

G LAUB FARM MANAGEMENT

- MANAGEMENT
- REAL ESTATE
- LAND AUCTIONS
- APPRAISALS
- CONSULTING
- INVESTMENTS

MID SOUTH VIEWPOINTS

WINTER 2021

SUPPLY CHAIN CONSTRAINTS AFFECTING AGRICULTURE

By Sam King

Supply chain issues have wreaked havoc across the world since Covid and the government policies in response to the pandemic that begun in early 2020. The consequences of those policies are now hitting all of us in the form of higher inflation and in many cases shortages. The agriculture sector has faced its own set of obstacles in getting crops from planting to processing and on grocery store shelves. The main issues have revolved around labor, logistics, inputs, and equipment costs. Locally, labor shortages, prices of inputs, and availability of parts and inputs are the greatest concerns that are threatening production for 2022.

Between on-farm labor and farm service providers, labor was already becoming an issue in the industry with a lack of qualified and reliable personnel. This combined with the universal labor shortages across most industries has placed the agriculture industry in a vulnerable place. With increasing equipment cost, complexity, increasing farm size, and technology adoption, farms and farm service industries are needing employees to handle increasing levels of responsibility and technology. The National Council of Farmer Cooperatives reported recently that 77% of Co-ops are facing issues retaining skilled employees.

Transportation issues have caused issues across the nation especially in other industries with a lack of truck drivers. The agriculture industry has faced similar issues in addition to others. Due to backlogs and a deficit of drivers and trucks, all industries have faced general congestions and setbacks. This year at harvest, Hurricane Ida caused issues in the gulf and lower Mississippi River at unloading facilities and damaged the largest glyphosate plant causing it to be shut down for nearly six weeks. Earlier this year, traffic was halted across the I-40 bridge to Memphis and under the bridge to barge traffic on the Mississippi River due to structural concerns on the bridge. Freight costs in general have increased significantly, especially from the U.S. to Asia, with container costs being driven from a typical \$400-\$1,800 range to \$15,000-\$20,000 per container. These factors combined have led to an estimated \$1.5 Billion decrease in agriculture exports as reported by Agriculture Transportation Working Group.

Agricultural inputs are increasingly putting a squeeze on farmers in preparation for 2022 with the cost of fertilizer, seed, and chemicals continuing to rise. The U.S relies on many inputs or ingredients such as nitrogen and potash to be produced or mined overseas and shipped to local input suppliers. The American Farm Bureau Federation reports that since September 2020, ammonia has increased in price by 210%, liquid nitrogen has increased by 159%, and urea has increased by 155% on average price. With fertilizer costs representing a significant portion of the cost to raise a crop, these prices put farmers in a difficult position to profitably grow crops in the coming year. In addition to the concerns of prices, availability is an additional concern. While market supply is playing into the rise in price, the lack of supply could hit farmers just as hard. If they can afford all of the inputs they need, they may not be available.

While steel prices have fallen from their record high in September, steel is still up from years previous and among demand for microchips is driving the price for equipment up as well. With the used equipment market behaving similarly to the used vehicle market we are all familiar with, the options for farmers are going to be all-around more expensive going into 2022, especially if they will be needing new equipment or even if they want to outfit old equipment with new technologies. Tornadoes that ripped through Arkansas, Missouri, Tennessee and Kentucky earlier in December damaged farms. These operations will inevitably face higher prices replacing damaged equipment, grain bins, and buildings.

Not to sound too pessimistic but looking forward to the upcoming year, most economic reports predict supply issues will continue through the year and labor issues will go beyond a year due to the aging population and skills gap. On a positive note, most economist predict inflation to slow in 2022 as both monetary and fiscal policy become tighter.



TUBBS JOINS GLAUB FARM MANAGEMENT



GFM is excited to announce and welcome Jim Tubbs to our team. Jim has joined Glaub Farm Management as Sales Associate and Farm Financial Consultant with more than 40 years of experience in agricultural lending and banking. He has been involved not only in finance, but also farm management, land valuations and financial consulting during his career. He possesses knowledge and perspective to guide clients through transactions of all complexity levels. With this skill set, he is uniquely qualified to assist farm families and investors in making additions or changes to their operations.

Prior to joining GFM, Jim spent 33 years with Regions Bank, the last five as Northeast Arkansas Market Executive. Prior to this role, he served as a Senior Sales Manager for Agricultural and Commercial loans, with oversight of the local Agricultural loan portfolio. He continued to service a sizable individual portfolio while serving in these management roles.

