming For?
- 4-5 The World's Economics in Covid-19 Recovery
- 6 Consultant Spotlight: Dave Bauer
- 6, 7 Can Brazil's Logistics Keep Up with Expanding Grain Production?

# Ready, Set, Go!

By Dale Moore

Continued from page 1

Biden administration, members of Congress and major food companies making sustainability commitments. We laid some solid groundwork to ensure farmers and ranchers are treated fairly by helping to form both [Farmers for a Sustainable Future](#) and the [Food and Agriculture Climate Alliance](#), both of which advocate for voluntary, market-based programs that treat farmers as partners. Both also increase awareness of all the great work farmers and ranchers have already done and continue to do day-in and day-out. Did you know that if we had tried in 1990 to produce the same amount of food we did in 2020, we would have needed 100 million more acres? That's how much more productive farmers have become. They've also committed more than 140 million acres to conservation – more than the land mass of California and New York combined. I could go on, but the point is farmers and ranchers have long been committed to sustainability and making impressive progress. They stand ready to be good partners going forward, too, as long as they are treated with respect and not crushed by the weight of the demands placed upon them.

One area still begging for progress is labor and meeting the demand for a legal, stable and readily available agricultural workforce.

The need for reform is immediate, yet the solutions remain locked up in the legislative

process. The solutions must be long-term and affordable because if farms go out-of-business, the jobs they provide go out the window.

The regulatory front is always a big concern for agriculture, and we'll be watching closely. Regulatory overreach can have devastating consequences for farmers and we are already working to ensure newly elected and newly appointed leaders understand that.

On a final note, I think agriculture breathed a collective sigh of relief when Tom Vilsack was nominated to make a return appearance as Agriculture Secretary. He knows agriculture and the issues important to farmers, ranchers and rural communities from his previous eight years in the role. He also knows the USDA agencies, authorities and many of the career civil servants who make things happen, so he will hit the ground running once confirmed.

With commodity prices on the upswing and hopes a vaccine will put the COVID-19 pandemic on a downswing, my fingers are crossed that agriculture's long tradition of optimism about the future is rewarded in 2021.

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*Dale Moore is the executive vice president of the American Farm Bureau Federation.*

*“I had rather be on my farm than be emperor of the world.”*

**– George Washington**

# What Are You Aiming For?

By Myron Friesen,  
Co-Owner of Farm Financial Strategies, Inc. and Farm Estate GPS Inc.

In athletics, goals are a big deal. Usually, the simple team goal is to win. Individually, for a sport like track or cross country, there are PRs (personal records). When I ran and also when I coached, I always knew my own PRs and I always knew the PRs for my athletes as well. Often times, after a race, I would tell them they ran well, and I would quiz them what their PR was and many of them would respond that they did not know. I would wonder, how can you not know what your best time was?

When coaching basketball, I really was not as concerned about what the other team was trying to do. I just knew if we did our job, we would be okay. For shooting practice with my own kids, we always ended the shooting session that they had to make three 3-point shots in a row and then swish two free throws. When I say "swish", I mean no rim, no exceptions, two in a row had to be perfect. At first that seemed like a lofty goal, but in a short period of time, they knew exactly what they were aiming for and it was amazing how quickly they would swish two in a row.

On the farm, it is kind of interesting because if I ask someone, "what are you aiming for," I would likely hear some general goals like, "keep the farm in the family, keep the kids happy, and have a good retirement income." That sounds good, but if you are going to hit that target, your aim might have to be defined and strategized a little bit more. What are some defined goals you might be aiming for?

- 1.) Retirement income of \$150,000 by age 70
- 2.) Own 1,000 acres by age 60
- 3.) No debt by age 68
- 4.) Retire at age 70
- 5.) Never retire and die with my boots on
- 6.) Transfer the farm and the next generation has land costs of less than \$320/acre
- 7.) Each non-farming child gets \$800,000 for their inheritance

- 8.) Implement strategies that minimize attorney fees now and later
- 9.) Minimize income taxes when I retire
- 10.) Give \$100,000 to charity
- 11.) Have three family gatherings each year

If you do not define and document goals, how will you know if you accomplish your goals? Maybe you are just wishing and hoping. Sometimes I would ask an athlete what their goal was for the day on the track and they would say, "I hope to run fast". I would ask, "Did you have a time in mind?" They would respond "No, I just hope to run fast". When they got done running, I would ask, "How did it go?" They would say, "pretty good". I would say, "how did you know?" They would say, "I felt good." News flash: feeling good can sometimes mean you did not run fast enough. Running fast might hurt a little!

