

# FIRST ON THE FARM

FROM THE EXPERTS AT THE FIRST NATIONAL BANK IN SIOUX FALLS

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## PLANNING FOR 2023



**BRIAN  
GILBERT**  
Ag Banking  
Manager

According to *The Kiplinger Letter*, we can expect a slow-growth economy in 2023. This may come as no surprise to you, as many producers are feeling the effects of inflation on their inputs, groceries, and everything in between.

The U.S. housing sector has already shown signs of a slowdown with housing starts decreasing. To further exacerbate the problem at home, Europe's and China's problems will affect our domestic exports, causing a further deterioration of the U.S. GDP.

We can anticipate that the Federal Reserve will continue to watch inflation very closely, and it's likely that we'll see two or more short-term interest rate hikes into early 2023.

Term rates — which are driven by what investors think the economy will do — look to steady and have eased a bit off our highest levels.

The outlook for corporate America appears slightly negative as well given labor shortages, increased health care costs, and a labor market that is expecting a pay increase to compensate for a higher cost of living.

This certainly doesn't bode well for overall corporate profitability and reinvestment/expansion.

However, the outlook for agriculture — at least in the short term — looks fairly positive. Even with a short crop, many producers are looking to take advantage of an excellent grain market and will be rather profitable compared to recent memory.

Obviously, the higher input costs will cut into profit in 2023, but the ability to lock in a profit as we head into next year remains. The livestock markets, while volatile, offer many producers this same opportunity.

One interesting and concerning statistic is that food price inflation will finish the year at around 9%, which is the highest annual reading since 1979, according to *The Kiplinger Letter*.

This will no doubt put pressure on some of our higher-priced commodities as consumers struggle to make ends meet.

Given the headwinds the overall economy is facing, it is ever more important to be cautious as we plan for 2023 and beyond. This rings especially true as we look to defer taxable income without creating additional debt obligations that may be more difficult to meet if/when margins shrink.

As a method of helping defer taxable income "without any carry in the market, deferred pay contracts should be considered," says Heath Kooiman, CPA, an FNBSF Ag Advisory Board member and partner/owner of the Woltman Group.

Heath strongly advises that you consult your tax advisor because you have the option on each deferred pay contract to choose which year it's included in taxable income.

So, it's always a good idea to break up your deferred pay contracts into many smaller amounts, rather than one contract, in order to give yourself the best flexibility.



# INSURING YOUR SUCCESS



**TYLER  
URBAN**  
Crop Insurance  
Specialist

For much of South Dakota, the 2022 crop year has been full of extremes.

The northeast part of the state had a lot of prevent plant acres due to too much rain; the west and southeast parts of the state have areas with severe drought.

Combine that with the fact that we have had not one, but two derechos roll through our region, and I think we can all agree that a “normal” growing season would be nice in 2023!

These weather extremes further outline the vitality of a proper crop insurance policy to a successful farm and ranch operation. Aside from the standard multi-peril, or MPCl,

crop insurance policies, there are a host of products available to insure against losses.

## **Pasture, Rangeland, and Forage**

Ranchers and forage growers should be looking at Pasture, Rangeland, and Forage (PRF) insurance.

PRF is designed to give you the ability to buy insurance protection for losses of forage produced for grazing or harvested for hay, which result in increased costs for feed, destocking, depopulating, or other actions.

The PRF program utilizes a rainfall index to determine precipitation for coverage purposes and does not measure production or loss of products themselves.

## **Livestock Risk Protection**

Livestock producers might also be interested in a Livestock Risk Protection (LRP) policy.

LRP policies act like a put option to set a floor under cattle, sheep, and hogs and can prevent losses due to declining market prices. With where cattle prices currently are, this is a good policy to consider.

## **Other considerations**

Phase 1 of the emergency relief program has been completed. Phase 2 is set to begin soon.

Phase 2 will assist producers that may not have had a crop insurance indemnity paid in 2020 or 2021 but had production still under their Actual Production History (APH). If it is low enough, it might trigger these shallow loss payments.

I’m happy to help anyone with further information on this; just give me a call!

Finally, since there will be some indemnity payments across the region due to drought, I want to stress the importance of talking with your crop

insurance agent and tax advisor on how to handle indemnity payments.

There are some things that can be done for tax planning purposes, but make sure these questions are answered prior to receiving any indemnity payments.

I hope everyone has a safe harvest. As I have said every fall newsletter, this really is my favorite time of year.

