

# Quarterly Newsletter

April of 2024

**Maverick Churchill**

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"The beginner chases the right answers. The master chases the right questions." James Clear



## Most US Farms and Ranches are Still "Family-Owned" ...and Debt Free!

In the 2023 edition of "America's Farms and Ranches at a Glance," the USDA's Economic Research Service (ERS) finds that the majority of farming and ranching operations in the US during 2022 were still family-owned. What's more, only around 26% had any debt. A "family farm" is of course one where the majority of the business is owned by the principal operator and persons related to them. While the number of non-family farms does continue to increase, they account for only about 2.7% of US farms in 2022, up from 2.1% in 2021.

I've included some other highlights from the report below. For the sake of reference, farm size is measured by gross cash farm income (GCFI), a measure of the farm's revenue including sales of crops and livestock, government payments, and other farm-related income, including fees received by operators from production contracts. Most of the analysis in the report is based on a total sample of approximately 19,100 farms from the 2022 Agricultural Resource Management Survey (ARMS), an annual survey conducted by USDA, National Agricultural Statistics Service (NASS) and USDA, Economic Research Service (ERS). The full report is available [HERE](#).

### **Small Family Farms are More Financially Vulnerable**

USDA uses "Operating Profit Margin" - the share of gross income that is profit - as one way to gauge a farm's financial performance. An OPM of less than 10% is considered an indication of potentially more financial vulnerability.

In 2022, between 52% and 79% of small family farms had an OPM in the high-risk zone (less than 10% OPM).

Large farms in 2022 were most likely to have OPMs in the low-risk zone (OPM of at least 25%) at 51% and least likely to be in the high-risk zone at 27%.

The share of farms in the medium-risk zone (OPM between 10% and 25%) ranged from 4% (retirement farms) to 26% (very large farms). For each farm type, the percentage of farms in the medium-risk zone was smaller than the share of high and low-risk farms.

ERS notes that compared with 2021, the percentage of small family farms in the low-risk zone increased or remained the same in 2022. All other farm types showed a decline in the percentage of farms in the low-risk zone in 2022 relative to 2021. This could be due in part to the large increase in prices received compared to the smaller increase in input costs in 2022, resulting in record-high net farm income. However, these returns were not equally distributed across all commodities.

### **Only 26% of US Farms Held Any Debt in 2022**

Over half of each farm type reported loans owed to a commercial bank in 2022. Between 8% to 10% of farms with loans, depending on farm type, reported having a loan serviced by the USDA, Farm Service Agency.

At 31% of farms with debt, small family farms that reported holding any debt were less likely to have a loan through the Farm Credit System compared to all other farm sizes. However, small family farms had the largest share (28%) receiving a loan through other lenders relative to large-scale family farms (21%) and nonfamily farms (18%).



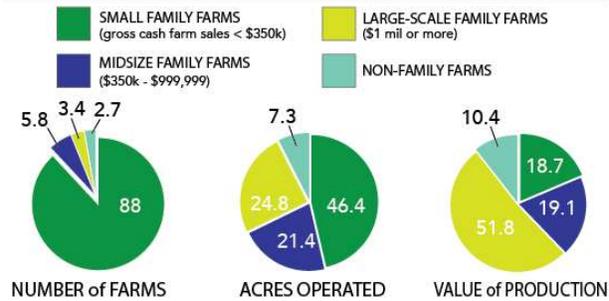
For all credit lender types except trade credit lenders, large-scale family farms with loans had higher average loan amounts relative to small and midsize family farms. This is consistent with the fact that farming is capital-intensive and large-scale family farms account for the majority of U.S. agricultural production.

Large-scale family farms had the largest percentage (76%) of farms with loans relative to all other farm sizes.

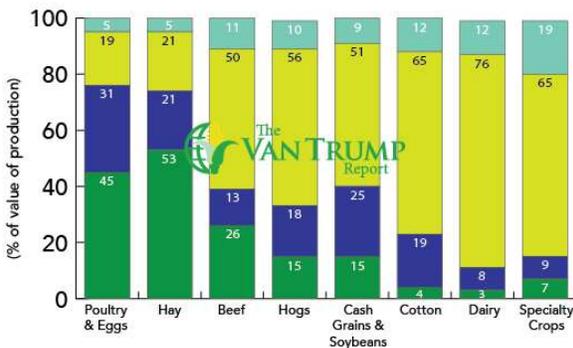
Source: Van Trump Report, January 2024

## DISTRIBUTION of U.S. FARMS by TYPE

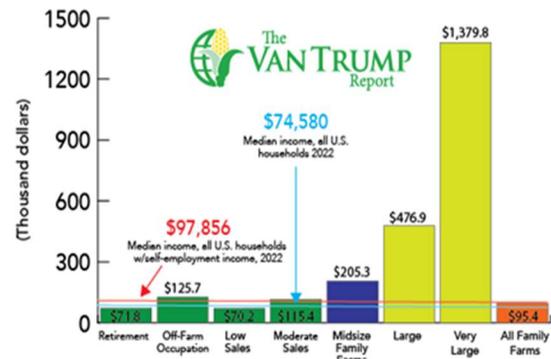
**% of U.S. farms, acres operated, and value of production**



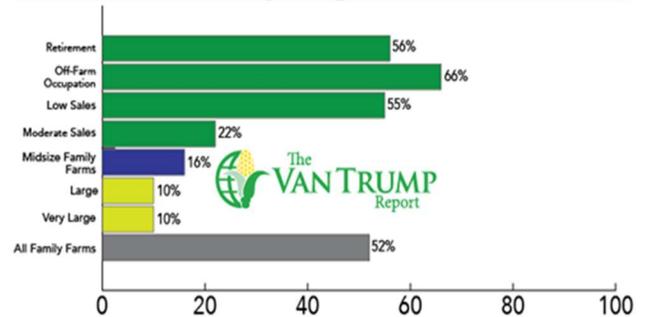
**Value of production of selected commodities**



**Median operator household income by farm type**



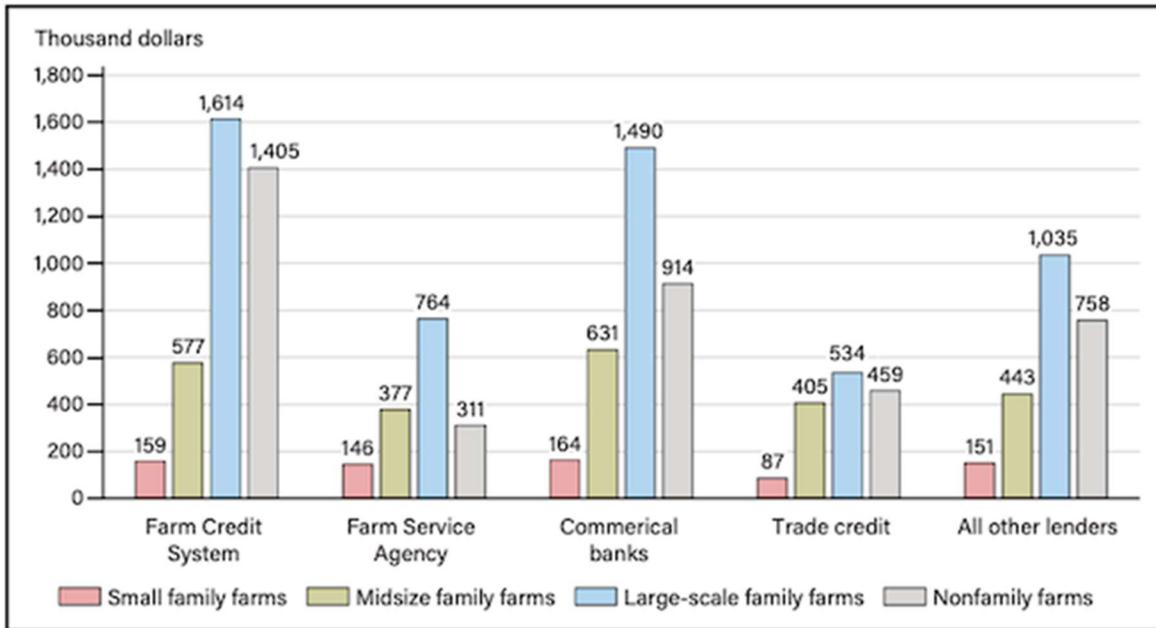
**Income from farming is negative, % of households**