You know, if you aim for nothing, you are sure to hit exactly that. Nothing. For myself, I am not a big New Year's resolution person, but I do have goals that motivate me. What are some goals that you have for your farm, your family, or yourself? Write a few of them down with some realistic details and set a time you hope to accomplish them. Maybe share some of those goals with your spouse or children, or someone that will keep you accountable. Do not get distracted by all the things you can't control in life. Set your sights on the things you can control.

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# The World's Economics in Covid-19 Recovery

By John A. Johnson

China is leading the rest of the world economically in recovering from the recent pandemic's devastation of consumers' ability to weather the wave of lockdowns and layoffs. After running below 2019 for several months, China was predicted to expand retail sales by a stunning 32%. According to Ning Jizhe, a spokesman for China's bureau of Statistics, while at a press conference in Beijing, They managed to pull ahead of even that super-optimistic number by reporting an actual increase of 33% for the month February.

## China's monthly retail sales



This astounding increase in economic activity looks great, when compared to the reported 1.9% growth in GDP for the first 3 quarters of 2020. The 1.9% rate was the slowest economic growth that China has reported in over 40 years, all the way back to 1976, when their economic output actually shrunk by 1.6%.

The U.S. economy continues to struggle as we begin what will hopefully be the initial phase of the economic recovery from the pandemic. Domestic retail sales fell some 3% during February as shoppers pulled back sharply on retail spending. The pull back was exacerbated by a two-week spell of some of the coldest weather ever experienced by the middle section of the country. We had sub-freezing temperatures all the way to South Texas, which crippled a large fraction of the electricity generating capacity of our wind turbines. Those failures facilitated one of the largest power outages in our nation's history causing at least 57 deaths.

The February numbers are somewhat skewed compared to the January sales, which were fueled by surge in spending brought on by the \$600 Covid relief checks that were received by most Americans. The third wave of relief checks is set to be delivered during the final two weeks of March. The stimulus already in the economy, coupled with the anticipation of more to come is sure to push consumer spending well over levels experienced during the height of the Covid pandemic.

First quarter retail sales were up some 6% over last year, but all economic comparisons are to be viewed in the light of combined effects of the forced lockdowns, layoffs and stimulus on consumer spending.

The recent passage of the 1.9 trillion-dollar Covid Relief bill will add more fuel to our new-found consumer confidence as additional stimulus and unemployment benefit checks continue to pour forth from the U.S. Treasury. Some economists are already warning of inflationary pressure as most of the cash will find its way into circulation sooner rather than later.

There are more factors expected to boost consumer spending as the economy begins to open up. Millions of stimulus checks along with extended unemployment benefits, will undoubtedly create more demand for goods and services. Unfortunately, that increase in demand is likely to find shortages of all sorts of goods due to slowdown in production for a lot of products caused by the pandemic. Most U.S. production facilities experienced some degree of a slowdown, while some were closed completely. Those lapses in production issues multiply themselves through the supply chain as certain parts and raw materials become in short supply, creating a domino effect on limiting factory output.

This shortage of goods to supply the world's increasing demand isn't caused exclusively by production restrictions. The world's shipping industry is overwhelmed for orders by retailers expecting to participate in the anticipated surge of consumer spending and the corresponding demand for products. Harbors on both the East and West coasts are filled with ships awaiting

continued on page 5

# The World's Economics in Covid-19 Recovery

By John A. Johnson

Continued from page 4

berths either to offload imported goods, or to onload goods for transport to foreign lands. Goods which are languishing either shipboard in the harbor, or in the container onshore, create exactly the same effect as limited production- low to no inventories for retailers to sell. More cash seeking fewer goods and services is a sure recipe for inflationary pressure.

We have already begun to see the early signs in the runup of many basic commodity prices. These price increases are also being augmented by a year of lower crop production for most of the major corn, wheat, cattle and soybean producers of South America.

The simultaneous occurrence of lower agricultural production in South America and Australia, along with the debilitating effect of a global pandemic has driven the World's economies to a state of turmoil. These disruptions are of such a magnitude that they won't be easily cured or wiped away. Many fortunes will be made or lost and many seismic economic changes will be made that will endure for years to come.

