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## Do You Hear What I Hear?

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By the time you receive the January Dirt, you have already had a couple of weeks under your belt with your New Year's resolution. So, how are you doing? I'm assuming you have some of the same popular resolutions that others have. Get in shape, start eating healthier foods, stop procrastinating, read more, and so on. These may all be good resolutions, but let me give you one that didn't make the "list" when I did a search on the Internet. How about becoming a better and more sincere listener? Do I need to repeat myself?

In addition to a few popular resolutions, I decided to make a commitment to improve my listening skills for 2017. For those who know me well, you are probably saying it is an easy goal because I couldn't get any worse! I am the one who is interrupting, zones off or is preparing my response while others are talking.

How would becoming a better listener enhance your operation or your relationship with your customers, sales people, family members or maybe even your banker? Bankers - how would becoming a better listener enhance your relationship with your client and co-workers? Many times we have the information right in front of us, but we are so overwhelmed with information and data, we lose focus on our essential natural skills. It seems like we are always searching for more, but the answer may be right in front of us if we could just slow down and listen.

Although I love to listen to music and jam to my favorite tunes (Billy Joel, The Eagles, & John Cougar just to name a few), I also try to balance outside distractions, such as music, with quiet time. For example, I love to jog, but there are days when I shut off the iPod and just listen to the natural surroundings. Do you ever take time away from the smart phone, data or business? If not, give it a try.

Speaking of data, you may have noticed long-term rates have been on the rise since the election in November. For some time, I have been predicting our low interest rates could not - and would not - stay low forever. In the fourth quarter of 2016, we experienced the 10-year Treasury (which is an indicator of long-term rates) move up from 1.63% to 2.45%. We also watched as the Federal Reserve increased the Fed Funds rate by 0.25% in December, along with talks of additional bumps in 2017. So what does all of this mean for you? I have included a graph of 10-year Treasury rates from 2007-2017. I wish I had a second graph that listed future 10-year Treasury rates, but I don't. Do something now while rates are still low! Call one of your Dakota MAC LPOs or a First Dakota location and talk to them about fixing your rate. I promise we will listen!

Until the Next Dirt,

Jeff





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## Working Capital - by Boyd Mignery

Maintain your working capital! This phrase is commonly heard in conversations these days. It seems to be one of the more common themes in these times of tighter margins.

What is working capital? It is the liquid funds a business has to meet short-term financial obligations. The amount of working capital available is determined by subtracting current liabilities from current assets. This can be obtained by reviewing a current financial statement. Current assets include: cash, accounts receivable, grain and livestock inventories, growing crops, and prepaid expenses used to grow or produce commodities that will be sold to generate income in a normal operating year. Current liabilities consist of accounts payable, unpaid taxes, accrued interest, operating debt principal, and principal due within the next 12 months on term debt.

In essence working capital provides the short-term reserves a business has to respond to financial stress as well as to take advantage of opportunities. It provides a buffer to a financial downturn that may impair your ability to buy inputs needed to operate as well as to make debt payments.

How much working capital do you need? The answer to that question varies from operation to operation. Frequently, a suggested goal is 15-25% of the gross revenue or total expense in your operation. Another thought is to simply see if you have enough excess working capital to withstand 4-6 months of normal expense and debt payments your farm or ranch may face in the upcoming year. While there is no clear answer to this question it is important that operators understand this concept and how important it can be to their operation.

The best news for our clients is that Dakota MAC and our team of Ag Lending Professionals have unparalleled expertise and knowledge in loan products that can assist with correcting working capital in a farm/ranch operation. Contact your Dakota MAC Loan Production Officer if you have questions about working capital in your operation.

## Other Cash Flow Options - by Corey Maaland

As we wrap up 2016 and move into 2017, clients are looking into alternatives to maximize their cash flow or improve their working capital. Working capital or cash, as some like to refer to it, will continue to be vital to all operations.

By looking at past experience or trying something different to increase cash flow, hopefully the operation can continue to remain viable and grow as well. Seeking financial alternatives or ideas with business consultants, lenders or mentors may also be an option. A fresh look from an outside source can spur ideas.

Analyzing the different entities of the operation, asking the tough questions and making the tough decisions early, can sometimes make a big difference. For example, is there enough income, acres, livestock for all current parties involved in the operation? The choice to wait to see what happens will often cause others to make the decisions for you and limit the potential positive outcome. These decisions or actions will have to be made by all those directly affected by the operation.

Here are some other ideas that may increase or create a more frequent flow of money to the operation:

- Off-farm income
- Selling real estate/other assets
- Custom feeding, grazing or farming
- Selling equipment
- Organic farming/ranching
- Custom feeding, grazing or farming
- Double cropping
- Renting out farm ground
- Sharing equipment with neighbors
- Marketing education
- Better record keeping

I'm sure everyone reading this could also come up with 4 or 5 additional options to consider as well. It is time to evaluate and figure out how to compete and stay in the game that we all love and have spent most of our lives pursuing.



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