Source: USDA ERS, America's Farms and Ranches at a Glance: 2023 Edition



## Average loan amount by credit lender and farm typology for farms with debt, 2022



Source: Van Trump Report, January 2024

**Corporate Defaults at Highest Rate Since Global Financial Crisis:** *More companies have defaulted on their debt in 2024 than in any start to the year since the global financial crisis as inflationary pressures and high interest rates continue to weigh on the world's riskiest borrowers, according to S&P Global Ratings. This year's global tally of corporate defaults stands at 29, the highest year-to-date count since the 36 recorded during the same period in 2009, according to the rating agency. Read more at [The Financial Times](#)*

Source: Van Trump Report, March 2024

“We are what we repeatedly do. Excellence, therefore, is not an act but a habit.” Aristotle

## Time vs. Market Timing



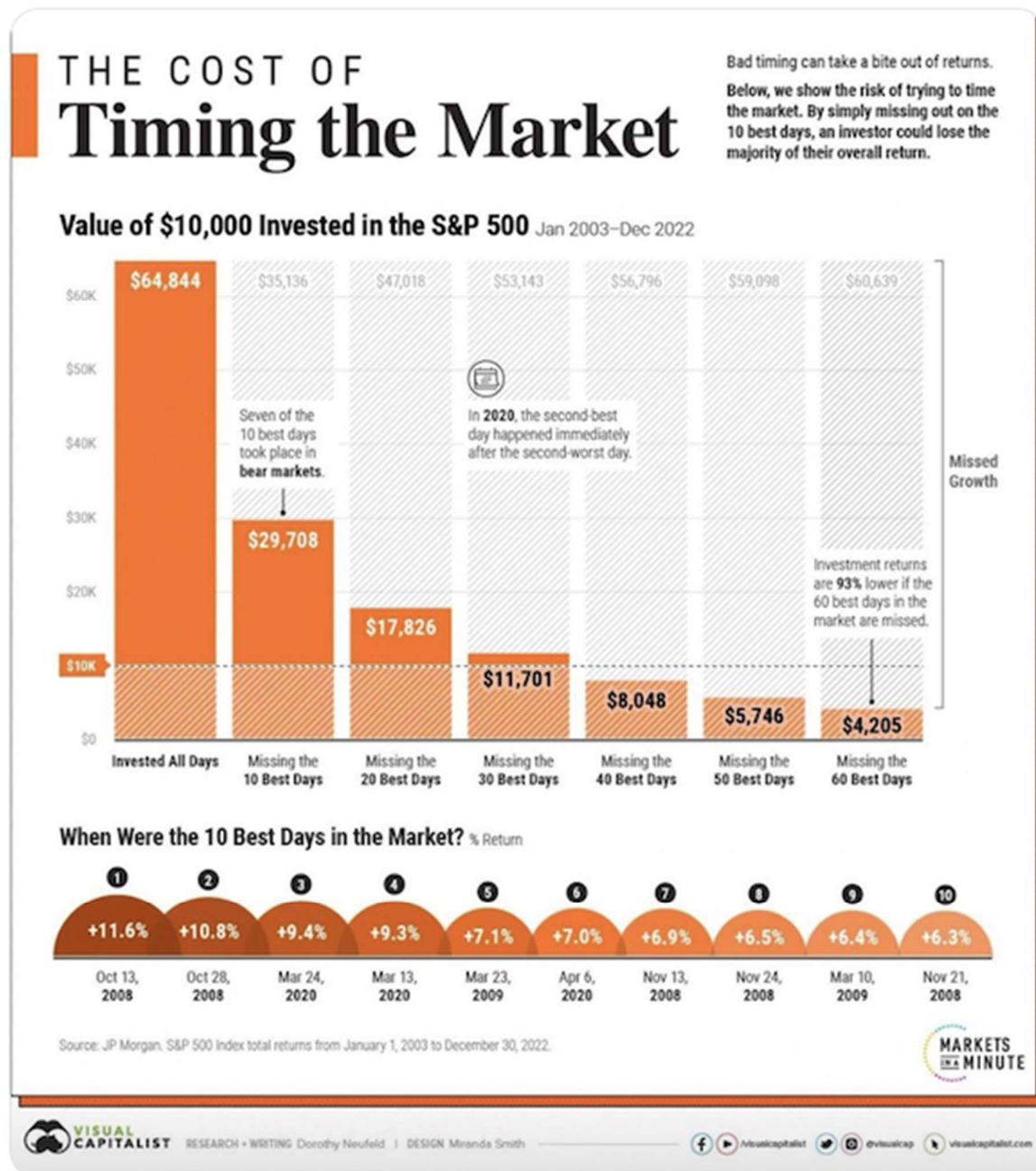
**Dividend Growth Investor** ✓

@DividendGrowth

...

By trying to avoid the worst days, investors also avoid the best days as well

This is why time in the market beats timing the market





**Biden Freezes Licenses to Export Gas, Imperiling Projects:** The Biden administration on Friday halted the approval of new licenses to export US liquefied natural gas while it scrutinizes how the shipments affect climate change, the economy and national security — a moratorium likely to disrupt plans for billions of dollars in projects. The Energy Department study will build on an existing analysis that underpins the agency’s review of proposals to send more natural gas to European, Asian and other countries that are not US free-trade partners. The pause could have implications for more than a dozen proposals now awaiting review at the Energy Department, including ventures planned in Louisiana by Commonwealth LNG and Energy Transfer LP. LNG advocates excoriated the administration’s decision, saying it would chill development and undercuts US promises to help Europe wean off Russian gas. US flows of LNG to Europe already surpassed the 50 billion cubic meters of gas annually the bloc sought after Russia’s invasion of Ukraine. More details at Bloomberg.