We would be remiss if we didn't also mention the long-lasting effect of the shifting dynamic caused by the huge portion of our U.S. workforce that the pandemic has caused to start either working from home or other remote space. Vast office buildings in cities all over America that only a few months ago virtually hummed with activity, have been strangely empty and silent for many months now. Cell phones, laptops and Zoom

meetings have replaced many trips to the central office and in-person conferences. Many companies have realized that those facilities and practices were maintained and carried on simply because that's the way it was always done. A large portion of many companies' employees are just as, if not more, productive and happy working from a remote location without the investment in procurement and maintenance of office space, not to mention the time and treasure expended in the travel back and forth to such a facility. We marvel when we look at the millions of office windows in huge skyscrapers in many of our major cities across the country, where employees either by choice, or by edict from their respective chains of command, won't be returning to centralized office space.

Our only hope is that the transition to the Post Covid Economy can be with as little disruption and as much success for everyone as possible. Every segment of our global society is in "uncharted waters" economically.

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*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.*

***"Agriculture is the most healthful, most useful and most noble employment of man."***

**– George Washington**

## Consultant Spotlight: DAVE BAUER



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

I really appreciate working with the type of clients and co-workers that the Hurley and Associates philosophy and mission attract, the Hurley family and management team are excellent to work with and give me

the opportunity to work with some of the best people in the world!

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

I was working as the local co-op agronomy manager during a board meeting where the Hurley and Associates marketing program was first presented to the board, my initial response to the general manager was that this service will be well received by local growers and that they should jump on the opportunity. They did, and three years later I became a Hurley and Associates marketing consultant and have been working with area growers for the past 19 years.

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

Knowing that we are impacting people's lives and livelihood is both humbling and awesome, and our company as a group takes that responsibility very seriously. Education regarding the marketing tools used is a huge component of our service, and it is rewarding to see that educational growth among our clients and their lenders, along with the accepted use of more of these tools.

### What would be your ideal vacation?

The 3 B's: a beach, a book, and a beer! Relaxing on a sunny beach in February has been a somewhat annual vacation that was sorely missed this winter, looking forward to next!

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Dave grew up on a small grain and livestock farm near Graceville, MN, where he and his wife Belinda currently live. After graduation from High School, he attended Technical College in Willmar, MN, graduating with an Ag Business degree. David's agricultural career started in Wheaton, MN, where he worked for over 21 years in the agricultural input business. Dave started working for Hurley and Associates in 2002 and is proud to continue to bring the Hurley vision and mission to producers in Western MN and the Eastern Dakotas. Dave has been involved in the local community, volunteering for the fire department, working as a church council member, and is actively involved with various conservation organizations. Favorite hobbies include hunting and various shooting sports.

## Can Brazil's Logistics Keep Up with Expanding Grain Production?

By Michael Cordonnier/Soybean & Corn Advisor, Inc.

As soybean and corn production continues to increase in Brazil, there is a fundamental question if the logistics in Brazil can keep up with the expanded production. I think the answer to that question is 'yes'.

Probably the most important recent improvement in Brazilian logistics has been the development of the "Northern Arc" of ports on the Amazon River and along the northeastern Atlantic Coast of Brazil.

In a recent Logistical Bulletin issued by Conab, (which is the Brazilian equivalent of the USDA), they indicated that the "Northern Arc" of ports in Brazil continue to increase their share of Brazil's grain exports. From January through August of 2020, 34% of Brazil's soybean exports and 31% of Brazil's corn exports left through the Northern Arc of ports including the ports of Barcarena in the state of Para, Miritituba (Santarem) in the state of Para, Itacoatiara in the state of Amazonas, and Itaquí in the state of Maranhao. The export volume for these four ports is similar to the export volume for the Port of Santos, which is Brazil's largest port according to data from the National Water Transport Agency (Antaq).

In 2010, the northern ports in Brazil accounted for 14.4% of the soybean and corn exports. In 2019, the northern ports accounted for 31.9% of the soybean and corn exports according to the National Water Transportation Agency (Antaq). This increase can be explained by the improved infrastructure in the region especially the completion of Highway BR-163 that lowered freight costs from Mato Grosso to the Port of Miritituba. The northern ports offer a lower cost alternative for grain shipments from the central states of Brazil especially the state of Mato Grosso, which is Brazil's largest producer of soybeans, corn, cotton, and cattle.

The completion of Highway BR-163 in northern Brazil lowered the cost of transporting grain from northern Mato Grosso to ports on the Amazon River by approximately 25%. Before the last 50 kilometers were paved in late 2019, a truck driver never knew how long it would take to deliver his load due to muddy and unpassable conditions. With the completion of the paving, they now know exactly how long it would take to make a round trip. Drivers can now complete 6 to 8 round trips per month from northern Mato Grosso to the Port of Miritituba.

