

DIRT

A QUARTERLY NEWSLETTER BY DAKOTA MAC

August 2023

A GAME OF “MUSICAL CHAIRS?”

Who remembers playing musical chairs as a kid? I remember it vividly, especially during my elementary school days at St. Leonard’s in Madison, Nebraska. Half-dozen or so chairs were set, and the music would start, followed by the anxiety, anticipation, and strategy of stalling while you were waiting by a chair and then quickly moving to position yourself to the next chair. When will the music stop so I can plop down on a chair????

If you know the game at all, you remember there was always ONE LESS CHAIR than participants; every time the music started, you stood up and paraded around the chairs, and somebody inevitably was going to be left WITHOUT A CHAIR. No exceptions! In some ways, I think of this when I hear of more consolidation, whether it’s banking or agriculture, a company not having a succession plan, or even banks failing and being bought by another financial institution. What would happen if the music didn’t stop, or it didn’t start up again while you were sitting, or when you stood up, there were as many chairs to choose from or even MORE?

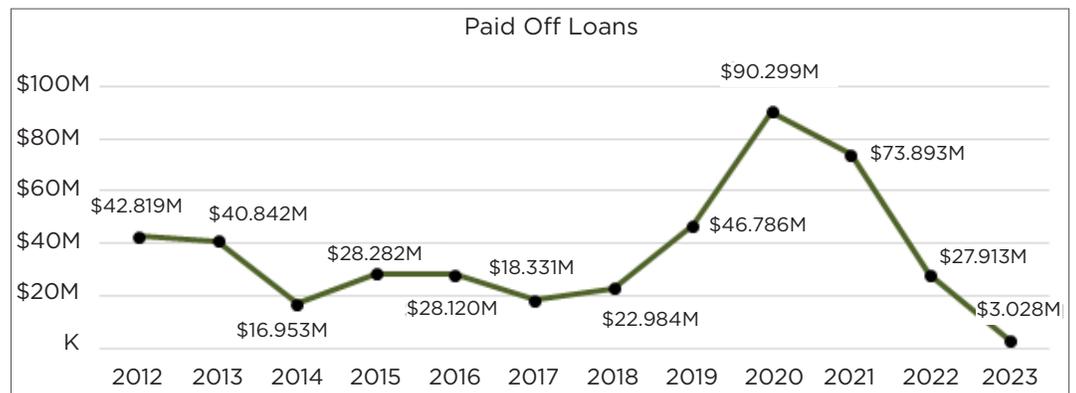
The overwhelming percentage of our Dakota MAC clients fixed their interest rates, and now the “smart move” is to do nothing because rates are higher. And in my opinion, we will never see rates as low as we did in 2020 and 2021.

Let me illustrate: Looking at the last ten years, 2023 may be the year Dakota MAC has the fewest loan payoffs by number of transactions and volume. When rates were significantly lower in 2020 and

BY JEFF WOLFGAM
DAKOTA MAC MANAGER
& SENIOR VICE PRESIDENT



2021 specifically, Dakota MAC had over \$163 Million in loan volume paid off – comparing that figure to the first six months of this year, where we had \$3.02 Million in payoffs. Even if you double that for a full year, it doesn’t even come close to what happened in 2020 and 2021. Granted, many of the “payoffs” were refinancing of loans back into our pool, but even if that’s true, \$163 Million is a staggering number.



Over 90% of our loan portfolio selected a product with a fixed interest period of at least 10 years, which eliminated their interest risk for that period and significantly reduced their interest costs. Hope you have a comfortable chair if you locked into our most popular product, a 30-year fixed rate.

But what if I sell my property? Don’t I have to pay off my loan? Yes, but remember, our loans are assumable and your debt can be transferred to the buyer, at most likely a much lower rate and better terms than what is currently offered.

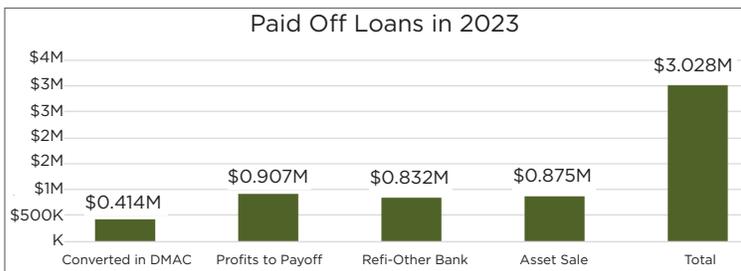
What about the next generation of farmers? Does Dakota MAC want to work with young and beginning farmers? I don’t have enough room for the number

Continued on next page

of exclamation points it would take to get my point across – the answer is YES! Another example of keeping the same number of chairs or adding more chairs when standing up.