Source: Van Trump Report, January 2024

**Stock Market, As Goes January...** If the past is any guide, the S&P 500 index could continue to power higher in 2024 after posting strong returns in January, according to an analysis from Bespoke Investment Group. A team of stock-market analysts at Bespoke found that when the S&P 500 index finishes January in the green, the chances of it continuing to advance for the rest of the year improve dramatically. Since 1953, the year that the current five-day trading week first arrived in the U.S. stock market, when the S&P 500 was up +2% or more in January, its median performance for the rest of the year was a gain of +13.5%. Furthermore, the S&P 500 recorded positive returns for the balance of the year 84% of the time. All told the index has finished January up +2% or more 31 times between 1953 and 2023. Read more at MarketWatch.

Source: Van Trump Report, January 2024

**Cattle on Feed Up +1% as Placements Surge +10%:** Cattle and calves on feed on March 1, 2024 totaled 11.8 million head, +1% above last year levels. Placements in feedlots during February totaled 1.89 million head, +10% above 2023 and the highest for February since the series began in 1996. Marketings of fed cattle during February totaled 1.79 million head, +3% above 2023. Other disappearance totaled 56,000 head during February, -3% below 2023.

Source: Van Trump Report, March 2024

## Investing \$10K Over Time



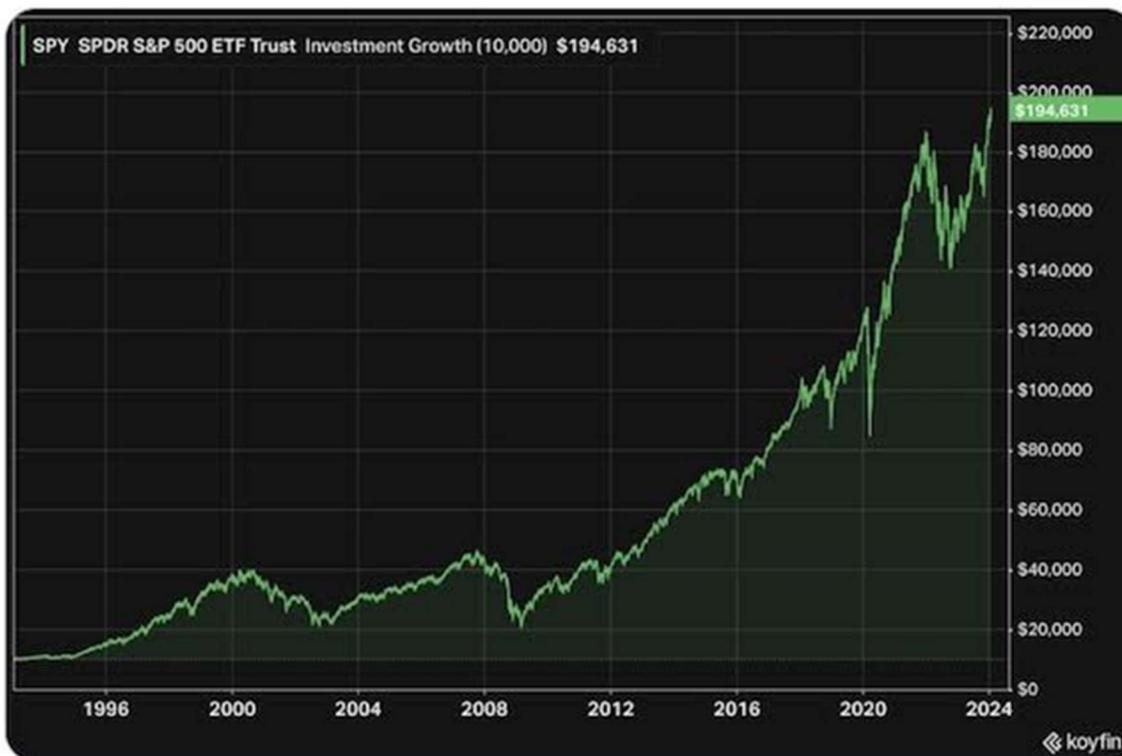
**Koyfin** ✓  
@KoyfinCharts

...

A person who invested \$10k in the S&P 500 **\$SPY** in 1993 would have faced:

- Asian Crisis, 1997
- Dotcom bubble, 2000
- GFC, 2007
- EU debt crisis, 2010
- Global pandemic, 2020
- Numerous recessions

Yet, their initial investment would be worth \$195k today (10% CAGR).





## S&P 500 Performance

S&P 500: Best Performance through First 56 Trading Days (1928 - 2024)				
Rank	Year	Price Return: First 56 Trading Days	Price Return: Day 57 to Year-End	Price Return: Full Calendar Year
1	1987	24.4%	-17.7%	2.3%
2	1975	21.6%	7.7%	30.9%
3	1931	16.6%	-54.6%	-47.1%
4	1998	13.9%	11.2%	26.7%
5	1930	13.2%	-36.8%	-28.5%
6	1943	12.4%	6.3%	19.4%
7	1967	12.3%	6.9%	20.1%
8	1936	12.0%	14.8%	28.6%
9	2019	11.7%	15.4%	28.9%
10	1976	11.7%	6.1%	18.5%
11	1961	11.3%	10.6%	23.1%
12	1991	11.0%	13.2%	25.7%
13	2012	10.7%	2.4%	13.4%
14	1986	10.4%	4.3%	15.2%
15	2024	9.9%	?	?


 @CharlieBilello (As of 3/21/24)

## American Dream Cost

According to a report from Investopedia, the classic “American Dream” for a married couple with two children is estimated to cost nearly \$3.5 million over a lifetime.

Wedding: \$36,000

Housing: \$797,000

Car Purchases: \$271,000

**Health Insurance: \$934,000**

Raising 2 Children to 18: \$576,000

College for 2 Children: \$168,000

Retirement Investments: \$716,000

Source: Tredas, Jamison Jensen, March 2024

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"Flexibility alone is not a great strategy, but the lack of it can ruin one."  
James Clear

## Funding Deal

Congressional lawmakers have avoided a partial government shutdown after passing a \$1.2T package of six spending bills to fund a group of federal agencies through the end of the fiscal year on Sept. 30. The bipartisan measure passed the House by a vote of 286-134 Friday, with the Senate following suit by a vote of 74-24 early Saturday, just hours after funding had technically expired.

The package (see details) provides funding for departments including defense, homeland security, and state, with over 70% of the funding going toward defense. The passage comes two weeks after Congress passed a first tranche of six bills to fund a different group of federal agencies, including agriculture and transportation. Under the two packages, the discretionary spending for fiscal year 2024 totals \$1.66T.

Separately, Rep. Marjorie Taylor Greene (R, GA-14), who opposed the funding bill, introduced a motion Friday to remove House Speaker Mike Johnson (R, LA-4) from the speakership, but stopped short of calling for a vote. It is the same procedural move that led to the ousting of former House Speaker Kevin McCarthy (R, CA-20) in October.

Source: 1440 Newsletter, March 2024

## Part of My New Year's Resolution...

There was a teacher in college who told the class we were having a pop quiz. The professor then passed out a piece of paper and told us to keep it face down. Once he finished passing them all out, he told everyone to turn the paper over and begin taking the surprise quiz.

All of the students were very confused because there were no questions on the sheet of paper, only a small black circle in the middle of the page. The professor said, "I want you to write a short essay on what you see there."

As you can imagine, everyone was thoroughly confused and looking around in a bit of disbelief, but the professor quickly added we only had 15 minutes to complete the short essay and hand it in, so everyone started to write.

