



News and views from your agribusiness partners at First Dakota

March 2024

Food Security is National Security

Happy National Ag Week! The Ag Banking team at First Dakota sends you all a very sincere “thank you” for all 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.

One of the most common topics I get questions about these days relates to sustainability, carbon, and climate-smart agriculture. I've told many that it is in some ways like the Wild West relative to this subject. No matter your level of knowledge in this area, most have an opinion. Regardless of your opinion, most people agree that it's important to be good stewards of our environment. As with many things, the devil is in the details.

Of all the farmers and ranchers I've met in my life, which would be thousands and thousands, I've yet to meet one who doesn't sincerely care about the soil health, animal welfare, and sustainability of their farm or ranch. Every single one of them wants to leave their operation in better condition than they received it. Technology coupled with farming and ranching practices have continually improved our efficiency and sustainability on the land. We feed more with less while improving the soil health at the same time. We've made tremendous strides over time, and I expect even faster improvement rates going forward.

The friction I see around these topics has to do with folk's perspective and the processes for improvement—the “details,” as I refer to above. I'm confident we will

BY NATE FRANZEN,
AGRIBUSINESS DIVISION PRESIDENT



make even more progress on our environmental efforts if everyone looks hard in the mirror before forming their perspective. It's vital to work hard to understand where others who don't share our beliefs and opinions are coming from. In the end, I believe most of the efforts on these subjects are well-intentioned.

The concept of net zero carbon emissions is interesting. Many industries and companies within them cannot achieve zero emissions through their own activities. Yet, many large companies are setting zero emission goals for future dates. Some would say this is politically driven. I would disagree. No matter the politics, I believe consumers and capital demand this, which drives these goals. I have my doubts that it will change much no matter the politics.

Silver lining: There are potential opportunities here for farmers and ranchers. Because of the consumer and capital driving these goals, new markets are developing and potential new revenue sources are surfacing and growing. I highly recommend producers keep an open mind and diligently explore these new revenue sources to see what might fit in their operation. My banker opinion is this. Environmental sustainability is vitally important and financial sustainability is an important part of the environmental sustainability equation.

The risk: We are witnessing heavy regulation in other parts of the world, some European countries in particular, driving change at an unsustainable pace. This

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is driving producers out of business. I am confident the long-term ramifications of this are not good! A good friend and mentor of mine told me recently, "The United States innovates, the Asian countries imitate, and the European countries regulate." I expect the USA will continue with innovation. This gives me optimism that we will do it better. We will incent continual improvement on sustainability without going overboard and avoid driving producers out of business. Another reason for my optimism comes from my belief that in America, we understand that "food security is national security."

Wishing you all the very best as we enter the 2024 growing season. Your First Dakota Ag Banking team stands ready to help you meet the challenges of the day.

What If?



BY MARTY MICHALEK
VICE PRESIDENT AG - CHAMBERLAIN

Over the past several months, everyone has been thinking about the next growing season, putting together budgets, cash flows, and marketing plans. These are essential management tools

that all successful operations should employ. They can be a great way to manage expenses and are very useful in managing things that are in your control. As bankers, we love seeing our customers put these plans together. But what happens to your plan if one of the biggest assumptions you base the plan on is wrong?

For as long as I can remember, the rallying cry for agriculture has been "Feed the World!" We have heard that the global population will grow to over 10 billion people and that more people than ever are entering the middle class and will be looking to eat better, and we will run out of food. The message has been that we need to become more efficient, increase yields, plant fence row to fence row, and raise more animals because there are starving kids in Africa. In early 2022, the world was concerned that the Russian/Ukrainian War would have disastrous effects on the global food supply. But today, we find ourselves in a global position where total grain stocks are very high, and prices are now low. How did this happen?

I recently listened to a very interesting podcast that challenged the "Feed the World" rally cry. They threw out some very interesting statistics, like the fact that the United States produces 43% more pork annually today than we did in 2000 and that corn and soybean production is almost 50% higher today

than it was then. Obviously, in the past two decades, American Agriculture has improved our ability to produce one of the world's largest and safest food supplies. We now rely heavily on exports because we produce more commodities than we can consume. They also mentioned that today, 35% of the food the world produces is wasted, either ruined before it can be consumed or thrown away after it is cooked. Reducing the amount of waste in the food system even slightly adds more to an already large food supply. This podcast also talked about how the rate of growth across the globe is declining, and they questioned if the global population will ever hit 10 billion people. In short, this podcast made the argument that as far as the "Feed the World" rally cry is concerned, we have already done it, and now we are in for a prolonged period where global ag supply is outpacing global demand.

Now, I have no idea if this podcast is correct regarding any of these ideas. But what if they are? What does a steady or even shrinking global population do to commodity demand? What happens if the global trend-line yields for corn, soybeans, and wheat continue to increase due to the ever-increasing technologies farmers can access? Will new practices in energy production be able to create new demand for our crops? What opportunities will arise in a changing agricultural landscape? I don't know any of these answers, but I am certain there will be production agriculture opportunities moving forward. So, what if these opportunities look slightly different than they have in the past? If you know your operation's cost structure and financial position, and can react quickly, you should be well-positioned to capitalize on these new opportunities to remain successful.

