AGRIVISIONS®

News and views from your agribusiness partners at First Dakota August 2026

When Global Events Come Home to Roost

BY NATE FRANZEN, AGRIBUSINESS DIVISION PRESIDENT

A few weeks ago, I attended a conference where one of the speakers was an economist from the American Petroleum Institute. He walked through the growing pressures on global oil supply — disruptions to shipping routes, declining reserves, and markets that are more interconnected than ever.

One statistic stood out. Under normal circumstances, roughly 20 million barrels per day of crude oil and petroleum products move through the Strait of Hormuz, representing about 20% of global petroleum liquids consumption and more than one-quarter of global seaborne oil trade. Most of us in agriculture spend our time watching weather forecasts, commodity prices, and the daily demands of the operation — not shipping lanes on the other side of the world. But as the economist pointed out, events occurring thousands of miles away can find their way to rural America faster than we think. Changes in global energy markets ripple into fuel prices, fertilizer and chemical costs, transportation expenses, grain drying, machinery costs, interest rates, consumer confidence, and ultimately farm and ranch profitability.

As I listened, I found myself thinking less about oil and more about risk.

Agriculture has always been an industry built on managing uncertainty. Farmers and ranchers deal with variables beyond their control every day — weather, market swings, disease outbreaks, government policy, trade disputes, input costs. What's changed is the speed at which global events now reach local decisions. A generation ago, world events felt distant from the daily realities of a Midwest farm or ranch. Today, a disruption on the other side of the globe can move commodity markets, supply chains, or energy prices within hours.

History reminds us that major disruptions to global energy markets have often coincided with periods of economic stress. Does that mean a recession is inevitable? We don't know — no one can predict exactly how current events will unfold. But uncertainty itself creates risk, and successful agricultural businesses have always understood the value of preparing for multiple outcomes rather than betting on a single forecast. That is especially important in an environment where many operations are facing tighter margins, elevated interest costs, and input prices that can change quickly.

One lesson from my banking career: the strongest operations rarely succeed because they predicted every market move correctly. More often, they succeed because they were financially resilient and ready to adapt when circumstances changed. With that in mind, here are five things producers may want to consider as they plan ahead.

Maintain adequate liquidity. Cash reserves and available working capital create options. They let an operation withstand unexpected challenges, capitalize on opportunities, and avoid being forced into difficult decisions during periods of financial stress. Strong liquidity remains one of the most effective risk management tools available.

Stress test your operation. What happens if diesel prices spike? If crop or livestock prices retreat from current levels? If interest rates stay elevated longer than expected? Running these scenarios now can surface vulnerabilities before they become real problems.

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Review your risk management and marketing strategies.
Agriculture offers real tools for managing uncertainty—crop and livestock insurance programs, forward contracts, hedging strategies through qualified advisors, and structured marketing plans. No single strategy eliminates risk, but thoughtful planning reduces exposure to the worst outcomes.

Focus on operational efficiency.
Periods of uncertainty tend to separate the operations that know their numbers from those that don't. Understanding production costs, spotting inefficiencies, and prioritizing investments that improve productivity strengthens an operation regardless of what the broader economy does.

Invest in relationships.
Agriculture has always been a relationship business. Strong communication with family members, business partners, bankers, accountants, attorneys, and other trusted advisors matters even more during uncertain times. The best decisions are rarely made in isolation.

Headlines can be unsettling, but agriculture has proven remarkably resilient throughout history. Farmers and ranchers have weathered wars, recessions, droughts, inflation, and volatile markets. The specific risks change over time; the principles of sound management don't.

None of us can control global events. We can control how prepared we are to respond. Operations with strong balance sheets, disciplined management practices, and a long-term perspective will be best positioned to navigate whatever comes next.

At First Dakota, we remain optimistic about the future of agriculture and grateful for the work you do each day to provide food, fuel, and fiber for our communities and our country. We're also committed to helping you identify risks, evaluate opportunities, and build a resilient operation. If it's been a while since you've stress-tested your balance sheet against higher input costs or a rate environment that stays elevated, that's a conversation worth having with your banker before the next disruption forces it. Because while uncertainty may be unavoidable, being unprepared is not.