The professor soon collected all of the papers and started to read each of the essays out loud in front of all the students. All of the papers without exception exclusively focused on describing the black dot and trying to explain its positioning and reasoning for being there.

After reading all of the essays about the small black circle, the professor told the class, I'm not going to grade anyone on this quiz, but I do want to give you something to think about for the rest of your life...



"You see, all of you wrote about the small black circle in the middle but none of you wrote about the much larger clean white part of the paper. Unfortunately, this is also what most of us tend to do in life. We all have our own huge white sheet of paper that represents life and all of its beautiful blessings and possibilities, but still, all too often we choose to dwell and spend most of our time and effort focusing on the dark spots, leaving us much less time to enjoy all we have to be thankful for, all the possibilities, and all the gifts we have been given."

Source: Van Trump Report, January 2024

**Tooth Fairy Payouts Drop for First Time in 5 Years:** For the first time since 2019, the tooth fairy is paying less for lost teeth than the year before. It's a sign that the tooth fairy's helpers — aka parents — are worn down from two years of high inflation. The tooth fairy's national average gift value for a single lost tooth dropped -6% to \$5.84 from \$6.23 last year, according to a Delta Dental survey. It's still the second highest value for a lost tooth and a +349% increase from 1998 when a lost tooth fetched \$1.30 on average. Delta Dental, which has tracked tooth fairy trends for 26 years, says in past years its poll has "typically mirrored the economy's overall direction" and tracked with S&P 500 trends. The trends went in a different direction for the second year in a row, Delta Dental noted. Lost teeth in the West had the highest value at \$8.54, a +37% increase from last year, according to the survey of 1,000 parents of children ages 6 to 12. The Northeast average was \$6.87, up +12%, and surpassing the national average by more than \$1. The South dropped from \$6.59 to \$5.51 this year, which is under the national average. The Midwest has the lowest value of a lost tooth at \$3.63, a \$2 and -36% drop from 2023. More details at Axios.

Source: Van Trump Report, February 2024

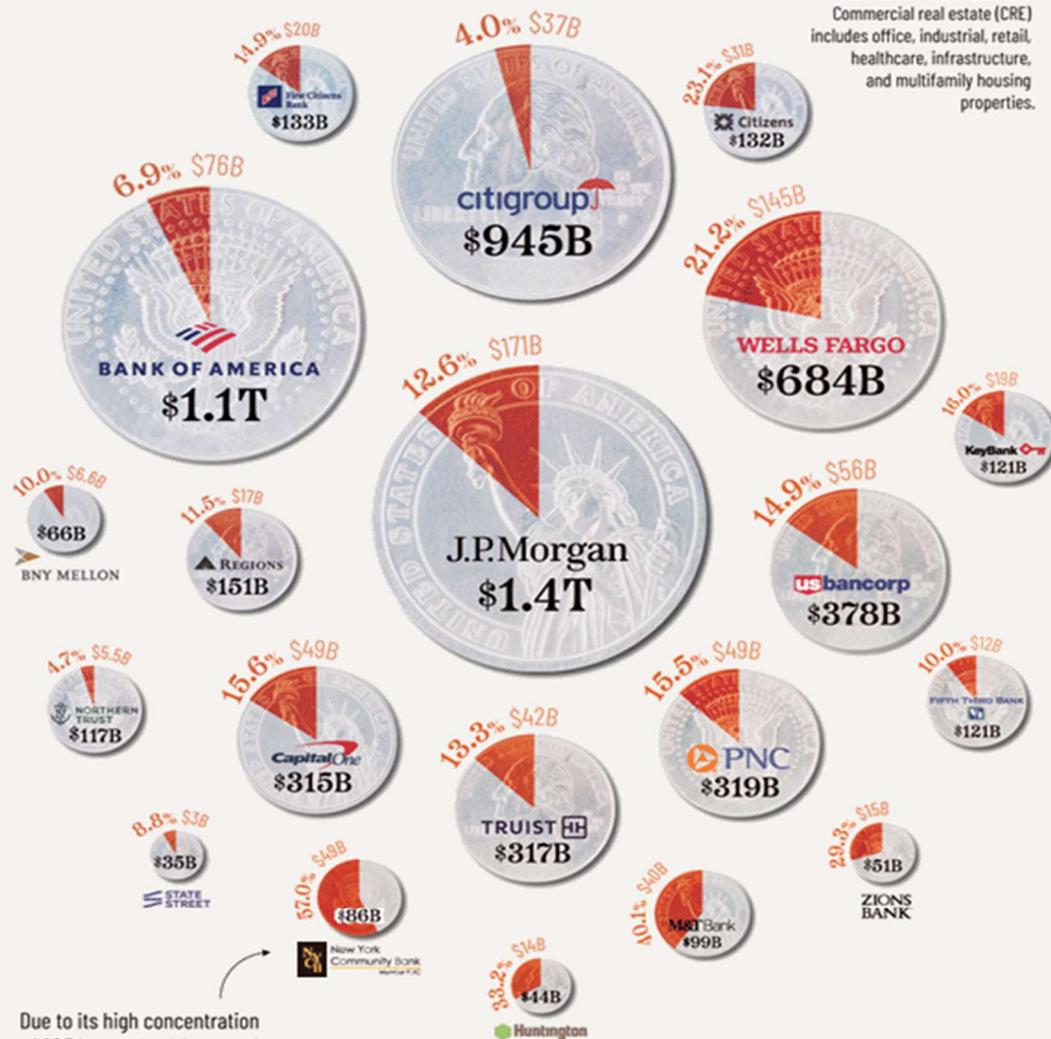
## Big Banks & Real Estate

# THE COMMERCIAL REAL ESTATE EXPOSURE OF THE LARGEST U.S. BANKS

TOTAL LOANS BY BANK  
PROPORTION OF CRE LOANS

### WHAT IS CRE?

Commercial real estate (CRE) includes office, industrial, retail, healthcare, infrastructure, and multifamily housing properties.



Due to its high concentration of CRE loans, Moody's recently downgraded **New York Community Bank's** credit rating to "junk" status.