Before the paving was completed, it cost about R\$ 230 per ton (approximately \$1.27 per bushel) to transport soybeans from northern Mato Grosso to the Port of Miritituba. After the paving has been completed, the cost is about R\$ 170 per ton (approximately \$0.94 per bushel).

continued on page 7

# Can Brazil's Logistics Keep Up with Expanding Grain Production?

By Michael Cordonnier/Soybean & Corn Advisor, Inc.  
Continued from page 6

We have all heard the saying “be careful what you wish for”, well that could also apply to Highway BR-163. Farmers wished for a long time for that highway to be completed and now that the highway has been completed, it is going to be turned into a toll road. So, some of the lower freight costs will now be eaten away by the toll charges.

Even with an increase in exports from the northern ports, Brazil still has an imbalance in its transportation system by relying primarily on highway transport. A study by the Planning and Logistics Company (EPL) emphasized the need for flexibility in the modes of grain transport in Brazil. They state that if trucks were only used for short distances and more efficient modes of transportation such as rail and barge were used for the long hauls, the reduction in transportation cost could be as much as 58% depending in the route and the modes used.

The long anticipated and discussed Ferrograo Railroad (Grain Railroad) linking the city of Sinop in northern Mato Grosso with the Port of Maritituba on a tributary of the Amazon River moved one step closer to fruition in 2020. The Brazilian National Land Transportation Agency (ANTT) in conjunction with the Brazilian Ministry of Infrastructure are expecting that bids will be accepted and awarded for the construction of the railroad during the first half of 2021.

The Ferrograo Railroad is 933 kilometers in length and it will transport soybeans, soybean meal, soybean oil, corn, sugar, and ethanol to ports in Brazil's “Northern Arc” of ports. The back haul of the railroad will be fertilizers and petroleum derivatives.

The Minister of Infrastructure, Tarcisio Gomes de Freitas, declared that this is the most ambitious infrastructure project in recent Brazilian history. Today 70% of Mato Grosso's grain exports are via the Ports of Santos in the state of Sao Paulo and the Port of Paranagua in the state of Parana, both of which are approximately 2,000 kilometers from northern Mato Grosso.

In addition to lowering the cost of transporting grain out of Mato Grosso, the railroad would reduce some of the heavy truck traffic on Highway BR-163 and in the process, eliminate approximately one million tons of CO2 emissions.

Construction on the railroad would start in the city of Sinop and work its way northward and there would be a grain terminal for loading and unloading at each end. From the Port of Maritituba, the soybeans would then be barged down the Amazon River to primarily the Port of Barcarena, which is near the city of Belem located at the mouth of the Amazon River.

Total investments in the project are expected to be R\$ 15 billion, which at the current exchange rate of 5.3 Brazilian reals per U.S. dollar, would equate to \$2.8 billion dollars. That estimate seems very low given the fact that the 933 kilometer railroad will be constructed through virgin rain forest and over numerous rivers and including two grain terminals. Investments for the railroad are expected from multinational grain companies and the Brazilian National Development Bank (BNDES).

Below is a map of northern Brazil from the publication So Noticias that displays the route of the Ferrograo Railroad (dark green line) and the major ports in northern Brazil. In the legend: Ferrograo=Grain Railroad, Hidrovias=navigable waterways, Portos=ports, Terminais Ferroviarios de Carga/Descarga=loading and unloading railroad terminals. The map shows four ports on the Amazon River, Itacoatiara, Santarem, Santana, and Barcarena. The Port of Barcarena is the largest and would export the largest volume of soybeans and corn out of Mato Grosso.



*Dr. Michael Cordonnier holds a Ph.D. in agronomy from Michigan State University and has been involved in South American crop production for more than 45 years. His experience in South America started in the early 1970's when he conducted agricultural research in central Brazil. He has been a keen observer of the development of the soybean industry in South America over the last four decades. Dr. Cordonnier is fluent in Portuguese and travels regularly to Brazil, Argentina, and Paraguay to inspect the soybean and corn crops. He appears regularly on national TV and radio programs to discuss world agricultural issues and he conducts numerous seminars dealing with agricultural production for regional and national audiences. He is now president of Soybean and Corn Advisor, Inc., a consulting firm that services many Fortune 500 companies and the agricultural trading community specializing in fundamental analysis of soybean and corn production with special emphasis on South America.*



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