

FIRST ON THE FARM

FROM THE EXPERTS AT THE FIRST NATIONAL BANK IN SIOUX FALLS

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NEW GUIDELINES FOR PPP



BRIAN GILBERT
Ag Banking Manager

As we are putting this newsletter together, we are in the middle of one of the longest cold snaps in 25 years. It seems like spring couldn't be farther away. But, before we know it, we'll all be back out in fields planting or working on any of the other busy projects that spring on the farm brings.

Right now, though, our ag team is working hard to stay up to date on the latest and greatest government programs for COVID-19 relief. A lot has changed since our last newsletter in October, so we wanted to provide some updates.

First of all, there have been substantial changes to the Paycheck Protection Program (PPP). You might remember this loan program from the early days of the pandemic, which offered forgivable loans to businesses suffering from the effects of COVID-19. The

first version of the program made qualifying somewhat difficult for farmers, but new legislation signed into law on December 27, 2020, made qualifying easier for farmers in a couple different ways. For one, there are no revenue reduction requirements. In addition, Schedule F sole proprietors can use gross farm income to determine loan amounts.

As a reminder, these loans offer the opportunity for 100% forgiveness if you meet certain conditions. The chance for a forgivable loan doesn't come around very often, so we'd encourage you to take advantage of this opportunity to benefit your operation. Visit our website www.fnbsf.com/business/paycheck-protection-program/ to learn more and apply. If you have any questions, feel free to contact your banker or email our SBA Hub at sbahub@fnbsf.com.

Outside of PPP, there have been a few other developments in government relief programs with the turnover in presidential administrations.

On January 15, President Trump and Secretary of

Agriculture Purdue announced \$2.3 billion in additional aid to livestock producers through the Coronavirus Food Assistance Program (CFAP). However, those funds were suspended shortly after the inauguration of President Biden. At this time, new and altered applications are being accepted by the Farm Service Agency but will not be funded unless the new administration releases those funds.

The only other news surrounding government relief programs was the halting and delay of foreclosure and collections of past due Commodity Credit Corporation loans until 2022.

Just like all of you, we're looking forward to the end of this pandemic and returning to life as normal! Until then, we'll be here to support your operation and answer any questions you have about these programs.



INSURING YOUR SUCCESS



**TYLER
URBAN**
Crop Insurance
Specialist

USDA, FSA, MPCl, ARC-CO, PLC, ECO... The amount of acronyms that farmers have to use and understand is almost mind-boggling. Now, almost everyone knows that USDA stands for the United States Department of Agriculture, and some others are pretty familiar to most farmers. However, ARC-CO, PLC, and ECO are some that might not be as recognizable.

Agriculture Risk Coverage – County (ARC-CO) and Price Loss Coverage (PLC) have

been a part of the USDA farm programs since the 2014 farm bill. Both are designed as safety nets to absorb years of low revenue or low prices. The 2018 farm bill changed these programs to an annual sign up where farmers elect programs to participate in for the 2021 crop marketing year. The deadline to elect programs for the 2021 is March 15, 2021.

There are many programs available that can help ensure you have an option that works for you and your operation. One of the key items to think about, though, is that PLC only pays if the market year average of corn or soybeans is below a certain reference price: \$3.70 for corn and \$8.40 for soybeans. In January, the market year average

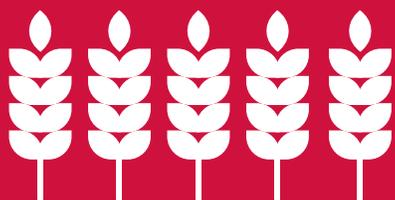
prices were \$4.20 and \$11.15, respectively, which are well above the reference prices.

ECO, the newest acronym for farmers to know, stands for Enhanced Coverage Option. This is a federally subsidized crop insurance product that allows a farmer to buy up to 95% coverage on a county-based level. For farmers looking to maximize coverage, this may be a fit to insuring more revenue. However, there are a few things to be cautious with this program. For one, it is based on county level yields and prices, and not the individual farm. Secondly, as one would expect with 95% coverage, the cost for this product is higher than what we would typically see on normal MPCl policy.

With all that information thrown out there, I am sure there are many questions that were raised. I would be glad to discuss any of these items in further detail. I know 2020 presented many challenges from a COVID-19 standpoint, and hopefully 2021 can be a return to normal. I know I hope to be able to do more farm visits and in-person meetings instead of phone calls and mailings. Be safe this spring while calving and getting ready for planting!

The information contained in this article is for informational purposes only and does not endorse any particular program. All producers must make their own FSA decisions.