The opportunity to reap what we have sowed is simply amazing.

The sunsets are usually the best this time of year, and giving combine rides is something I always enjoy.

Being able to cheer on SDSU football in the combine cab is a bonus!

Feel free to contact me anytime, and I hope to visit a few of you on the farm this fall.

**The First National Bank in Sioux Falls encourages you to take the time to fill out the Census of Agriculture when it comes out this winter.**  
**Visit [nass.usda.gov/AgCensus](https://nass.usda.gov/AgCensus)**



# HARVESTING DROUGHT-STRESSED CROPS



**JOSH KAYSER**  
Ag Banker

This year's weather has really taken a toll on area producers' crops. In many cases, it has also taken a mental toll on producers themselves.

It's easy to want to hit the fast forward button on 2022 and start getting ready for 2023. But with solid commodity prices, it may be worth your time to maximize the crop that you do have.

Before you head to the field, here are some harvest considerations to keep in mind:

**Harvesting in a timely manner**  
Drought-stressed crops can

deteriorate quickly, resulting in standability or grain quality problems.

Reduced starches/sugars in the stalks can lead to early death and poor standability. Ear shanks can collapse, resulting in ears falling off.

Do some scouting, and prioritize harvest based on individual field stress levels. This may mean having to take grain at higher moisture and not waiting for it to dry down.

Dry-down will also happen quickly as grain fill and maturity are accelerated due to lack of moisture. You'll need to be cautious of this as well, since too dry of grain will crack easily and lead to storage issues.

**Setting the combine**  
This may not be as easy as it usually is. Most combines work

best with a full cleaning system, and with lower yields, you may need to increase ground speed to keep the machine full.

Seed sizes will vary depending on the test weight, so you may also have to check settings daily and as moisture drops.

**Working safely**  
When you are tired and pushing to finish, you need to be extra cautious so everyone can return home safely.

Be especially wary of fires; the dry conditions will likely increase the chances of fire.

To prevent fires, take time to clear your machine of debris regularly. Also, make sure you have properly charged fire extinguishers ready on each machine.

In some cases, it may be warranted to keep a water tank or tillage tool nearby.

## SAVE THE DATE

### Crop Insurance Meeting

January 31, 2023

### Cultivate Your Future

Mid-February, 2023

Details coming soon

### Hutterite Banking Class 2

Applications due by Friday, October 21

### Farmers 'N Bankers Class 5 - Session 4

December 7, 2022

Hilton Garden Inn  
Estate Planning

# HARVEST SEASON ROAD SAFETY

By: Tracey Erickson, former SDSU Extension Dairy Field Specialist

Silage harvest has begun, and soybean harvest will soon be following in parts of South Dakota.

Because of this, we have seen an increase in farm equipment on the road, including tractors, combines, grain carts, silage choppers, and silage trucks.

For producers, this is one of the busiest times of the year.

For the general public, the hustle and bustle have also picked up with kids back in school and extra-curricular activities in full swing.

That's why we all need to increase our awareness and patience on the road, whether you are a motorist or a producer. Here are some things to keep in mind this harvest season:

**Motorists**  
First, patience is key.

Most farm equipment that's operating on the roadways is traveling at speeds between 15 and 25 miles per hour. When you encounter a slow-moving vehicle (SMV) emblem on equipment, that is an immediate warning to slow down.

Second, remember that it may be necessary for producers to operate farm equipment on the roadways to move between fields or farms, and, legally, they are entitled to do so.

If you're driving 55 miles per hour and come upon farm equipment that is driving 15 miles per hour, it will only take five seconds to close a gap the length of a football

field between you and the equipment.

You also should not assume that a producer knows you are there. However, once they know you are there, they will attempt to pull over — if they are able to do so safely — so you may pass.

Stay patient, as there may not always be an approach that's immediately accessible or a ditch that allows them to ride the shoulder without tipping or running into an object.

**Producers**  
Producers also need to do their part in sharing the roadways.

All vehicles that move less than 25 miles per hour must be equipped with an SMV reflective emblem. The emblem

should be kept clean and must be visible, and replacement is recommended every 2–3 years.

Producers should also place reflective tape on equipment to mark the edges, which will help to increase visibility.

**Traffic rules**  
Whether you're a producer or a motorist traveling on the roadways, remember that we must all obey the traffic rules; that includes no texting and appropriate use of cell phones.

Lastly, as always, courtesy and patience are key to safety on the road.