

FIRST ON THE FARM

FROM THE EXPERTS AT THE FIRST NATIONAL BANK IN SIOUX FALLS



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"Growing up on a farm in the 1980s, money and the lack of money were talked about a lot. So every expense was scrutinized, and every opportunity to make some extra money with livestock or crops or different things we were doing was definitely important."

A farm kid from Baltic, Darren Hefty has long been ingrained in the financial side of the agriculture industry.

He recently joined an episode of our podcast, Common Cents on the Prairie™, for a conversation about his background in agriculture.

The finances of family farms

Darren says he could start contributing to the family farm "as early as was safe."

"Safety was a really big concern for my dad and my mom, which was great," he recalled. "They were both very cautious about what we were doing and putting us in the right situation."

His first job at age 7 was taking care of baby pigs.

"I've got a really soft heart for animals," Darren said, "and so that was a great spot for me."

Soon, he was working from 5:00 a.m. until it was time to get on the school bus, and then for another couple of hours from the time he got home from school.

"My brother, I think, was getting a nickel a week or something," Darren said, "and I was getting a penny, or something like that, when we were starting."

The next step for Darren was attending auctions with his dad, and by about 10 to 12 years old, he was watching the grain and livestock markets every day.

"In the '80s, there wasn't a lot of money on anything," he said.

They could make some money on hogs, however, and Darren recalled the time when he sold a batch of pigs for around \$45,000.

"I was really excited when I told my dad, 'Hey, I've got pigs ready to go to market. We need to get the truck ready and get them to town.' And he's like, 'That's great.' And I said, 'No...what's really great, Dad, is we just made \$40- or \$45,000.'"

"And he's like, 'Who's we?' That was my first big lesson of money. I was like, oh, I guess they're all his. And I'm getting paid a nickel or whatever."

Growing Hefty Seed Company

"My dad started our business a couple years before I was born, so it just was always part of the world I lived in," Darren said.

Darren previously described himself as having done all the jobs in the business "from the bottom up," which included sweeping the warehouse, groundskeeping, counting inventory, and loading trucks.

By the time he went to SDSU for ag business, where he also minored in animal science, Darren was questioning his future with the family business.

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**GRANT
OLSON**
Ag Banking Team Lead



INSURING YOUR SUCCESS

As we move from the 2025 Livestock Risk Protection (LRP) insurance year (July 1, 2024, through June 30, 2025) into the 2026 LRP insurance year that began July 1, 2025, farmers should be aware of several changes that were made to the program.

I have reviewed all of the LRP program modifications and want to highlight a few key changes:

Premium billing date

The premium billing date will now be the first day of the second month after the Specific Coverage Endorsement (SCE) end date.

Drought hardship exemption

This exemption was added to allow a producer to keep coverage on feeder cattle sold more than 60 days prior to the end date of the SCE if:

- the covered cattle are in a county experiencing a drought, and
- drought conditions worsen after insurance attaches

Drought conditions are determined using the Drought Severity and Coverage Index (DSCI), which is based on U.S. Drought Monitor (USDM) data.

There are six drought levels estimated weekly to determine the severity of drought conditions in each area.

To be eligible for the drought hardship exemption, the DSCI must exceed 200 and must have increased by 150 since the effective date of the LRP policy. If you want to learn more about this exemption and the formula used to determine eligibility, please contact me at (605) 940-6517.

Physical possession

In the past, cattle had to be in a farmer's physical possession to be covered by LRP. New in 2026, forward contracted cattle can now be insured prior to taking physical possession of the cattle.

The insured farmer must receive physical possession of the cattle at least 90 days before the end date of the SCE, and you must be

able to provide a copy of the purchase agreement and proof of delivery.

Brokerage records

Insured farmers are required to provide brokerage records to determine if abuse has occurred. Additional language was published describing specific practices that could be used for what they call "subsidy capture."

Subsidy capture is defined as the practice of exploiting the differences between the premium owed for an SCE and the cost of a privately traded livestock contract, such as a put option, for financial gain.

This is considered abuse of the program and is prohibited.

The key takeaway from this change is that using LRP for normal risk management strategies (i.e., to buy LRP as a fence and sell an out-of-the-money call option) is acceptable.

