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Interest Rates – Up or Down?

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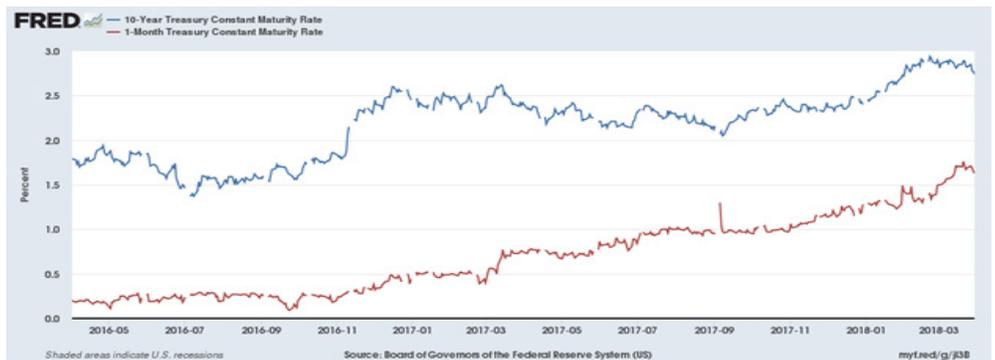


Interest rates continue to be a hot topic, especially with the recent action of the Federal Reserve. I am always interested in how our clients view interest rates and what decisions they make when selecting a product - which can range from a monthly variable rate to a fixed rate for 30 years.

At a recent sales meeting, I asked our team how their clients view the current state of interest rates. I asked them two separate questions. The first was, "What do clients think long-term interest rates will do in the next few years?" The general opinion was that rates will continue to increase and I would agree. And the second question was, "Do your clients think current interest rates are high or low?" One of the Loan Production Officers summed it up best by saying, "Many times, it depends on the age of the client on whether or not they feel interest rates are high or low." He continued, "Generally, clients under the age of 50 think interest rates are moderate to high or maybe unsure. While clients over the age of 50 think rates are lower and will definitely be heading higher."

I truly don't feel there is a right or wrong answer, but it was a reminder that our opinions and decisions are based on real life experiences. To put this into perspective, somebody under 50 was in high school the last time interest rates were in the "teens." So for most of their professional life, rates have been decreasing and well below double digits.

I included a chart of the 1-month and 10-year treasuries from April of 2016 (2 years ago) to today. In this period, we witnessed a decrease in rates in the 2nd quarter of 2016 (April 2016 - June 2016) followed by a gradual increase to today's rates. Also, please look at the difference between the 1-month and 10-year rates in April of 2016 (1.55%) compared to today (1.05%). As the yield curve flattens, clients have less incentive to select a variable rate. In the second quarter of 2016 when rates were decreasing (see the chart), the 30-year fixed rate product was the most popular, representing 38% of the transactions for that quarter.



Fast forward to the next seven quarters (July 2016 - March 2018), and the 30-year fixed rate product accounted for 60% of our transactions.

What does this tell me? It tells me that when things become more volatile and less certain, most people are prone to select a product with less risk. You can't get any less risk than a 30-year fixed rate product. Don't wait any longer to lock in your rate. Call one of our Dakota MAC Loan Production Offices or First Dakota locations. One last note... a big thank you to a client who traveled to Yankton to drop off his payment. While he was here he stopped in to say hello to me and introduce himself. In my role... I have limited direct interaction with our clients, so when I get the opportunity, I greatly cherish it. To that client, if you are reading this, thanks for making my day. You truly did and I appreciate the opportunity to put a face with a name. Sometimes the most modest and humble gestures mean the most. I know it meant a lot to me.

One client at a time... we are here to serve you.

Jeff



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Challenges and Risks in Production Agriculture by Boyd Mignery

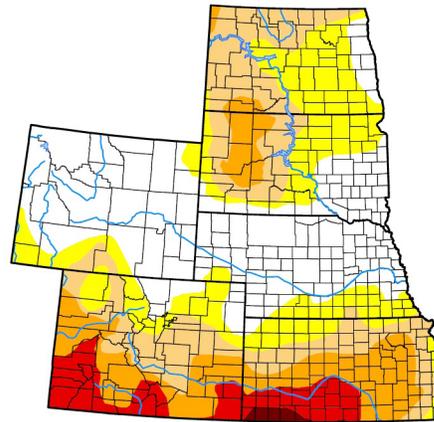
We understand at Dakota MAC that every day you and your operation face uncertain growing conditions and weather as you try to plan the crop rotations and grazing plans for the coming year. The most recent Drought Monitor Map for the High Plains Region indicates some clients may be facing drought conditions. While other clients will tell us they have had plenty of moisture based on their location.

While none of us can predict the weather, we understand weather can have a huge impact on your operation's performance in a given year.

Agriculture works in this arena of unforeseen conditions day in and day out. Meeting the financing needs of producers in the High Plains is not for every bank and/or banker. I believe Dakota MAC has the people and the tools to assist your operation as you cope with Mother Nature and any other factors beyond your control. We have the experience, knowledge, and loan products to be a trusted advisor this year and every year.

U.S. Drought Monitor High Plains

March 27, 2018
(Released Thursday, Mar. 29, 2018)
Valid 8 a.m. EDT



Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:

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NCEI/NESDIS/NOAA



<http://droughtmonitor.unl.edu/>

Soil Health by Corey Maaland

I recently attended a soil health event and realized how important taking steps to improve and sustain the health of soil are to the future of agriculture.

As we continue to increase production in agriculture, the health of our soil is greatly affected. Factors we need to continually be thinking about include erosion, moisture retention, compaction, lack of soil biology and organic matter, just to name a few. Often, as Ag producers, our focus is on yield and profit in the short term instead of the optimum performance over time. Our soil is an important resource and its sustainability is an important goal for all of us. We have a large impact on this, due to the amount of land controlled by management decisions on both crop and grazing acres. With our chemical and fertilizer levels, tillage methods and other management decisions, soil health must be considered if we are to be good stewards of the land.

With new technology and genetics available, we have to be mindful when choosing our seed and chemicals. We all have a responsibility to protect this valuable resource by learning to understand the ecosystem of our soil and work to begin to regenerate our landscape instead of just mining it.

Carbon is one of the major components in soil that influences production and profitability, so replenishing it is very important. Carbon escapes the soil during harvest, so we need to move carbon from the atmosphere back into the soil. Certain cover crops can be a good tool to help with this. Higher moisture levels can also be retained in the organic matter, for longer periods of time with healthy soil during drought conditions. Higher infiltration will also reduce erosion.

With recent water quality issues, we all need to decrease run off and loss of nutrients. Consumers will continue to want to know and understand what's going on at the farm and ranch level. We all need to be proactive in this endeavor as we all depend on it.



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