

April 2017

# DakotaMAC DIRT



A DIVISION OF  
FIRST DAKOTA NATIONAL BANK

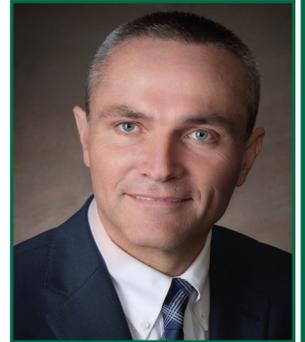


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## Don't Sweat the Small Stuff?

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The letter arrived on March 1st. Like many winter nights, I reached in the mailbox after a long day to see what was in the mail. Mixed with all the junk mail and bills was a letter that looked different. It was actually handwritten on the outside, and in cursive. What could this be? I went inside, said hello to my family, and put the envelope on the kitchen table. Now that I had supper on my mind, I quickly turned my attention towards my appetite and away from the envelope. My wife began sorting through the mail. "What is this?" she asked. "Oh, I'm not sure", I said. "Do you mind if I open it", she asked. "No, go ahead", I replied. So, she began to read it aloud to my three children and me.

*Dear Jeff,*

*During the weeks leading up to the closing, I had the opportunity to reflect on the many of you I had the privilege of serving during these years. Great customers did and carry them a great many friendships – never to be forgotten. For that my heartfelt thanks.*

As my wife continued to read the letter, I began to realize the letter was from a friend of mine; let's call him Vince. He recently changed employers after more than 30 years with a previous company that closed. For whatever reason, the letter stopped me in my tracks and now had my full attention. She continued reading.

*Not yet time to enter the retirement world. It would be my privilege to show you what we have available in quality products and ideas.*

*Looking forward to serving you once again.*

*-Vince*

Instead of tossing the letter in the trash, I filed it away. I began to think about writing my DIRT article and thought it might be a timely topic. I've talked about big data and leveraging technology, but let's not ever forget the power of something simple, like a heartfelt handwritten letter. Now I may have been one of many that received this letter from Vince; however, it doesn't diminish the positive effect it had on me. No matter the business or relationship, all of us are searching for earned and trusted loyalty. Even before the letter, I would have continued to patronize Vince, but the letter made me a customer of his for life. What a simple gesture, but what a lasting impact it had on me.

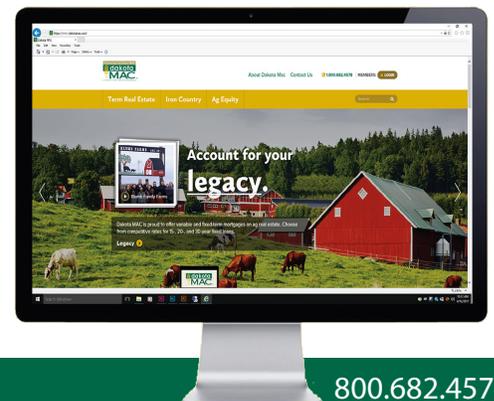
Now you may be asking yourself what writing a letter has to do with lowering my break-even, marketing grain, or negotiating a lower (or higher) cash rent price. Banking is about relationships. Can't the same be said about farming? How you establish, communicate, and interact with your landlord, seed dealer or banker is critical to your operation, especially in today's challenging times. Your ability to communicate and interact is a direct reflection on your management ability and character. Vince's letter was one example of many ways he established value and differentiated himself from the competition. How do you establish loyalty and differentiate yourself? Although I appreciate a good deal as much as anybody, I never did business with Vince because of "price". I did business with him because he was somebody I could trust. If your only reason for doing business with us is rate, we have failed you and us. We want to be more; we want to be your trusted advisor and our goal is to be more than just a rate. Anybody can give good rates, but it's trusted advice that we want to provide.

