



News and views from your agribusiness partners at First Dakota

March 2023

Safe at Home

Happy National Ag Week! The Ag Banking team at First Dakota National Bank sends you all a very sincere thank you for what you do. We are so proud to work alongside the farmers and ranchers of our region. Thank you for leading the world in safe, sustainable food production in abundant quantities.

"A great play at the plate...safe at home!"

It's the feeling we want to instill in you...the feeling that, along with your community bank, you are SAFE AT HOME.

With the recent bank failures you've heard about in the news, we understand there may be questions. These bank failures are quite unique, with banks that had very heavy concentrations in industries impacted the most by the rising rate environment. These banks also took significant risks in their funding strategies by using short-term funding (deposit dollars) and investing them in longer-term investments at very low rates. The other glaring difference between Silicon Valley Bank (SVB) and First Dakota is that less than 20% of their deposits were FDIC insured. Contrary to SVB, First Dakota has less than 20% of our deposits uninsured by the FDIC. Our deposits are also made up of customers from different industries and segments of our local economy. This was not the case at SVB. We are confident this is not widespread across the banking industry. It is also important to understand the FDIC stepped in to guarantee depositor dollars but did not provide support to shareholders or the executives of these banks. Further bank failures are certainly possible, but we don't

BY NATE FRANZEN,
AGRIBUSINESS DIVISION PRESIDENT



expect an industry-wide problem like we experienced with the housing loan crisis in 2008.

First Dakota is the oldest bank in the Dakota Territory, chartered in 1872, and we've been employee-owned ever since. We celebrated 150 years in business just last year. We have persevered through every financial crisis and economic speed bump over that timeframe and are confident we will continue doing the same. How do we do it? By sticking to what we know. We don't shop for bargains on Wall Street. We focus our investments on Main Street. The Main Streets where we live and work; the Main Streets with industries that make this state and this region such a special place.

This rising rate environment will most likely create more economic bumps, but I assure you the leadership team and the entire banking team here at First Dakota will keep our eye firmly on the ball. Our number one priority will continue to focus on keeping the bank financially sound so we can provide funds for farmers, ranchers, manufacturers, home purchases, and other vital business activities that make this state and this region a great place to live, work, and play. Go visit your local banker. Make them buy you a cup of coffee. Take a load off your feet, talk things over, and feel SAFE AT HOME.

We are so proud to work alongside the farmers and ranchers of this region. We wish you all the very best as we enter the 2023 growing season. Your First Dakota Ag Banking team stands ready to help you meet each day's challenges.

Rate Environment



BY FARRON PRATT
PRESIDENT - VERMILLION

Unless you have been in hibernation for the past twelve months, you know that the Wall Street Journal Prime interest rate has risen from 3.25% to 7.75%, and if the odds makers are right,

they will continue to rise! You have to go back about fifteen years to find a prime rate this high.

What is driving the increases? The Federal Reserve Bank has been increasing rates to decrease inflation. Their goal is to get inflation back down to around 2.00%. Post-COVID, we are learning the hard way that almost everything is costing more. The January 2023 inflation rate is still high at 6.40%. This tells me that they still have considerable work to do to get back down to 2.00%. Their challenge will be to reduce inflation while keeping our economy out of a recession. Some estimate the odds of a recession are greater than 60%. One potential predictor of a recession is the inverted yield curve, which is when short-term interest rates are higher than long-term interest rates. We have been in an inverted yield curve since late October. Please keep in mind this is not the only indicator of a recession, as other key

factors like employment, inflation, and other economic indicators are all part of the equation.

What does all this mean for your operation? I hope you were fortunate to have worked with our Ag Bankers at First Dakota. We took a very proactive approach to work with our customers to help them close their long-term debt at very low interest rates before these increases. If you are on a variable rate for your long-term debt, you may want to buckle up for the ride, as these rates could continue to increase. Higher rates mean higher interest costs for your operation, creating growing pressure on your operational profits.

Additionally, your operating borrowings from your lender and input providers, if you utilize those, will cost more in 2023. Make sure you pay attention to input provider financing terms, as more than likely, your traditional lender operating line could be offering a better interest rate. You may need to scrutinize those capital expenditures more than before. First, they will cost more; second, if you finance the purchase, the interest cost will likely be higher.

In this rapidly rising interest rate environment, it is as challenging for Ag lenders as it is for producers. We are helping borrowers manage the risk while assisting depositors in capturing more interest income. In closing, make sure you are keenly aware of this interest rate environment, managing it accordingly, and discussing any decisions with your First Dakota Ag Banker.

Welcome to First Dakota!



Collin Powell joined our Ag team in January as an Ag Banking Officer in Chamberlain. Collin was born and raised on the family ranch near Chamberlain. During high school, he was very involved in FFA and wrestling. He graduated from SDSU this past fall with a bachelor's degree in Ag Science and a minor in business. During his summer and fall internship, he worked in Ag Banking, learning the many facets of the Ag industry.

Collin enjoys the outdoors and time spent on the river or hunting with friends and family. He continues to help out on the family ranch when time allows.



In February, Caleb Hopkins joined the Dakota MAC team as a Loan Production Officer in Halbur, Iowa. He was born and raised in Iowa. He previously worked as the Chief Lending Officer for Westside State Bank in Halbur. He has 12 years of banking experience and helped his prior employer start a successful secondary market program for Ag land loans through Farmer Mac to help leverage the Bank's small lending limit. His experience and expertise are a perfect fit for Dakota MAC.