Source: UBS, Q3 2023

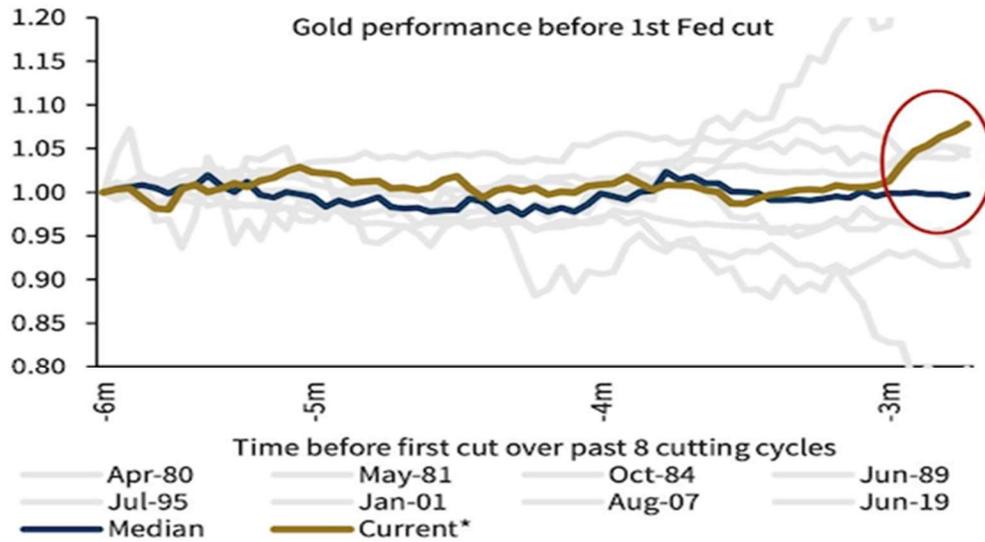
# Gold

**Barchart**   
@Barchart

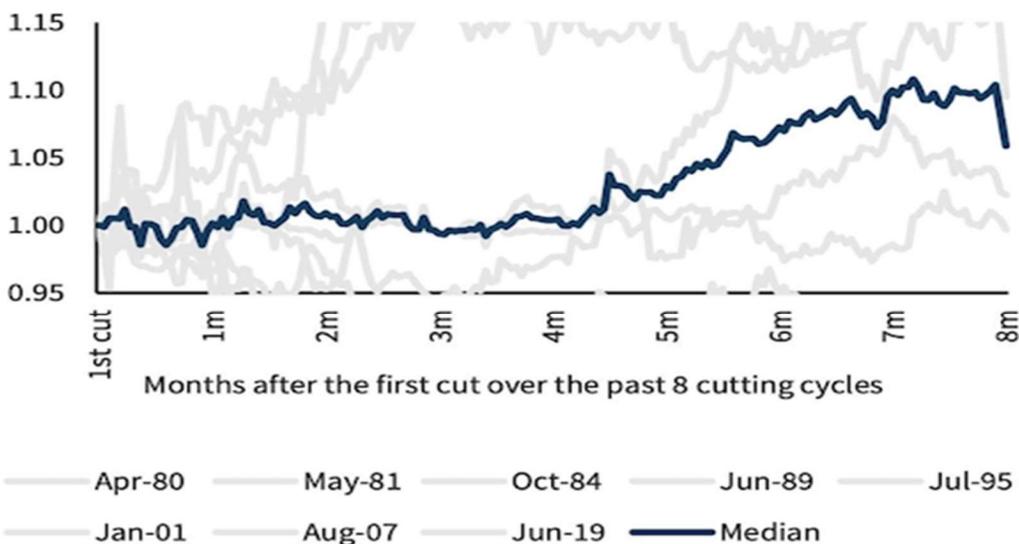
...

Gold is well ahead of schedule as historically it doesn't start to rally until after the Federal Reserve begins cutting rates

**FIGURE 10. Gold has recently outperformed in comparison to historical episodes ahead of a first cut**



**FIGURE 11. Gold typically tends to post strong positive returns well into the cutting cycle**

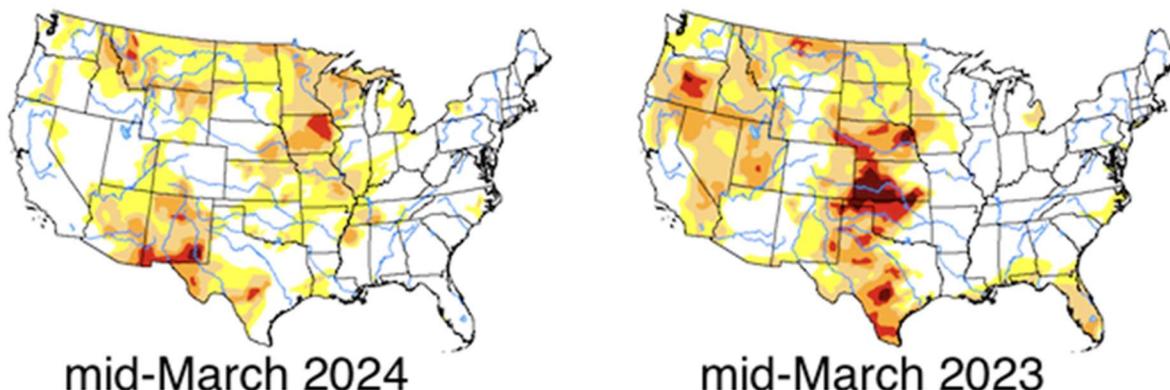


Source: Barclays Derivatives Research, Bloomberg

## Drought Map



## Drought Map “Current vs. Last Year”



## Recognize Your Destiny

In the Old Testament, God tells Jonah to go to the city of Nineveh, but instead, Jonah runs away, boards a ship, and endures sailing through a storm. The sailors on the boat with Jonah cannot quite discriminate chaos from weather because they have not differentiated the world to that degree. They think, perhaps, the boat would not be swamped if someone on the boat had not done something wrong. There is logic to that, even though it is not of infinite applicability.

If you betray your destiny, you will drown in a storm. It will, of course, happen immediately because what is calling you to be your best is exactly what is pushing you forward to manifest yourself most fully in the world. It is what you need. If you run away from it, the boat will start to rock very quickly. So you must realize you have done wrong and reconcile yourself with the world. That is what Jonah does: He repents. Jonah recognizes his destiny and does what God says.

Like Jonah, if you fall apart and then put yourself back together, you are in better shape than you were before. Maybe you do that 20 times in your life, and you do it voluntarily. Every time you do it, you are more like the spirit of the illuminated human being — and less like what has been thrown overboard.

Source: Dr. Jordan B. Peterson, March 2024



## Something a Little Lighter



**Midwest vs. Everybody** ✓

@midwestern\_ope



Midwesterners will forgive but they never forget



**Big Papi**

@Bmangall20



My coworker told me he got banned from a bar when he lived in North Dakota back in 1973 and didn't try going back to it for 30 years but he finally did and the moment he stepped in someone yelled "Get the hell out of here Dennis" And that's probably my favorite story ever

