

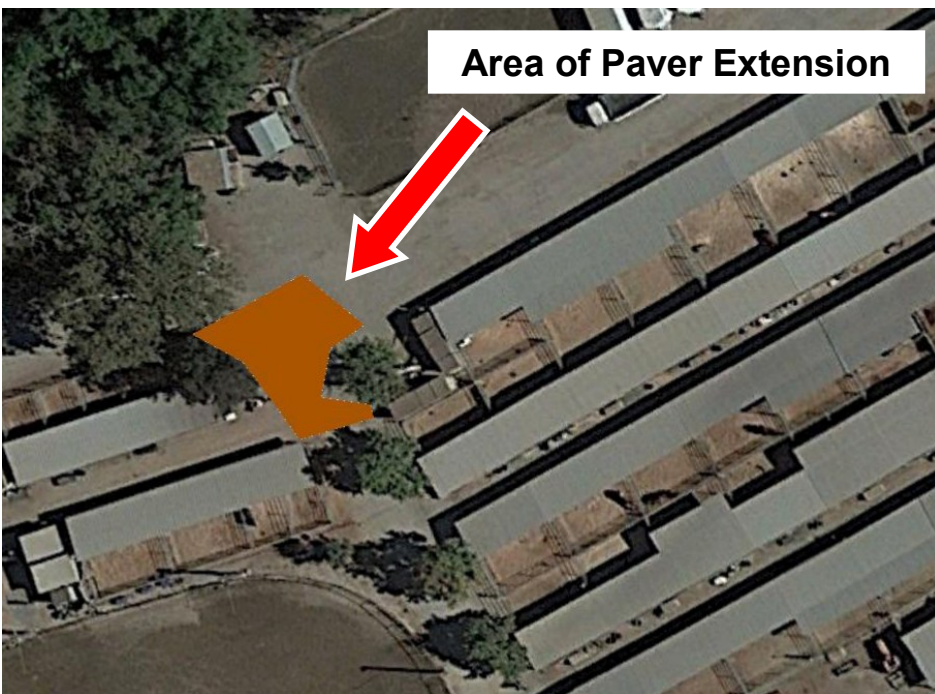


SERRANO CREEK RANCH EQUESTRIAN CENTER



25200 Trabuco Rd, Lake Forest, Ca 92630
serranocreekranch@msn.com
(949) 768-5921

During the month of October, we will be marshaling our forces to complete the paver road to the stable's drainage point. This work is an important element in meeting our stormwater compliance requirements. Additionally, the large erosion gully that was created with each rainfall will be only a memory. No doubt, work in this area will be a real inconvenience for vehicle traffic while we are doing the installation. We ask for your patience.



SEPTEMBER 2022

NEWSLETTER

IN THIS EDITION:

- Paver Installation
- Feed Increase

SCR raises prices based on losses we have incurred over the past; they are not based on anticipated/future projections. Over the past two years, SCR has hesitated to raise feed prices to keep pace with our increasing costs, hoping this was a temporary situation. The last few deliveries show that this was a wildly inaccurate assumption. The increase in feed prices that SCR is now paying is such that they represent a significant hit on our ability to make our other financial payments.

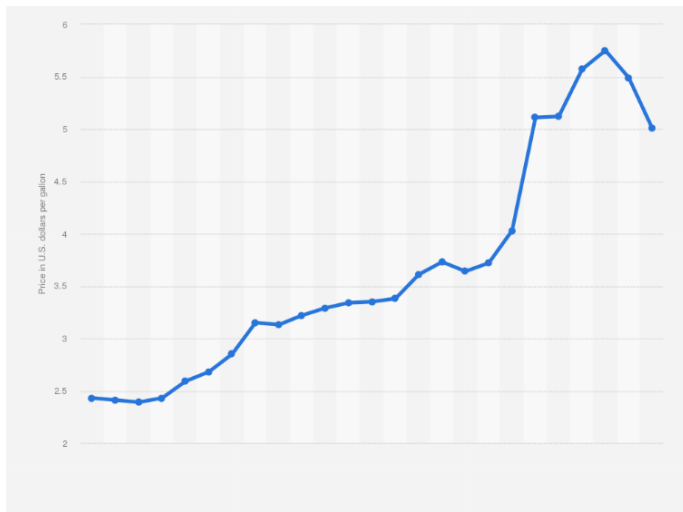
There are several factors that have propelled feed prices into the stratosphere:

Water: As I am sure you know, the multiyear drought has squeezed western farmers' irrigation supplies. As a result, many growers of the various hays that SCR purchases have chosen not to plant this year for fear that their water would be cut-off mid growing season and the crop wouldn't be able to reach maturity. Those remaining growers can name their price in this sellers' market.

Lake Mead Monthly Elevation at Hoover Dam (ft)

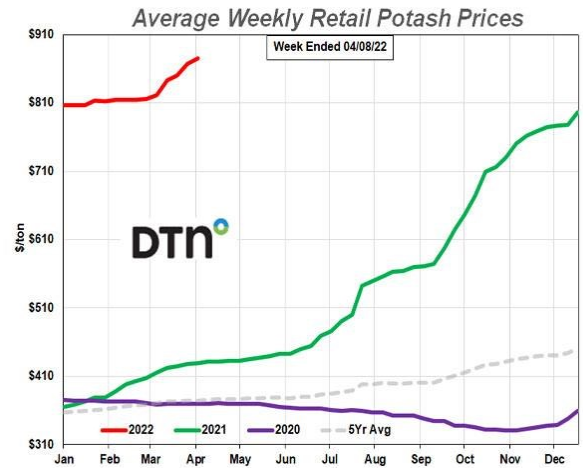


Diesel: Fuel costs play a significant role in growing hay. Whether it is fuel for irrigation pumps, tractors, or trucks, farmers have seen a 100+ % increase in the last two years.



Exports: Many foreign buyers have been bidding up prices. 2022 foreign sales are up 7% over last year, while overall production continues to fall. Because of the imbalance between US containerized imports and exports, shipping out of the US is very cheap. Sending empty containers back to Asia is slightly cheaper than sending them filled because the demand for US export containers is always far less than what's available.

Fertilizer: Along with significant diesel price increases, fertilizers, especially anhydrous ammonia and potash, have increased more than 100%.



Exports: Many foreign buyers have been bidding up prices. 2022 foreign sales are up 7% over last year, while overall production continues to fall. Because of the imbalance between US containerized imports and exports, shipping out of the US is very cheap. Sending empty containers back to Asia is slightly cheaper than sending them filled because the demand for US export containers is always far less than what's available.

Trucking shortage: The nation is seeing an ever-increasing shortage of drivers. According to the American Trucking Association, a current shortage of 80,000 drivers exists. The average trucker's age of 55 means that a big retirement wave will only exacerbate the problem. For SCR, any savings by purchasing hay from the eastern US would be lost to the high trucking costs.

Below is a chart showing the difference between feed price increases that SCR pays, and the historical increases in feed boarding rates:

| Feed Type | Increase for SCR Feed Bills | Board Price Increases | SCR Net Loss |
|-----------|-----------------------------|-----------------------|--------------|
| Alfalfa | 61% | 10% | 51% |
| Orchard | 26% | 9% | 17% |
| Timothy | 29% | 9% | 20% |

Sadly, we must recover these increased costs to ensure that the stable can meet all its monthly obligations: Effective November 2022, we will be increasing feed rates as follow:

| Feed Type | 2-3 lbs. | 5-6 lbs. | 9-10 lbs. |
|-----------|----------|----------|-----------|
| Alfalfa | \$42 | \$67 | \$99 |
| Orchard | \$42 | \$67 | \$99 |
| Timothy | \$45 | \$75 | \$116 |