



# The Farmer's "Market"



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## Message from the President

ALAN HOSKINS

In a recent meeting, a banker from another institution spoke of how he asks his ag customers to explain the vision for their business as well as their farm operation goals. He went on to discuss other operators of farms with higher levels of profitability and working capital and how they were more prepared to articulate both items. I commended him for initiating this conversation. It clearly allows his customers to understand his goal of learning how he may help increase their success versus being a lender interested in nothing more than the "numbers" relating to their loan request.

The Merriam webster dictionary contains a definition for "vision" as being "A thought, concept or object formed by the imagination". The vision for your operation is based upon your unique opinion of what constitutes success. It certainly doesn't mean you can't obtain input from others about what is meaningful to them but rather you get to decide what is ultimately the most important for your business. I have seen examples of visions include both tangible and intangible items. Again, neither is correct or incorrect as they should be distinctive to you.

The prior publication also shows "the end toward which effort is directed" as a meaning for the word "goal". Your goal(s) may be acreage based, profitability dependent, yield defined or something entirely different. The majority of goals I have heard over the years, tend to have a component of specificity and time in order to learn if they were achieved. This is just one of many examples.

What is the value of this topic? I believe the answer lies in the banker I referenced observing the correlation between the existence of these items and increased financial performance. I know of few, if any cases, where the farm operations vision and goals were put in place after some level of success (not necessarily financial) was achieved. The establishment of these items would also tend to provide greater levels of clarity during challenging times. Please understand, I am in no way attempting to communicate the presence of these items eliminating the stress of uncertainty. However, having a "roadmap", will help with your path (vision) and destination (goal) and may mitigate some of the peaks and valleys of the journey.

If you presently have neither of these items, that's okay. All operators presently utilizing them made a conscious effort at some point to begin. If you can see their benefit, perhaps starting the process by speaking with your banker, accountant or others that you think might provide value is a good inception point. It will be a process that will most likely allow you to begin seeing your operation in a different light. Remember, it is your operation.

In closing, I leave you with this question, "With the plentiful challenges stemming from uncertainty in price and availability facing agriculture going into 2022, are you looking for ways to improve?"



# Play the Long Game in Machinery Investments

By Shay Foulk  
AG Web

## Here's how to achieve long-term equipment management success

Equipment is the No. 1 or No. 2 largest line-item expense in cost of production, and arguably the most misunderstood and mismanaged.

Increased commodity prices, good yields, and the lasting effects of 2020 markets and additional income have farms making changes on a large scale. Many farms have held off on upgrades or trades due to low commodity prices for several years, and now is the time to make a change.

Whether you upgrade your lineup every decade or every few years, here are a few decision-making strategies to set yourself up for future success.

### Identify your wants, needs and wishes.

We all have them, and we are all guilty of failing to take the time to prioritize changes. Could some equipment face major repairs in the next year or two? How will your operation continue to grow (however you define growth) if you are missing key pieces of equipment? Massaging chairs in the tractor sound nice, but which of the three categories does that fall in? Make a list and prioritize equipment needs.

### Know your TRUE equipment cost.

If you were paying someone to do your field work, would you expect them to operate at a loss? Of course not! You shouldn't either. But, how do we know that cost? Many operations create an equipment entity, LLC or S Corp most commonly, to keep books clean, track true costs, and manage equipment better. Guess what ... it works. You can't improve what you don't measure. Find the way that works best for your business and stick to it. Then, put that information back into your marketing plan in the form of cost per bushel or overall budget to know your true breakeven price and profit margin.

### Manage your trade plan three to five years out.

You know how many hours you put on your machines, the acres they cover, and when you need or want to make a change in the lineup. If you're anything like me, your capital expenditure wish list and your budget don't always match. Because of this, most people avoid managing equipment trades like the plague. A wise man once told me

"You can be happy or you can be informed," when it comes to managing difficult decisions in your business. I choose to be informed. Use a tool like the one below to map out your plans for change over the next few years. This accomplishes three things:

It forces you to make a trade plan for every piece of equipment used on the farm. Assigning a dollar amount makes you ask the right questions and look into what it might cost.

Adding up the total cost of your trade plan puts an annual number on the cost of change and reduces shock when it comes time to make changes (see "be informed"). What we often hear is farm operations talking about future trades "three to four years from now." Then when it's on paper they realize 2024 isn't that far away and there is a pretty big number behind that dollar sign. Should we trade sooner to alleviate cash flow, or can we wait longer to trade elsewhere?

Farm businesses that understand and manage their equipment costs and trade plans in the next 10 years are those who will still be farming in 30 years.

## What decisions can be made from a tool like this?

Honing in on the true priority of replacement or additions to the fleet. Understanding future capital expenditure and ensuring equipment management and crop marketing line up with your cost of production to allow for these changes. Providing a plan to the lender- just having a plan will set you a step above the rest. Great information and candid conversation with your equipment dealership. They can better plan, often find deals, and understand and better serve you as a provider if they know how to best help (equipment dealers, take note).