When was the last time any of us, including yours truly, have taken the time to complete a gesture similar to what Vince did for me? Your recipient could be a trusted advisor, client, co-worker or even a family member. Give it a try, what do you have to lose? Maybe something "small" like this could make a difference in somebody's day and further strengthen your relationship with them.

Until the Next DIRT,

Jeff

## Don't forget to check out our new website at [dakotamac.com](http://dakotamac.com)



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## Earned Net Worth- by Nathan Sparks

Spring is in the air, and most of us are welcoming it with wide open arms. I wish you the best of luck calving and preparing for the upcoming planting season.

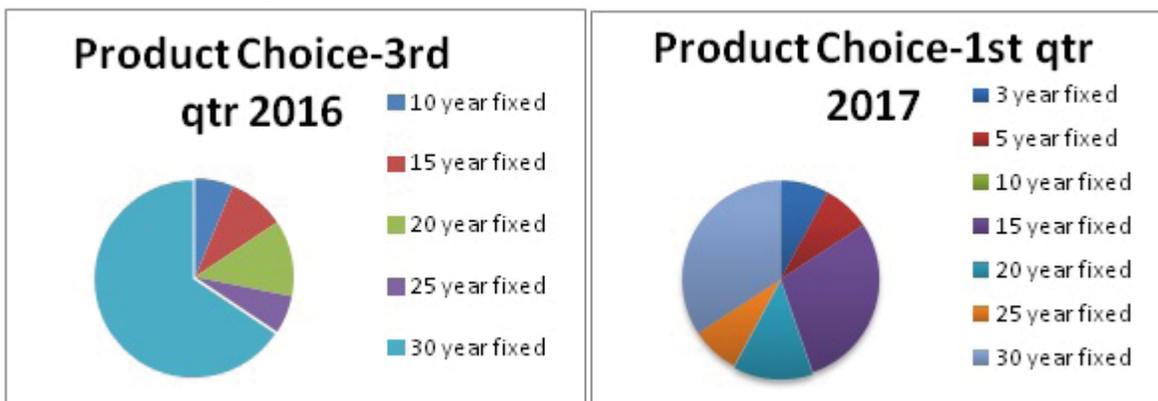
Has your lender ever used the term "Earned Net Worth"? This is a term each of us at Dakota Mac and First Dakota National Bank are very familiar with. You may be more familiar with Net Worth, which is simply the amount your total assets exceeds your total liabilities. But has your lender performed an Earned Net Worth analysis?

Earned Net Worth is a measurement to determine your farm or ranch operation's profitability since the previous financial statement, either positive (gain) or negative (loss). The Earned Net Worth analysis removes any valuation changes on capital assets. For example, if you increase the value of your machinery by \$75,000, this increases the net worth; however, it is not an increase to your earned net worth as it was not earned. Another example is if you inherit real estate, although significant to net worth, this is not earned. An example of an increase in earned net worth would be selling grain or cattle exceeding all costs including family living, interest and depreciation. If you make \$150 per acre or per head in this example, the earned net worth would increase accordingly.

Lenders look for positive Earned Net Worth changes each operating year; however that is not always the case. When losses occur, which they will, that is when a financial checkup is necessary. Remedies when losses occur vary among all lenders as circumstances may be different for each borrower. Don't just settle for a positive net worth change, challenge yourself to increase your earned net worth.

## Buying Trends- by Nick Luchsinger

Since November of 2016, interest rates have increased 0.50% to 1.00%, depending on the product. Because of this slight uptick in rates, I was curious if the mind-set has changed with our clients on what products they are choosing. You will see there has been a slight shift towards shorter fixed rate loans, although our most popular product continues to be the 30 year fixed-rate and over 84% of our clients are selecting to fix their rate for at least 15 years.



If you are searching for a lender who will support your operation by terming out debt, which will help make cash flow more comfortable, or searching for opportunities to replenish your working capital, then give Dakota MAC a call today. We offer very competitive terms and products ranging from variable to fixed and a high majority of our products are open for prepayment without a penalty on any payment date.



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