

July 2017

# DakotaMAC DIRT

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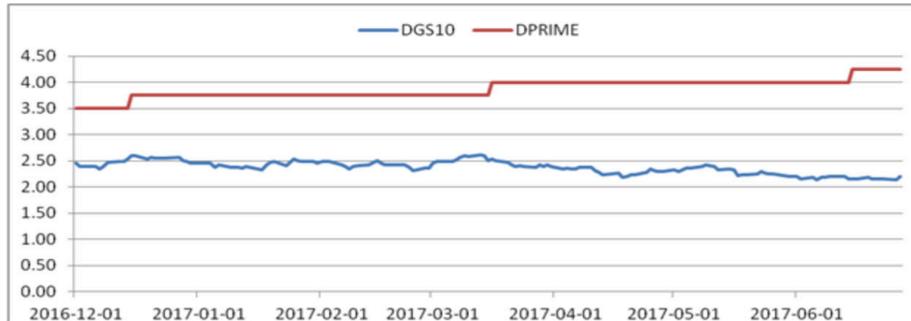
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## Where do I find a Crystal Ball for Interest Rates?

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Growing up, I always wondered what it would be like to own a "crystal ball"; one that could tell what was going to happen in the future. On June 15, the Federal Reserve increased rates by 0.25%. This was the third time in 18 months. Prior to December 2015, the Federal Reserve hadn't adjusted rates for over eight years. With the Prime Rate moving from 3.5% to 4.25%, wouldn't it seem logical for long-term rates to follow? I've included a graph comparing the 10-year treasury to the Prime Rate since December 2016. The 10-year treasury is an indicator of long-term rates. You will see long-term rates have actually decreased. What does this mean to you? It means you have or will experience an increase in your interest rates for loans tied to a variable rate, but your opportunity to lock in long-term rates, still remains extremely attractive.



Think about a fixed interest rate as having a crystal ball that says interest rates will go up and will go up dramatically. What would you do then? If your crystal ball is wrong and rates actually go down, you could consider a refinance or conversion. On the flip side, if rates rise, you do nothing, but thank yourself for making the decision to select a fixed rate product. Why wait and see what rates do? Call us today!

With the future in mind, we recently added more depth and experience to our Loan Production Offices in Hastings and Ogallala. Boyd Mignery and Jim Persinger have been with us for a combined 33 years. They have built portfolios exceeding \$100 Million and do an amazing job. To maximize our ability to grow in these markets, we have recently added Jared Hodgson in Hastings and Deb Devine in Ogallala. Both will be visible in their respective markets and we are excited to have them join our team.

Here's to the future! Until the Next DIRT.

Jeff



### Meet Jared Hodgson, LPO Specialist

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Jared joined the Dakota MAC team in June 2017 as a LPO Specialist in the Hastings, NE Loan Production Office. Jared grew up on a farm near Lexington, NE and graduated with his bachelor's degree in Agri-Business from the University of Nebraska at Kearney in 2014. Jared has remained in the agriculture industry spending the last two years in agricultural sales in the northeast Nebraska area. Jared, his wife, Kelli, and their baby son, Emmett, recently moved to Hastings to be closer to family in the south central Nebraska area. They enjoy spending time with family and friends, being active and the outdoors.



### Meet Deb Devine, LPO Specialist

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Deb has been in banking and office management for 10 years. Before that she started and owned her own business, Deb's Designer Dog's, where she was a mobile dog groomer. Deb's banking career started in 2007 as teller. She grew up in Pierce, CO on her family ranch and moved to Nebraska in 2007. She is a Cornhusker fan and enjoys rodeos. Her favorite hobby is collecting anything Texas Longhorns (the Bovine, not the team). She has two boys who keep her busy. She has attended Larabee Real Estate school and numerous bank classes.



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## Ag Assist- by Boyd Mignery

Dakota MAC continues to be innovative with new loan products that reduce risk in your operation. Your operation may benefit from Dakota Mac providing long-term real estate financing through a fairly new loan product combination named "Ag Assist".

Since spring 2016, Dakota Mac has been utilizing Ag Assist to provide long-term loan structure with the option of fixed interest rates to our clients. Ag Assist allows Dakota Mac to provide financing to clients who do not qualify under traditional Farmer Mac underwriting standards or exceed the \$1,399,000 Farm Service Agency Guaranteed Lending Limit.

Ag Assist allows Dakota Mac to provide two separate loans as part of an overall transaction that could be as large as \$5,200,000. The FSA Guaranteed Farm Ownership Loan Program is combined with a Farmer Mac loan that is approved under slightly relaxed underwriting standards in terms of Projected Cash Flow, Current Ratio, Credit Bureau Scores, and Debt to Asset Ratios. Ag Assist allows loan proceeds for purchasing new agricultural assets or restructuring existing debt or a combination of the two. The program also allows a higher cumulative Loan-to-Value.

The best news for you is Dakota Mac and our team of Ag Lending Professionals have years of expertise and knowledge in both the FSA Guaranteed Lending Programs and the Farmer Mac Lending Programs. Contact your Dakota Mac Loan Production Officer for more information on Ag Assist and how it may be a great fit for your operation.

## Planning and Adjusting to Weather - by Corey Maaland

We currently have many different weather extremes in the areas Dakota MAC serves. They include: too much rain, not enough rain, high winds, hail, cooler temperatures and everything in between. In agriculture, there are many things which we have control: what to plant, where it performs well, getting the crop out efficiently, when to wean, and what to feed are all decisions we can make with some degree of confidence. Weather is not one of these.

Dealing with an extreme weather event is often a big challenge for an ag operation. Hard decisions need to be made, especially during a drought situation. Making the decisions to replant or not, deciding when to cut the hay down or give up on a crop, is always hard. We often fail to plan for drought during normal or typical growing conditions when it is not a do or die situation. Therefore, with all that is going on, some reminders of what steps or plans to make may be helpful.

- Every operation will need to tailor their own plan to their unique resources and characteristics. Typically the goal will be to minimize losses rather than maximize production. Assessing where you are today with the specific numbers, such as how many days of feed are left, is critical.
- Some options may include the following: sell livestock, buy feed, sell equipment to buy feed, creep feed, wean or sell calves early, run more cattle together instead of smaller groups, or graze your dried out crops or a neighbor's.
- If livestock is to be sold, have or make a priority list in place for who will go first. For most producers, genetics will often be a priority when reducing livestock numbers.
- Look to other regions as a possibility to get you through. Know the cost of feeding versus moving the cattle to an area with plenty of feed. Typically, it is more cost effective to move the animals to the feed than the other way around.
- While surviving drought conditions, we must also think beyond the dry year. Conception rates and water quality may become a concern. If some adjustments are not made early, the range conditions can be compromised for many years post drought, depending on the weather and grazing pressure.
- Keeping a journal or notes on what is done may also be useful. We hope it will be many years before the information is needed again and it will be helpful to have a reminder of what worked and what didn't.

On a brighter note, I was recently told by a farmer that each day, we are one day closer to the rains. We cannot control the weather that we are given, but we can do our best with proactive planning to survive it.



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