After earning a BSA in Agribusiness and Economics from Arkansas State University, Jim started his career as a Farm Financial Consultant with Schaaf, Orr, and Co. Ltd., a former Jonesboro-based CPA firm. For six years, he was with Farm Credit Services serving in the roles of Loan Officer and Branch Manager. Prior to that, he was a Staff Appraiser with Huber Land Corporation of Memphis. Prior to Jim's professional career, he was brought up on their family farm, Southwest of Jonesboro, AR, where he maintains a connection.

Throughout Jim's career, he has diligently committed himself to continuing education. He's completed the Basic and Advanced Principles of Rural Appraisal courses from the ASFMRA., the Farm and Land Institute's Land Return Analysis Course and Credit Fundamentals I, II and III from the Farm Credit System. He is also a graduate of the University of Memphis Mid-South School of Banking, the A.B.A. National Commercial Lending School (Norman, Okla.) and the Dale Carnegie Human Relations course.

Jim has also invested in personal leadership growth through Regions' Leaders at All Levels training and the Greater Jonesboro Area Chamber of Commerce "Leadership Jonesboro" program. He's served on the Jonesboro Chamber of Commerce's Agribusiness Committee and the Craighead County Farm Family Selection Committee. He's an active member and past president of the Exchange Club of Jonesboro and Central Baptist Church. He has actively served on the Board of Directors of the Craighead County Farm Bureau since 1988 and been a recipient of the Arkansas State Distinguished Alumni in Agribusiness Award.

During Jim's free time, he enjoys being on the farm, fishing, traveling, and spending time with his wife, kids, and grandchildren.

Welcome aboard Jim!

FINANCIAL CHECKUP, "WHERE ARE YOU AT?"

By Jim Tubbs

"Where you at?" While this statement is grammatically incorrect, it's a question every business owner/investor asks themselves regularly in regards to their financial health. It is also a question that other folks in your corner want to know including your family, your banker, your accountant, and your lawyer, to name a few. Your Annual Financial Statement/Balance Sheet provides the best answers. Just like your doctor needs to know your vital signs at every visit, the facts contained in your financial statement provide the basis for your financial health.

So, what if I'm debt free? Congratulations! You're in a small but blessed group but that's not a good reason to forego preparing a periodic financial report. Doing so is alike to skipping your annual physical when you "feel fine". Here's three good reasons why you should keep your financial statement current:

The first reason is to provide a simple compilation of your assets and liabilities. The process itself is good exercise. For most financial analysts, the statement reflects "just numbers", each item represents a decision you've made whether good or bad. Preparing/reviewing the statement is the best way to evaluate your past decisions to remind you of what worked and what did not. The compilation also provides the basis for estate planning.

The second reason to go through this annual ritual is to measure performance year over year. Just like a compass lets you know if you're going in the right direction, comparing the year-end statements allows you to see the trajectory of your wealth accumulation. Trend analysis lets you see "where you at" in terms of leverage, liquidity, and equity. Are you meeting your goals of better securing the future for your family and/or business?

Lastly, the annual statement provides good, factual intelligence on which to base future decisions. Can I expand? Should I sell something? Buy something? Are my decisions paying off? Do I need to make changes? If you've ever driven (or flown) a vehicle without a working fuel gauge, you know your decisions are limited. Not knowing your Key Financial Ratios and Balances when making a quick decision will likely end badly. The year-end balance sheet provides a good look at the fuel



level. With this information, you will have confidence when deciding to take an excursion -or not.

Whether you have a full-blown, CPA prepared statement or one you comprise in a spiral notebook, preparing your annual financial statement is just good business. For comparison purposes, it's best to be consistent with the date, and year-end is the choice of financial professionals. So as the Christmas ornaments go into the box, allow some time to focus on your financial inventory for a Happy New Year.

THE FUTURE OF DIESEL IS RENEWABLE AND GREEN



By Jeffrey Hignight

In November the United Nations held the Glasgow Climate Change Conference to set goals on how to reduce emissions created by human activity. Afterwards many governments and auto makers announced greater focus towards electric power in the upcoming years. These efforts could reduce our carbon footprint if energy comes from a renewable and lower carbon emitting energy source. One piece of

the emission puzzle not discussed frequently is how to handle heavy duty use construction, agricultural, and long haul transportation, i.e. trucks, boats, airplanes. It is unlikely battery power is the answer but a newer product called renewable diesel might be a solution without the need to upgrade energy infrastructure.

You can think of renewable diesel as the next generation of biofuels that can be produced from various materials such as cellulosic materials and lipids. Cellulosic materials would include crop residue, woody biomass, lawn waste to dedicated energy crops. Lipids would include vegetable oils, animal fats, greases and algae.