The Benefits of the Balance Sheet

BY PAUL PREISTER, VP-AG BANKING

Why would a bank be talking about balance sheets in the heat of the summer? August is here and in a couple of months, clients will begin to drop off their updated balance sheets for annual renewals. The balance sheet is one of the most important documents, if not the most important, that banks use to analyze loan requests. However, the balance sheet is not just for the bank, it is just as important for the farming operation and its owners.

Providing an accurate and honest balance sheet has many benefits. The balance sheet establishes trust between both parties. It provides a snapshot of the operation on one specific day to help with analyzing the business. The balance sheets' list of assets and liabilities provides input for business decisions throughout the year and assists with decisions for estate planning.

By taking time to complete an accurate balance sheet, clients can truly see if the operation had an earned net worth gain or loss for the past year. Clients receive credit for purchases made, which include items such as machinery and livestock, or contributions to retirement accounts to tell the full story of an operation. Providing the debts for assets purchased or any crop input financing are just as important as listing the corresponding assets.

Understanding the earned net worth of an operation is important for success. The gain or loss is not only important for the most recent year, but for multiple previous years to trend an operation's profitability. Analyzing the earned net worth trend helps producers adjust spending, improve profitability, and prepare for a successful transition to the next generation.

Leaving details off the balance sheet, either in error or on purpose, can be costly to an operation. Ag bankers are unable to get the full picture of an operation to provide the best analysis, structure of debts, and service to the client. The clients may be making decisions based on feelings or incomplete data, which may be costing them cash flow and equity for their operation.

Both farmers and bankers share the same goal – a healthy, successful operation. The extra time spent completing an accurate balance sheet will return many benefits as the balance sheet provides a foundation for good conversations and decision making.

Celebrating a Year of Client Success

BY KEVIN HASELHORST
SVP-AG BANKING CREDIT MANAGER

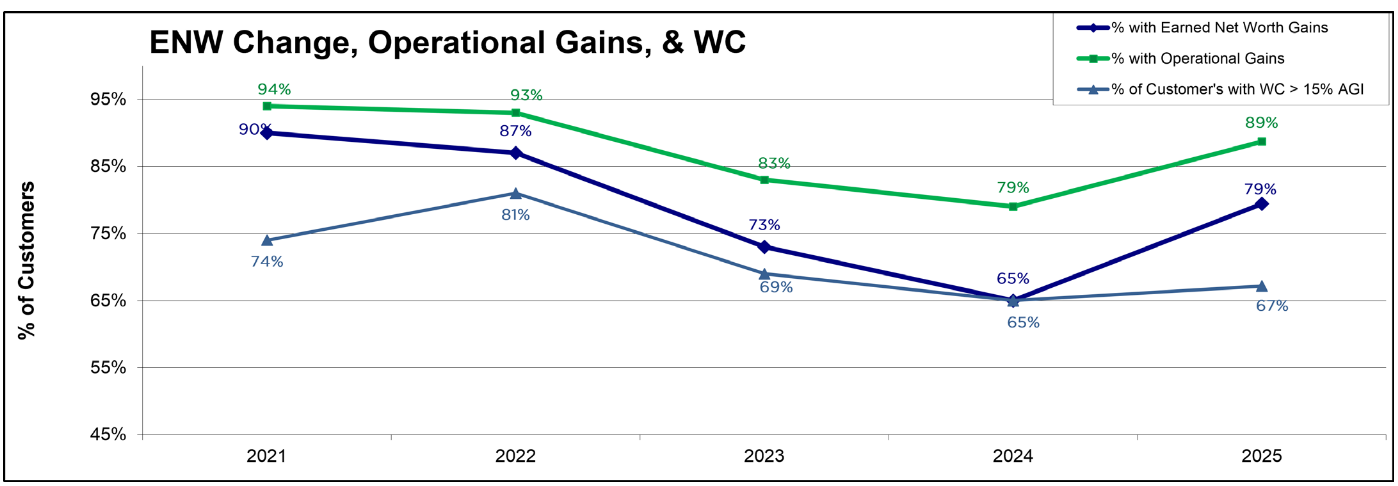
Another renewal season is behind us, and we are pleased with the results of our clients' operations in the 2025 operating year.