## A Machinery Investment Tool

Equipment	Year	Last	2021	2021 Dollars	2022	2022 Dollars	2023	2023 Dollars	2024	2024 Dollars	2025	2025 Dollars
		Update	Plan	\$332,500	Plan	\$242,500	Plan	\$622,500	Plan	\$762,500	Plan	\$572,500
<b>Combines</b>												
JD 780	2018	2019	USE	\$0	USE	\$0	USE	\$0	TRADE	\$215,000	USE	\$0
JD 680	2018	2019	LEASE	\$32,500	LEASE	\$32,500	LEASE	\$32,500	LEASE	\$32,500	LEASE	\$32,500
<b>Heads</b>												
12 Row Corn	2019	2020	USE	\$0	USE	\$0	USE	\$0	TRADE	\$40,000	USE	\$0
12 Row Corn	2018	2018	Rebuild	\$30,000	USE	\$0	USE	\$0	TRADE	\$55,000	USE	\$0
Draper Head	2014	2017	USE	\$0	USE	\$0	USE	\$0	TRADE	\$40,000	USE	\$0
Draper Head	2014	2018	BUY/USE	\$45,000	USE	\$0	USE	\$0	TRADE	\$45,000	USE	\$0
<b>Grain Carts</b>												
JM	2018	2021	RENT	\$20,000	RENT	\$20,000	RENT	\$20,000	RENT	\$20,000	RENT	\$20,000
<b>Planters</b>												
24 Row 2020	2020	2020	USE	\$0	USE	\$0	USE	\$0	USE	\$0	TRADE	\$250,000
24 Row 2005	2005	2021	BUY/USE	\$75,000	USE	\$0	USE	\$0	USE	\$0	TRADE	\$100,000
<b>Tillage</b>												
AT6020 Strip	2017	2020	USE	\$0	USE	\$0	USE	\$0	USE	\$0	TRADE	\$100,000
Salford 2100	2016	2018	USE	\$0	USE	\$0	USE	\$0	USE	\$0	USE	\$0
ST10 Pathfinder	2016	2020	USE	\$0	USE	\$0	TRADE	\$40,000	USE	\$0	USE	\$0
Strip Freshener	2019	2020	USE	\$0	USE	\$60,000	USE	\$0	USE	\$0	USE	\$0
In-Line Ripper	2015	2020	USE	\$0	USE	\$0	USE	\$0	USE	\$20,000	USE	\$0
<b>Tractors</b>												
9620RX	2021	2021	LEASE	\$60,000	LEASE	\$60,000	LEASE	\$60,000	BUY/USE	\$225,000	USE	\$0
9510RT	2019	2019	USE	\$0	USE	\$0	TRADE	\$150,000	USE	\$0	USE	\$0
8270R	2019	2019	LEASE	\$50,000	LEASE	\$50,000	LEASE	\$50,000	LEASE	\$50,000	NEW LEASE	\$50,000
8235R	2018	2020	USE	\$0	USE	\$0	USE	\$0	USE	\$0	USE	\$0
4440	1988	2000	USE	\$0	USE	\$0	USE	\$0	USE	\$0	USE	\$0
<b>Sidedress Bars</b>												
Sidedress bar	2016	2019	RENT	\$20,000	RENT	\$20,000	RENT	\$20,000	RENT	\$20,000	RENT	\$20,000
<b>Sprayer</b>												
4940	2018	2018	USE	\$0	USE	\$0	TRADE	\$250,000	USE	\$0	USE	\$0
<b>Last Updated</b>												
10/10/2021			Total	\$332,500	Total	\$242,500	Total	\$622,500	Total	\$762,500	Total	\$572,500
				Total: \$2,532,500								
				Over the next five years of operation								

# Set Your Successors Up for Success

By Rena Striegel  
AG Web

Families often delay succession planning because they are concerned family dynamics will shift when a senior leader begins to transition. Postponing the decision to address the dynamics between your heirs creates a high-pressure environment for all.

As timelines get shorter, successors can become more frustrated and the behaviors that are minor irritants today will become major issues that are harder to resolve.

It is never too early to begin to establish guidelines for how your team will work together, resolve issues, make decisions and assign accountability.

## MAP YOUR ORGANIZATION

Leaders thrive with structure, good communication and clarity regarding the future. Begin by mapping your organization. Identify each business unit and create an organizational chart with roles, major tasks and who is accountable for them. Be specific. If someone is the manager but does not make decisions regarding budgets or wages, make sure that is clearly defined on the chart.

By breaking your organization down in this way, you might find the root of communication breakdowns or operational inefficiencies.

## REALIGN THE TEAM

Next, realign the team. To the extent you can, position people to do the things they enjoy and are adequately trained to do. When a team is misaligned, it will cause

discontent. An aligned team correctly performing the right tasks will function at a higher level and be more productive.

When working through a realignment exercise, be cautious of territorialism. Focus on what is best for the organization. Letting go of something can be hard. Allow open discussion, debate and disagreement.

Listen carefully to all opinions to make the correct adjustments. If you have written job descriptions, update them to reflect any changes that are made.

When your organization is mapped and the team is realigned, you are ready to determine

how the team will function going forward. Begin with a group exercise to identify what is working well and what the team would like to improve.

## CREATE A CODE OF CONDUCT

As you work through this exercise, a code of conduct agreement will begin to emerge. When documented, this agreement will create clarity regarding expectations, accountability and allow for early intervention when the agreement is violated.

A code of conduct agreement can address any situation where your successors must work together — from how the group approaches disagreements to how they work through transition. It can also be used in conjunction with other documents such as a family employment policy.

The key to these activities is to be consistent. Once agreements are made, document and adhere to them. Keep your code of conduct front and center and schedule time to review and update it with the team on a regular basis to ensure it stays relevant.



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*Understanding Your Business... From The Ground Up*



We continue to see an increase in **FRAUDULENT** communication – they come in the form of:

•PHONE CALLS •EMAILS •TEXT MESSAGES •LETTERS

We will **NEVER** ask for the following information:

•USERNAME •LOGIN PASSWORD •CARD NUMBER •SECURITY CODES  
•ATM PIN •EXPIRATION DATE •CVV •SOCIAL SECURITY NUMBER

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