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With Challenges, There Is Opportunity!!



BY WILL HAUGEN
PRESIDENT - CHAMBERLAIN

As farmers, ranchers, and anyone involved in agriculture, we all know very well that sometimes the best opportunities come from some of the most challenging

times. Recently at the South Dakota Corn Growers convention in Sioux Falls, Dusty Johnson made a comparison to POW camps. The common denominator for those with the best survival rate was those who knew it would not be easy. Still, they also knew that they could survive to see better days. If they were too pessimistic or even too optimistic, their chances of survival was less. I thought this was an excellent analogy for everyone involved in agriculture. We are all very aware that there will be challenging times and some of those difficult times might happen in 2024. We have lower grain prices, higher interest rates, volatile livestock prices, and weather that can always have an impact. These challenges can be a constant in agriculture. The most successful operations can acknowledge these challenges but not lose sight of possible opportunities.

As lenders, we gain an understanding of many different operations. We take a lot of pride in the success of our operations but are also prepared to walk through the more challenging times with them. As we work through some of these challenges with our clients, we find that some can acknowledge their weaknesses and embrace the challenges better than others. One producer I have worked with for many years made the analogy that when you win a basketball game by only a few points, it comes down to the little things that make a big difference. When we win games by 20 or more points, we tend not to look for ways to improve. I believe this is where we are at in agriculture today. Some of the efficiencies our producers can attain, make a big difference to their bottom line. There are differences in the cost of inputs, marketing skills, and machinery costs for producers who might be farming in the same area. There can be differences in calving percentages, conception rates, and feed cost on the livestock side. These are all areas that most operations can make changes and improve, but everyone approaches these challenges differently. Ideally, everyone would learn from their mistakes and make the necessary changes, but there are times when producers continue to make the same mistakes.

Challenges are inherent in every facet of agriculture and 2024 could prove to be one of the more

challenging years. Our basic problem-solving skills and resilience will help create opportunities. One of the biggest challenges is where we allocate our time and trying to find the best balance. We face many distractions daily, and time becomes a valuable resource that warrants careful consideration. It will be essential for bankers and the producers we work with to define our priorities and set clear goals and direction for where we are headed in 2024. I know there are exciting times ahead for agriculture and balancing our time and adopting a growth mindset will be critical in identifying opportunities to learn and improve.

I believe these challenging times in agriculture have created some of the best people in South Dakota. We tend to emerge stronger and more accomplished. One of my favorite stories in South Dakota is about Peter Norbeck, the farm kid from Vermillion. He grew up on a farm near Vermillion and went on to be one of the greatest political leaders and conservationists in South Dakota. He was an advocate for agriculture, conservation, and rural development. He played a vital role in establishing Custer State Park and helped secure the funding for Mt. Rushmore. He helped advocate for federal assistance during the Dust Bowl of the 1930s. Norbeck is just one great example of a leader in South Dakota who came from a farming background and an example of why more people from farms and ranches need to be in leadership roles in their respective state.

The agriculture community tends to bounce back from setbacks, enabling producers to face future challenges with greater fortitude. We tend to find ways to sharpen our skills and emerge with greater confidence. One of the best ways to sharpen those skills is by having a great network of professionals you work with daily. They can help identify opportunities and help bring perspective to your situation. These professionals could be your banker, accountant, agronomist, or nutritionist. One of the most important relationships in a successful operation is your spouse. One of marriage's many roles is a business partnership. Many aspects of marriage get co-managed, and they tell each other what is happening. Building strong relationships with your network of professionals can create teamwork that can foster long-term success.

We look forward to 2024 and the opportunities provided in agriculture. There will always be challenges, but proactively identifying areas for improvement will be necessary. Where we decide to spend our time and our willingness to be leaders in our community and state can make a difference. Building successful relationships with our network of professionals and, specifically, our spouse will help 2024 be a great year.



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Take Our Ag Week Quiz

- In 1940, the average farmer fed 19 people. How many people is the average farmer able to produce food for today?
a. 102 b. 155
c. 207 d. 216
- South Dakota is the 5th highest producer of the National Beef Cow inventory, what percentage is this?
a. 5.3% b. 7.9%
c. 12% d. 14.4%
- Agriculture employs over 115,000 South Dakotans and contributes more than how much to the state's tax revenues?
a. \$225 million b. \$396 million
c. \$549 million d. \$645 million
- At the end of 2023, what was the inventory of hogs in South Dakota?
a. 2.3 million b. 2.5 million
c. 2.9 million d. 3.9 million
- First Dakota Ag Loan portfolio is currently?
a. \$568 million b. \$789 million
c. \$1.1 billion d. \$1.3 billion

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