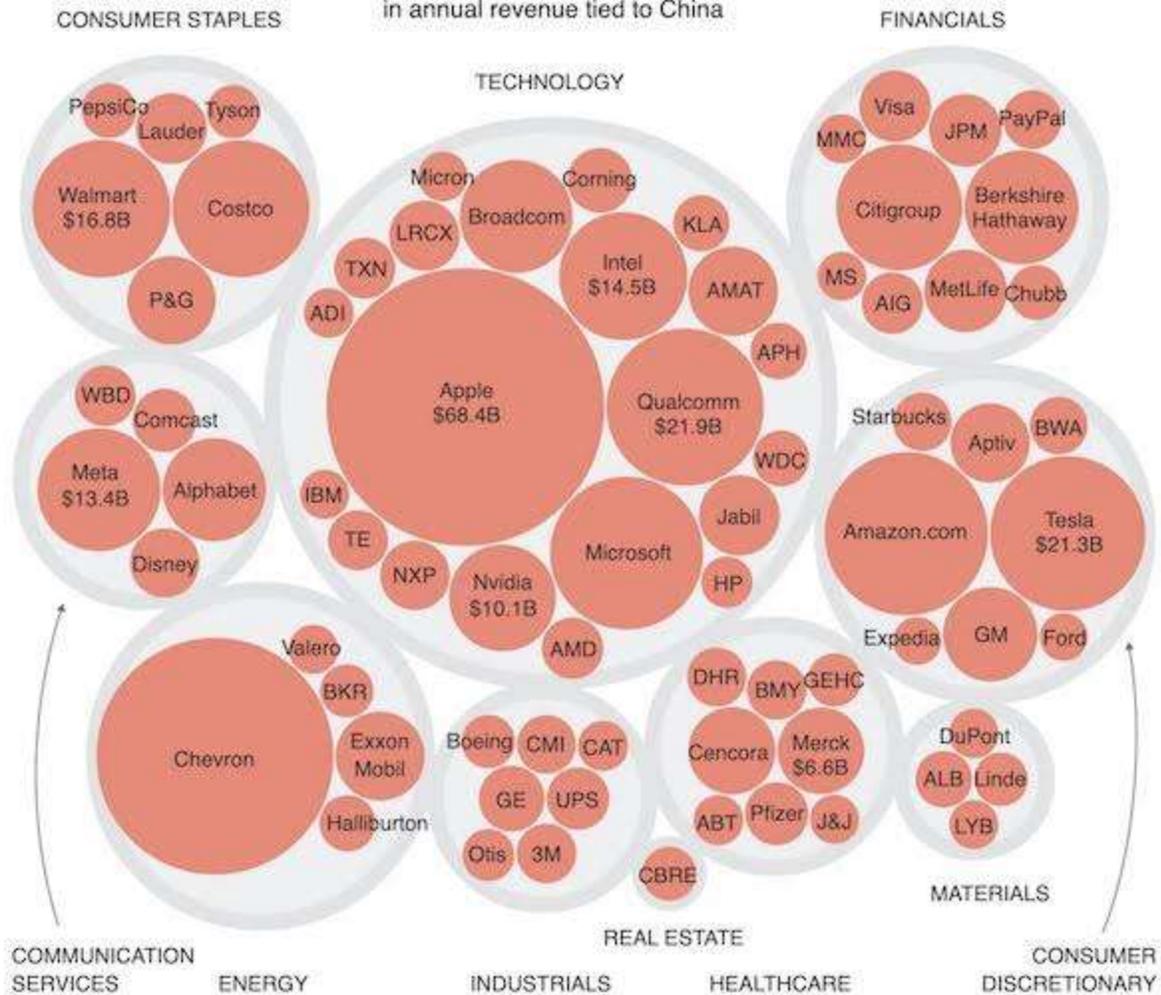


## American Business Stalls in China:

The decades long push by American companies into China is stalling as American firms in China are being squeezed by escalating geopolitical tensions, tit-for-tat measures on trade and exports, and China's drive for self-sufficiency. Meanwhile, the Chinese market is becoming less attractive. The country's economic growth fell to its slowest rate in decades last year; consumers there are spending less, especially on foreign brands; and its once-unstoppable export machine is faltering. The result is many multinational companies are sending less from China, exporting fewer products there and seeing declines in their revenue from the country. The changes have prompted some firms to reduce their investment in China. American and other multinational firms had accounted for more than half of exports out of China. Now they make up less than a third. Many multinational companies have seen their revenue from China slide recently. The share of all company revenues earned in China belonging to U.S. firms fell to 10% in 2020 from 16% in 2006, according to the McKinsey Global Institute.

Read more at [The Wall Street Journal](#).

U.S. companies with more than \$2 billion in annual revenue tied to China



Note: Based on FactSet estimates for onshore and offshore revenue generated from China in fiscal 2023. For companies that don't specifically break out China revenue exposure, such as Chevron, Microsoft and Alphabet, FactSet uses an algorithm based on company filings and gross-domestic-product values to generate estimates. Excludes companies that didn't have reliable estimates.

Source: FactSet

Peter Santilli/THE WALL STREET JOURNAL

Source: Van Trump Report, March 2024



## 3-Day Fast

Recently completed a 72 hour fast during Holy week. Day two is always the worst but it is incredible to me how much better I feel after it is all over with. Talked with a couple individuals about it during the process and they had some questions. Below is some good information with a link to for more:

### BENEFITS OF 3 DAY WATER FAST

Perhaps the biggest reason to try the 3 day or longer fast is to help unlock the full power of **autophagy**. This cell recycling process takes longer than the common intermittent fasting time periods.

Fasting for 16 hours might not be enough to result in autophagy. This is based on the individual and their metabolism but it can take two to four days to achieve significant autophagy. In some animal studies there's been findings that autophagy can take place after 24 hours of fasting while peak levels were noticed at around 48 hours of fasting. However, the exact science and timing still isn't clear on the optimal length of a fast to trigger and exploit autophagy.

More information: <https://www.setforset.com/blogs/news/3-day-fast>



## Estate Taxes and What's Changing

When the TCJA went into effect, the estate tax exemption doubled for the tax years between 2018 to 2025. The exemption increased from \$5.49 million in 2017 to \$11.8 million in 2018 and is annually adjusted for inflation. For the year 2023, the exemption is \$12.92 million per person increased to \$13.61 million per person for 2024.

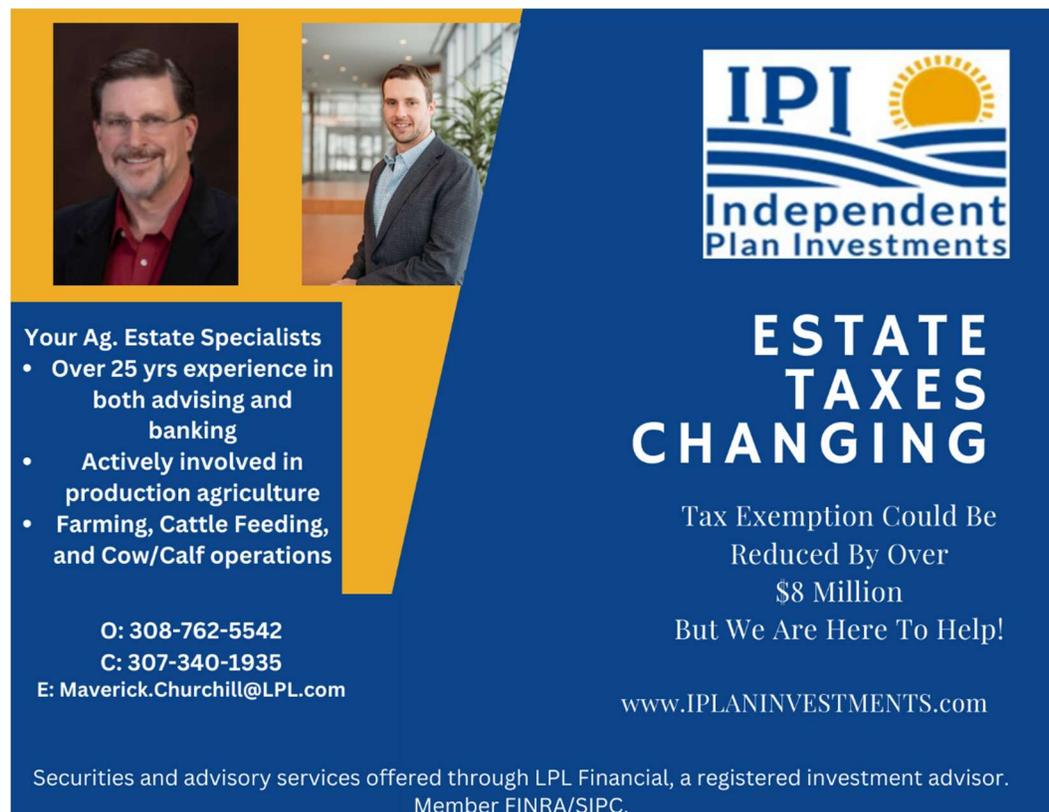
As a result of the TCJA, individuals and their families have additional planning opportunities.