What makes renewable diesel different than bio diesel? Renewable diesel with its combination of renewable biomass and a process called hydrotreating, which removes compounds that contain nitrogen and oxygen, results in a fuel that is chemically and physically identical to petroleum diesel. On the other hand, bio diesel uses only lipids as stock and is created through a method called transesterification. This process basically purifies oils and fats and are not chemically or physically identical to petroleum diesel.

Renewable diesel conveys many benefits over bio diesel. It requires no modifications and can be used in diesel engines without the need to mix with petroleum diesel as bio diesel requires. Being identical to petroleum diesel, renewable diesel does not congeal in cold environments. It can be produced in existing facilities with little upgrades to equipment. Additionally, biomass feedstock options are broader than with bio diesel.

Companies such as Neste, BP, and Shell are working on providing safe, effective, and efficient bio fuel options for heavy power use equipment. According to the US Department of energy, in 2020 there were five commercial renewable diesel plants with two under expansion and eight new plants under construction. The demand for cleaner fuels to lower pollution rates is growing year-after-year. Renewable diesel provides promise for utilizing American grown crops and by-products which will have a positive impact on future commodity prices and farm profitability.

2022 CROP ENTERPRISE BUDGETS NOW AVAILABLE

The University of Arkansas Cooperative Extension Service recently released its 2022 crop enterprise budgets that present the return before land and management expenses are accounted. Surface irrigated peanuts, corn, cotton, soybean, rice and sorghum—as summarized below—are the most profitable in that order according to the budgets although sorghum is the only crop budgeted with a negative return. While crop prices budgeted are higher for 2022 than 2021 by an average of 22%, crop inputs budgeted have increased 61% compared to the 2021 budget. Overall, farm income entering into 2022 is projected to

University of Arkansas Summary of Revenue and Expenses per Acre for Surface Irrigation

Receipts	Cotton B3XF ¹	Corn Stacked	Grain Sorghum	Soybean RR2Xtend	Rice FullPage	Peanut
Crop Revenue	\$1,008.00	\$1,128.75	\$514.50	\$726.00	\$1,187.50	\$967.50
² Net Operating Expenses	\$697.36	\$813.42	\$470.67	\$449.47	\$932.91	\$529.93
³ Returns to Operating Expenses	\$310.64	\$315.33	\$43.83	\$276.53	\$254.59	\$437.57
Fixed Costs	\$165.90	\$105.00	\$99.79	\$115.45	\$115.64	\$214.05
⁴ Total Specified Expenses	\$863.26	\$918.42	\$570.46	\$564.92	\$1,048.55	\$743.98
³ Returns to Specified Expenses	\$144.74	\$210.33	-\$55.96	\$161.08	\$138.95	\$223.52

¹Gin rebate is set equal to post-harvest expenses.

²Cottonseed value (gin rebate) deducted from post-harvest expenses.

³Share rent and cash land rent are deducted from crop revenue.

⁴Does not include land costs, management, or other expenses and fees not associated with production.

be down. Market prices are reasonable from a historical perspective, but input inflation is eroding profitability.

The UA 2022 Crop Enterprise Budgets are designed in Excel, allowing users to adjust prices, yields, machinery compliments and irrigation in order to match personalized farm activities. They're an effective way to view how changes in field trips, inputs, machinery, prices and yields can shift profitability and are conveniently available for free download on the extension service's [website](#).

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Ted L. Glaub
Manager/Broker
& Auctioneer



Jeffrey Hignight
Manager/Broker



Houston M. Matthews
Certified General
Appraiser

AVAILABLE AND SOLD LAND INVESTMENTS

- 67 +/- Acres in Phillips County, AR (Sold)
- 77 +/- Acres in Craighead County, AR (Auction)
- 80 +/- Acres in Craighead County, AR (Auction)
- 82 +/- Acres in Cleburne County, AR (Available)
- 153 +/- Acres in Greene County, AR (Available)
- 160 +/- Acres in Lawrence County, AR (Available)
- 229 +/- Acres in Cross County, AR (Sold)
- 316 +/- Acres in Phillips County, AR (Pending)
- 320 +/- Acres in Crittenden County, AR (Sold)
- 356 +/- Acres in Dunklin County, MO (Sold)
- 676 +/- Acres in Phillips County, AR (Available)
- 1,040 +/- Acres in Monroe County, MS (Sold)

A large portion of sales occur on properties not listed or advertised on the open market.
Contact us about these listed and additional land investments.

G LAUB FARM MANAGEMENT

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