Unfortunately, some financial institutions exclusively offer short-term variable rates as a catch-all for Ag financing, sometimes questioning Dakota MAC for providing long-term, smaller-margin products. Clients that selected a variable rate during the pandemic will most likely experience a much higher rate when the music stops, and there are fewer chairs (higher rates) to choose from. If you are in this situation, please consult with one of our LPOs to better understand your options.

A further breakdown of the \$3.02 Million in payoffs: very few are coming from selling the ground (\$875,000), and only \$907,000 is coming from profits, so what are farmers doing with their liquidity (extra cash) in this market? Some obvious assumptions are paying off higher-priced debt with a variable rate, investing in other real estate, or building up working capital for that rainy day fund to deal with any adversity your operation may face.



For those who are building up working capital and have cash on hand, I have exciting news for you. In July, our Loan Production Offices were approved to offer deposit services! I referred to this when I referenced the music starting, and when it stops, there are MORE “chairs.” So, how can you do this if our Loan Production Offices only have one or two staff members? If you don’t know by now, our Loan Production Offices are supported by our outstanding Dakota MAC team and our 350 bankers from First Dakota. Now that is MORE chairs!

Please take time to read the article by Sheila Schieffer regarding deposits, and take note of our “MyChoice CD” offer in this edition. You will find our rates are very competitive not only for loans but also deposits. Our emphasis continues to be originating loans; however, our deposit services will strongly complement an already robust offering of services.

Until the Next DIRT! - Jeff
wolfgram@dakotamac.com or (605)665-4990

DEPOSIT SERVICES



BY SHEILA SCHIEFFER
DMAC LENDING ASSISTANT

Our Loan Production Offices are now designated to assist with deposit account opening through First Dakota National Bank. Our offices will not handle cash or deposits but can assist you with business checking and savings account options. Call your Loan Production Officer or our Dakota MAC Yankton office at 800-682-4578 to visit with April Steinberg or me regarding these types of accounts.

We have many options for your account, including setting up a sweep tied to your line of credit. We have a fantastic Digital Banking service that includes mobile deposits. With mobile deposit, you can deposit checks to your account using your mobile device the same day you receive it. There is no need to drive to a bank or wait for snail mail. We offer Cash Management Services to help you with ACH needs and options to help mitigate fraud on your accounts.

First Dakota also offers personal account options, including checking, savings, money market, and CD accounts. Our CD rates are very competitive, and we can create a CD geared specifically for your needs. Please give us a call to discuss a MyChoice CD today! If you are interested in a personal checking or savings account, please visit our website at FirstDakota.com to apply online. If you already use our Digital Banking, we make applying for a checking or savings account simple by logging in and selecting Apply for an Account. We are excited to be able to offer all of these deposit services to our Dakota MAC clients.



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MYCHOICE CD

We understand when it comes to choosing CD rates, you have plenty of options. With a MyChoice CD, it is a **CD special every day!** You not only get a great rate but also have the flexibility to choose a maturity date that aligns with your savings goals and life events. Whether you want your CD to mature on a specific date or outside traditional terms, MyChoice CD has you covered.

Being able to **customize the term** has worked for many of our customers. This ensures your funds will be available when you need them for a specific family or life event. By talking with a Universal Banker, they can give you comparisons and help you make a great choice that works for you. This helps you stay in control of your money. Don't settle for a one-size-fits-all CD. We invite you to call or stop in and have a Universal Banker **custom design a MyChoice CD** to see the actual cash value you will earn!

\$1,000 minimum opening deposit. Penalty imposed for early withdrawal. Fees may reduce earnings. Certain restrictions apply. No institutional funds allowed. Member FDIC

HELLO, MATTHEW!



We welcome Matthew Becker to the Dakota MAC team as an Ag Credit Analyst.

Matthew grew up on a farm west of Hartington, Nebraska. He recently graduated from Mount Marty University majoring in Business Administration with a minor in

finance/management. Matthew was an intern in Dakota MAC during his senior year.

Matthew played basketball at Mount Marty. He loves sports, hunting, fishing, and spending time with family and friends. He is very excited to join the Dakota MAC team in a full-time capacity.



August 15 - 17

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6-year fixed	8.69%	6-year fixed	8.76%
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Rates good through August 31, 2023.
Subject to change.

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308-284-3260

Mitchell, South Dakota
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605-995-7916

Watertown, South Dakota
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605-753-5880

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