**As previously mentioned, the TCJA provisions are currently scheduled to expire at the end of 2025, and the inflation adjusted estate tax exemption is anticipated to land at around \$6.8 million effective January 1, 2026. With such a significant change on the horizon, it may be valuable to review your estate now and start planning.**

Source: Emily Paukert, November 2023

Read more: <https://www.mossadams.com/articles/2023/11/increased-estate-tax-exemption-sunset-options>

## Here to Help



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**"Real Rates" Jump Higher as Inflation Worries Remain:** Fears over persistent inflation resurface in U.S. Treasury market. There's an underlying unease that inflation is not going to fade away as easily as the Fed's base-case scenario. Monday's strong manufacturing-related data from the Institute for Supply Management was enough to lead to a recalibration of long-term market-based rates. Traders aggressively sold off Treasuries yesterday, pushing 2-, 10-, and 30-year yields up by the most in more than a month. Ten-year and 30-year yields respectively jumped by +13.7 basis points and +13 basis points to 4.329% and 4.467%. Those were the biggest one-day advances since Feb. 13 and Oct. 12, according to Dow Jones Market Data. Until Monday, yields had largely remained range-bound over the past few months, with traders confident the Fed would ultimately win its inflation battle. The last time yields meaningfully spiked was in October, when a continued stream of data reinforced the economy's resiliency and pushed rates on 2-, 10- and 30-year Treasuries to their highest levels since 2006-2007. In a note on Monday, strategists at BlackRock Investment Institute, the in-house research arm of investment manager BlackRock Inc., said "We see higher yields persisting even if rate cuts are coming." As I've been saying for months, the Fed might cut, but I worry that "real rates" might stay higher for much longer than most are anticipating. (Source: MarketWatch)

Source: Van Trump Report, April 2024

## Cost of Inflation



**Pomp**   
@APompliano

The US dollar has lost 25% of its purchasing power since January 2020.

Every \$1 you had is now worth \$0.75 of goods.

Insane.



## EV Vehicles

 **The Kobeissi Letter** 🏆  
@KobeissiLetter

...

Dealers are getting absolutely CRUSHED on EVs:

The Ford Mustang Mach-E was selling for \$10,000 ABOVE MSRP less than 2 years ago.

Today, this Mustang Mach-E is listed for \$31,547 BELOW MSRP.

That's nearly 60% below the suggested selling price for a brand new car.

The worst part?

This car has been sitting on the market for 6 weeks and it still has not sold.

An EV fire sale is an understatement for most manufacturers and dealers.

Who's going to buy all of these cars?



**New 2023 Ford Mustang Mach-E GT SUV Electric**  
45 views in the past 7 days

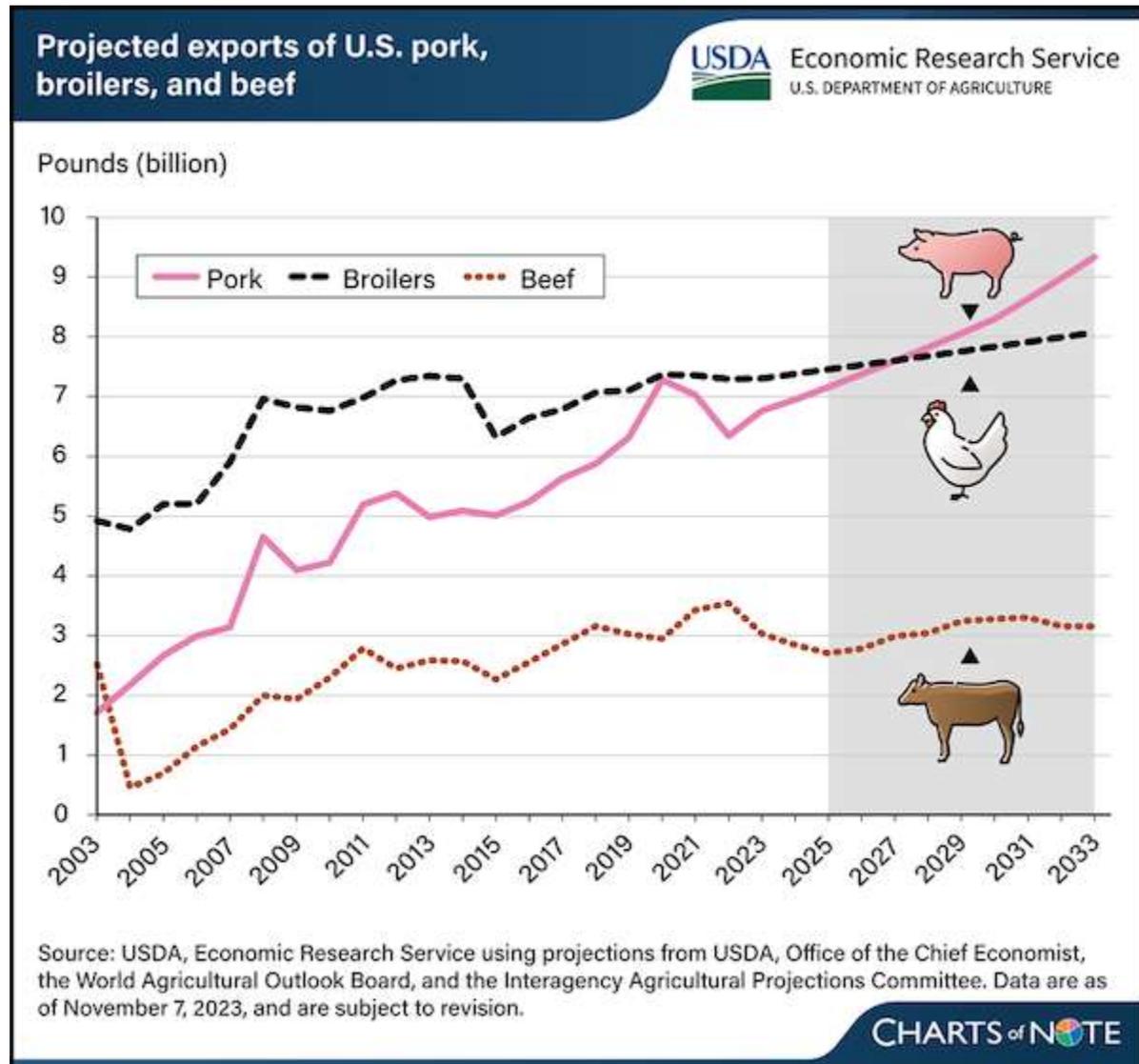
**MUSTANG MACH-E  
SELLING FOR  
NEARLY 60%  
BELOW MSRP**