He is currently a member of the American Bankers Association Ag and Rural Banker committee. Caleb and his family own a small cow-calf operation and enjoy spending time on the farm.

The Best Gift You Can Give



BY PAUL PREISTER
VICE PRESIDENT AG - VERMILLION

You work your whole life investing in your kids and the special people around you. You invest in their education to set a foundation for their future. You invest time and energy providing them with learning experiences. You instill in them the importance of being grateful for what they have. You model being a good community member and encourage them to follow in your footsteps. While investing in others, you know you receive many benefits in return. Time goes by and those investments grow just as your possessions grow.

Hopefully, your kids and the special people around you recognize these investments as gifts. You have done great things for them and want the best for them. When it comes to your possessions, have you given the best gift? Time and time again, we see that the best for heirs is a plan. It is not a gift of a car, truck, a piece of land, or a family jewel. It is a plan, allowing your wishes to happen once you are no longer with them.

Most of the time, no matter the value of your possessions, a farm or business can improve and grow, avoid family disputes, and settle estates much faster if a plan is in place. When Mom or Dad, Aunt or Uncle, Grandma or Grandpa have a written plan, rules are set, and all parties can move forward. This plan can be communicated now or after your death. Either way, having a plan is the best gift.

I believe the plan should be communicated now in most instances. In my encounters, I see too many farm or business families holding back on growing their operations because they do not know if they will need to buy out other heirs. They want to keep the family farm or business in the family but have no idea if they will inherit anything, partial, or all of the assets. It is hard to plan if they don't know their family's wishes, especially with the inflated values of late.

A plan is important for farm and business owners and all individuals. Regularly we have customers dealing with family members' problems who do not have a plan. Their heirs are arguing, not speaking to each other, having unrepairable differences, and paying additional attorney fees because a plan was not in place.

There are many individuals with expertise and willingness to assist in helping get your plan in place: attorneys, estate planners, and First Dakota's Keep Farmers Farming program. The details of a plan are

different for everyone, some simple and some complex, but the need for a plan is essential no matter what. Are you prepared to give the best gift?

The History of Dakota MAC



BY DENNY EVERSON
DAKOTA MAC FOUNDER

Our Dakota MAC Division is celebrating 30 years in 2023. It is a huge part of First Dakota's 150 year legacy. Here is a brief history of how it started.

The Dakota Mortgage Agricultural Credit (DMAC or Dakota MAC) program's genesis dates back to July 1993. At the time, First Dakota was invited to attend a reorganization meeting of the already established Farmer Mac (Federal Mortgage Agricultural Credit) company. At that meeting, Farmer Mac encouraged the participants to consider establishing a long-term fixed-rate Farm and Ranch real estate loan origination program in their respective Banks. Those loans would be sold to Farmer Mac, who could pool the loans and sell in the secondary market. This process was intended to resemble the Fannie Mae residential real estate secondary market for residential real estate. The ultimate goal was to assist participating Banks in establishing long-term fixed-rate financing for their customers.

In October 1993, DMAC was officially trademarked and introduced as the first program of its kind in the United States. DMAC's first loan of \$60,000 was originated and sold on October 7, 1993. By the end of 1995, DMAC had successfully originated and sold \$15 million of loans into the secondary market.

In 1999, DMAC became politically involved and was instrumental in developing the USDA Guaranteed "Preferred Lender Program." On March 10, 1999, DMAC became the first certified "Preferred Lender" in the United States. After this legislation, DMAC proceeded to establish Loan Production Offices throughout Nebraska and South Dakota. These Loan Production Offices and First Dakota's Bank locations dramatically increased the department's production of secondary market mortgage loans. By 2000, DMAC was originating and selling more loans in one month than had been processed in the first three years it existed.

In October 2013, now only one of many of DMAC's secondary market investors, Farmer Mac, approved Dakota MAC as a "Central Servicer" for their mortgage loan conduit. This approval enhanced Dakota Mac's loan-making and sales process and formally recognized the business model's success. Congratulations Dakota MAC on 30 years of success!



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South Dakota Offices

Beresford	605-763-2135
Chamberlain	605-734-5555
Elk Point	605-356-0289
Kimball	605-778-6218
Mitchell (North)	605-996-3364
Mitchell (Norway)	605-996-3364
Parkston	605-928-3077
Pierre	605-224-5817
Salem	605-425-3111
Sioux Falls (Downtown)	605-333-8200
Sioux Falls (East)	605-333-8282
Sioux Falls (Louise)	605-333-8295
Sioux Falls (South)	605-333-8210
Vermillion	605-624-5555
Wagner	605-384-5456
Yankton (Downtown)	605-665-7432
Yankton (North)	605-665-4999

Loan Production Offices

Columbus, NE	402-563-2326
Hastings, NE	402-463-4637
Ogallala, NE	308-284-3260
Watertown, SD	605-753-5880
Halbur, IA	515-314-7066

TO UNDERSTAND

agriculture
IS TO
UNDERSTAND life

When you think about it, every week is an ag week
everywhere, for everyone.

On behalf of everyone — **We Thank You!**