When First Dakota completes financial reviews of agricultural operations, a figure we focus closely on is Earned Equity change to determine if a gain was achieved or a loss was incurred. Earned Equity is defined as the change in net worth from one balance sheet to another, usually separated by 12 months, including certain calculations. The process is to subtract the net worth of the prior statement from the net worth of the most recent statement, factor out any capital asset revaluations (e.g. an increase in real estate values) and assess a 10% depreciation charge on machinery and vehicles and 5% on depreciable buildings and improvements. Assuming balance sheet accuracy, this process is a proven way to accurately assess agricultural operations' financial performance.

The percentage of First Dakota Ag clients who made financial progress by achieving an Earned Equity gain (also called Earned Net Worth gain) totaled 79% in operating year 2025. During years 2023 and 2024, 73% and 65%, respectively, achieved gains. Above average crop yields in many areas of our client footprint, as well as the continued high price levels in the cattle sector propelled earnings higher than the prior two years for many operations.

Another key element closely monitored is Operational Gains. This is calculated in the same manner as Earned Equity change, but depreciation is excluded. While depreciation is a real cost, this allows us to understand the percentage of clients able to cover all cash expenses including input costs, family living expenses, and interest. In 2025, 89% of our clients generated Operational Gains. During years 2023 and 2024, 83% and 79%, respectively, achieved gains.

Finally, I will share the percentage of clients who have a level of working capital greater than 15% of Adjusted Gross Income (AGI). This level of working capital signifies strong operations and ones positioned to withstand adversities. In 2025, 67% of our clients possessed at least this level of working capital. In years 2023 and 2024, the number of operations carrying this level were 69% and 65%, respectively. All three years indicate a sizable portion of our portfolio maintains sound working capital levels.



Earlier, I mentioned two primary reasons why our clients performed well in year 2025: crop yields and the cattle sector, but there is one more very important reason why. The First Dakota Ag Division is blessed with many great clients who are strong and proven managers. During the next few months, our Ag division will conduct its annual strategic planning session to assess the past year and fine-tune anything necessary to ensure we are prepared for the next renewal season. We stand ready to support producers both in good years and in years when they face more adversities. It is our pleasure to continue to serve the agricultural industry.

FIRST DAKOTA

225 Cedar Street
PO Box 156
Yankton, SD 57078

ADDRESS SERVICE REQUESTED

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
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Yankton (Downtown)	605-665-7432
Yankton (North)	605-665-4999

Ag Production Offices

Aberdeen, SD	605-216-1555
Columbus, NE	402-563-2326
Fargo, ND	701-991-1636
Halbur, IA	515-314-7066
Hastings, NE	402-463-4637
Watertown, SD	605-753-5880

Join us at Dakotafest!

Dakotafest is **August 18-20, 2026** in Mitchell, SD. We are excited to welcome Coach John Stiegelmeier ("Stig") for a special book signing on **Wednesday, August 19 from Noon-4pm** at the First Dakota Building, booth 223. Attendees will have the opportunity to meet Coach Stiegelmeier and purchase a signed copy of ***Stig and the Rise of South Dakota State Football*** for $25. First Dakota will donate $10 for every book sold to Feeding South Dakota, helping provide meals to individuals and families across the state. Then on **Thursday, August 20 9-11am**, stop by the Music & Entertainment Tent for the *2027 Profit Roadmap Seminar* where Nate Franzen, President of Ag Banking at First Dakota National Bank will present *Funding the Future: Financial Moves to Prepare for a Tough 2027 Season and Beyond.* This complimentary session will focus on planning ahead for the opportunities and challenges facing agriculture. Register for the conference here: https://www.dakotafest.com/profit-roadmap/ and receive a free meal ticket. We hope to see you there!

First Dakota Football at the Fair

Saturday, September 5th, Tap Haus, SD State Fairgrounds

Join us as the SDSU Jackrabbits take on the Northwestern Wildcats and the USD Coyotes take on Northern CO, both games kick off at 7pm.
GO JACKS and GO YOTES!

AgriVisions 2.0

AgriVisions 2.0 will be held Wednesday, **February 17, 2027**, at the Corn Palace in Mitchell, South Dakota. This premier conference brings together farmers, ranchers, and agricultural professionals for expert insights, fresh perspectives, and valuable networking opportunities. Attendees will hear from nationally recognized speakers, including Dr. David Kohl, Eric Snodgrass, and Jackson Takach, who will share timely insights on the economic, weather, and industry trends shaping the future of agriculture. Keep an eye out for more details in the coming months.