Exterior Color	● Vapor Blue Metallic	Engine	Electric
Interior Color	● Black Onyx Copper	VIN	3FMTK4SE9PMA45223
Transmission	Automatic	Stock Number	15223

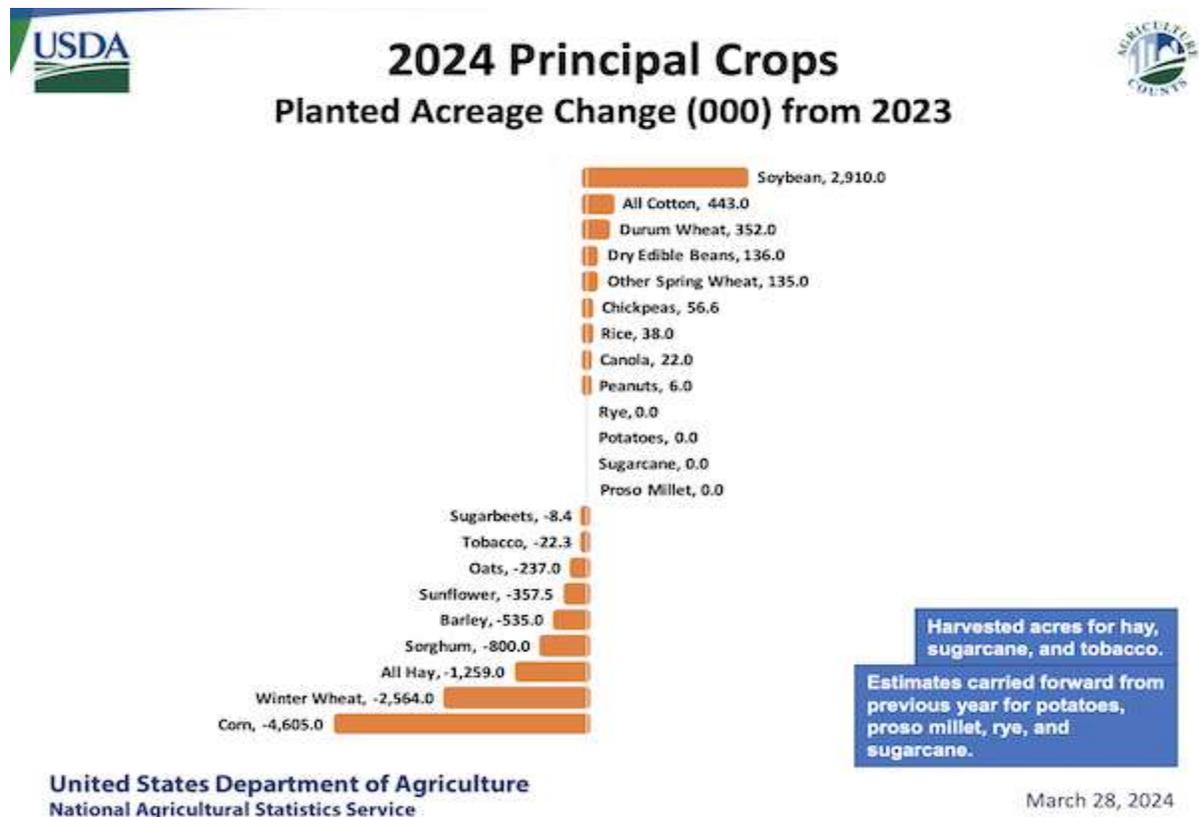
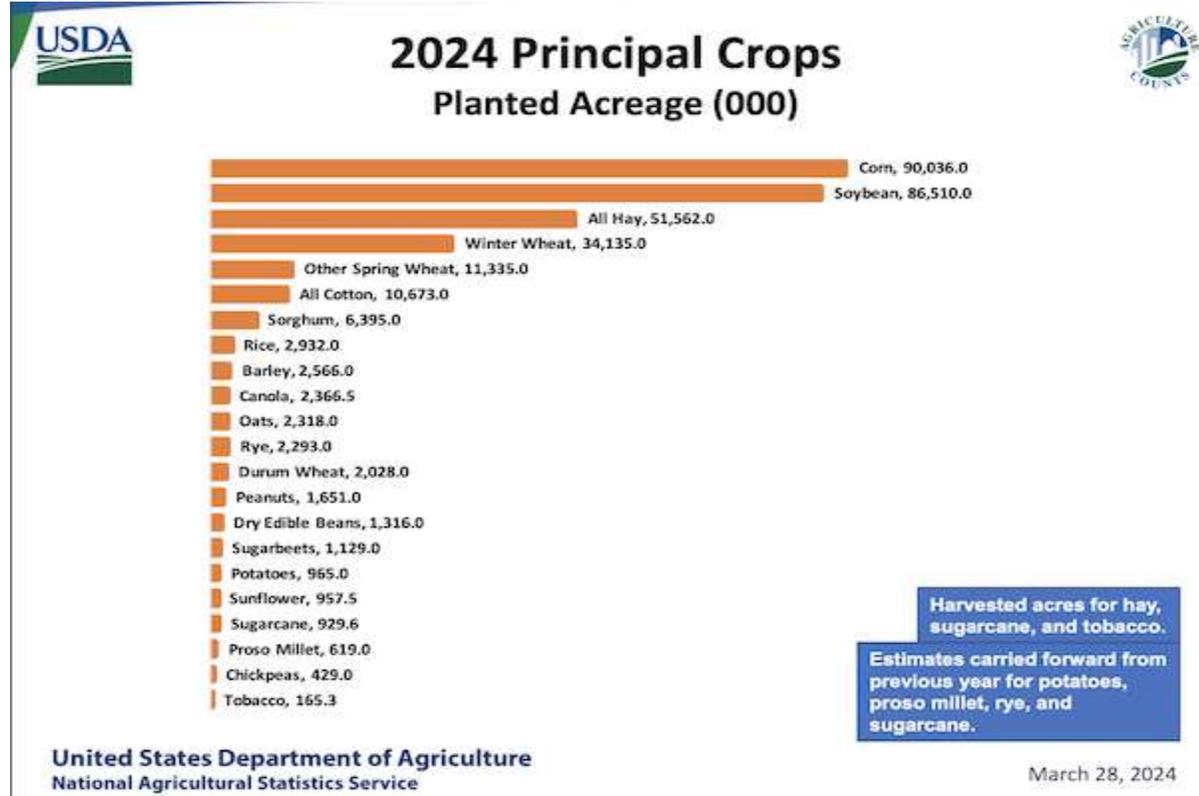
Detailed Pricing	
MSRP <sup>1</sup>	\$54,435
Luther Discount	-\$30,547
<b>Luther Price</b>	<b>\$23,888</b>
2024 First Responder Recognition Exclusive Cash Reward	-\$500
2024 Military Recognition Exclusive Cash	-\$500

1. MSRP excludes destination charge, tax, title, license, and dealer fees. Dealer sets actual price.

## Projected Exports of US Protein



## Corn, Wheat & Soybean Planted Acres





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*References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and does not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.*

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*The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.*