**FEATURED
SERIES**



Farmers 'N Bankers Program Class Three Session Four “The Importance of Succession Planning”

Wed., March 24, 2021 | 11:30 a.m.-3:30 p.m.
Hilton Garden Inn South | Sioux Falls, SD

CASH FLOWS ARE CHANGING



PHIL DEGROOT
Ag Banking
Team Lead

At the beginning of 2020, producers were going into planting looking at \$3.25 corn, \$8.50 soybeans, and livestock that was going to be hard to make a profit. With what ended up being a dry 2020, a hurricane going through east central Iowa, and improved exports, cash flow and a more positive outlook seem to be on the way up.

As we update balance sheets and work through customer annual reviews, a trend is occurring and our bankers are having good conversations about their customers' balance sheets and projections. Balance sheets that were updated in December have seen considerable increases to the grain prices, and if that crop is sold above the price on the balance sheet, producers should see positive earnings for 2021.

For example, a 12/15/2020 balance sheet has 20,000 bushels of corn priced at \$4.00/bushel, but that corn is now worth \$5.00/bushel. For 2021, that would be a gain of \$20,000. If that corn is sold for \$3.50/bushel, there will be a loss of \$10,000. So in easier terms, if you sell anything above \$4.00, you are locking in a profit for 2021. But selling anything under \$4.00 will more than likely result in a loss for 2021. This is why we as bankers are encouraging our customers to take advantage of the current higher prices on their crop inventories and to start selling some 2021 grain or work with their marketer to lock in some corn at a profit.

There is a lot of optimism going into 2021 with how cash flows ended up in 2020 and the commodity and livestock prices for 2021. However, it's still important to understand break evens and potential profit, and start locking those in. Like I was told by my first Ag lending manager when I started banking, "you can't lose the farm if you sell at a profit."

OVERVIEW OF WORLD MARKETS AND GRAINS

On Thursday, February 11, we were fortunate enough to hold our Cultivate Your Future event at the Hilton Garden Inn in Sioux Falls. It was great to safely gather in person with our customers again and have a chance to reconnect over some continuing education. Headlining the event for the 12th consecutive year was Jeff Beal. Jeff continues to deliver a wonderful presentation that covers all aspects of our commodity markets: from world macroeconomics to government policy to technical chart trading.

The bulk of the presentation was centered on the changing political climate in the United States with a brand new administration in the White House. The main takeaway being: be ready for changes. The Trump administration pulled out of many of the multinational trade agreements and attempted to orchestrate mainly bilateral trade agreements, whereas the Biden administration will likely look at re-entering those multinational trade agreements. The main trade agreement that needs to be monitored is the Trans Pacific Partnership (TPP). If the U.S. re-enters that agreement,

what effect does that have on tariffs and trade rhetoric with China? The TPP has been seen as favorable to the livestock markets but needs to be watched carefully as we move forward.

Jeff also shared that the other main target to be watchful of is the spring acreage battle for corn and soybeans. Big changes in ending stocks due to increased exports, below trendline yields, and adjustments made by the USDA have tightened the carryout for corn and soybeans. As we move closer to spring, if exports continue to be strong or issues arise in the South American crop, the battle for U.S. acreage should give way to some higher prices for 2021-22 crops. Conversely, be prepared for the rally to quiet if South America harvests a larger than expected crop.

The advice from Jeff, as always, is to know your operation's breakevens. If prices are profitable for your operation, then be looking to make sales on old crop and new crop. Be prepared to take advantage of any new crop rally or be ready to protect yourself for a downturn.

NEW AG BANKER IN CHAMBERLAIN



TODD VAN DEN BOSCH
Ag Banker

The newest member of our ag banking team is a little further away than rest of us, but we're still excited to welcome Ag Banker Todd Van Den Bosch to The First National Bank in Sioux Falls! Located in Chamberlain,

he will primarily serve ag customers in that area.

Todd was born and raised in Northwest Iowa and has been involved with the ag industry for 13 years. He joined our team because of our commitment to advancing ag in South Dakota.

"I take pride in representing a bank that is 135 years old and has proven its solvency through multiple economic cycles while maintaining their commitment

to their customers' success," he says.

He attended Dordt College and Northwest Iowa Community College and then moved to Chamberlain. With this depth of experience and a passion for helping others, he loves building successful relationships with customers.

Todd enjoys walleye fishing, hunting, kayaking, hiking, traveling, and grilling at home.

He also enjoys spending time with his wife and three children, along with volunteering at his church, coaching kids sports, and serving on the board of the Chamberlain Country Club.

If you have any friends or family in the Chamberlain area who are looking for a new ag banker, feel free to share Todd's contact information with them! He can be reached at (605) 335-5286 or TEVanDenBosch@fnbsf.com.



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