Another acceptable scenario would be if a producer purchases LRP and, in time, the market moves higher; the producer can purchase a put option at a higher value to establish a higher price floor.

The evolution of Livestock Risk Protection

When it comes to LRP, this is the season for change.

As we move from the 2025 insurance year into the 2026 insurance year, it's important to keep up with the evolution of LRP.

We did not discuss all of the changes in this article, nor did we cover all of the specifics of the 2026 updates.

To learn more, please give me a call at (605) 940-6517. We remain committed to helping you with your Livestock Risk Protection policy needs.

DARREN HEFTY JOINS OUR PODCAST

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"I wanted to farm. That's what I wanted to do," Darren said, fully intending to raise livestock and crops in the future.

The situation changed quickly and unexpectedly, however.

"Little did I know, my dad's plan was quite different," Darren said. "So my last summer at home, before I went back to college, we loaded up all the livestock, hauled them off, and that was it. We were out of the livestock business."

In 1993, Darren graduated college and returned home to the family business — at his dad's request.

"He (previously) told us, you know, 'Go off, get some other job, and get some experience,'" Darren said. "Well, for me, my senior year in college he's like, 'Okay, remember when I told you go get another job? No, I actually need you. I've got a job for you.'"

With Darren and his brother, Brian, back in the family business, their dad took Hefty Seed Company from a one-store operation to opening its first expansion store.

Today, Hefty Seed Company operates in 50 locations across 12 states.

"And the cool thing with farming is if there's 100 farmers, there's 100 different ways to do things," Darren said of expanding the business to different parts of the country.

To hear more of Darren Hefty's story, listen to the full podcast episode! You can find it by searching "The Finances of Family Farms" on our website, YouTube, or your favorite podcast streaming app.

HUTTERITE BANKING INSTITUTE UPDATE

We are excited to announce that our 2025 Hutterite Banking Institute will be held July 22 through July 24 in Fargo, ND!

We are centering the curriculum for this year's class around opportunities outside of the typical grain and livestock enterprises that most colonies depend on today.

As we've seen many colonies start a manufacturing business or simply grow an existing shop, we see an opportunity to help educate — and that's what we hope to accomplish with this event.

Focus areas will include:

- **Financial statements:** What are they, and what are they telling us?
- **Knowing your business:** What am I selling, and who am I selling it to?
- **Understanding your costs**
- **Business development strategies**
- **Goal setting:** Where are we today? Where do we want to go? How do we get there?
- **Tour of Taron Precast:** We'll visit a precast concrete solution business.

Spots for the Hutterite Banking Institute are limited, but we hope you'll join us.

Please contact me at (605) 940-6517 to request an application.

GRANT OLSON
Ag Banking Team Lead



FARMERS 'N BANKERS RECAP

We held the second session of our 2025 Farmers 'N Bankers program on Wednesday, June 18, at Great Shots in Sioux Falls.

It was an opportunity for our farmers to hit some golf balls and socialize in addition to the education portion.

In this session, agri-marketing consultants Hurley & Associates lead a training focused on grain and cattle marketing while Erik Gerlach, a state statistician for the National Agricultural Statistics Service, presented to our farmers.

Taking a business-minded approach

Hurley & Associates kicked off the meeting by talking about the goal of marketing and the importance of taking a business-minded approach rather than a market-minded approach.

They also discussed understanding the cost of production, cash flow, and goals: things the producer can control, and not all the "noise" that most producers use to market grain.

Finally, we went through various marketing strategies and played a game that utilized the different techniques of marketing in

a real-life setting, incorporating scenarios that most customers see in a given year.

Understanding what's happening in agriculture

Our other presenter during the session was ag statistician Erik Gerlach.

He began by sharing the history of the National Agricultural Statistics Service dating all the way back to George Washington.

He talked of the value that Washington and Lincoln saw in understanding what was happening with farmers, as they knew the impact of what farmers were doing to help feed people.

Lastly, Erik discussed how important it is to understand what's happening in agriculture today and how it will impact world food supplies, but also to have an independent, non-partisan group publishing information for farmers to use to trade commodities.

PHIL DEGROOT
Ag Banking Team Lead

