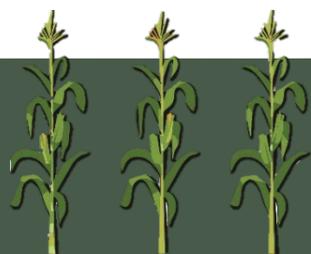




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FOR ADDITIONAL INFORMATION CONTACT:

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# AGRICULTURAL NEWS

SUMMER 2019

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### CURRENT WEATHER, TARIFFS, AND MARKETS UPDATE – WHAT TO DO?

The last several months have been interesting in Agriculture to say the least. The trade war is seemingly closer to escalating than reaching a deal as I write this. Prices have been trending down for several months. Luckily, beans just recovered a little from the drastic drop of the week of May 6th. Additionally, the weather has been unusually cold and very wet over the last month.

There is not much that can be done about the weather, but it is sure having an impact to this point. Large portions of most of the fields that have been planted will likely need to be planted again as large chunks of the county have been underwater off and on for weeks. The temperatures, being as low as they are, have not helped with drying when it is not raining. As we continue to get later into the planting season potential yield loss increases and the feasibility of corn decreases. The longer the problems persist the higher the corn upside in the markets could potentially be.

We are past the one-year point on tariffs with China and unless something happens sooner rather than later, the US will have tariffs on all Chinese goods. After that announcement, grain prices fell sharply, as well as the stock market, in what seems to be a bit of panic as prices and the market have recovered to about the point they were before. Trump also recently relayed through Twitter that he planned a \$15 billion aid program for the year to help offset the troubled Ag market. No details have been laid out to this point, as to not influence planting plans. Some groups, such as the corn growers association, are fighting to make the aid favorable for all that are involved after feeling shorted from the \$.01 a bushel payment in 2018. The reason I am providing this update is because this is just 2 weeks' worth of news and developments. The volatility and uncertainty in Agriculture right now is very high. By the time this newsletter is mailed out, the narrative could be completely different.

"...the need to be a farm business manager instead of a farm producer has never been more important."



Combine the elements above with large ending stocks and you have the current Ag market. If planting progress continues to be slow, which seems likely viewing the 10-day weather projections, it is difficult to look at bean prices and see any kind of upside. This is important to note, because if prices do see an increase, it could very well be the only time, and the run might be very short lived. There needs to be a larger focus on what the market is doing with opportunities being as limited as they appear to be for 2019.

So, what can be done with all these issues currently weighing everyone down? To boil the answer down to one sentence, the need to be a farm business manager instead of a farm producer has never been more important.

There are many easy to spot differences between a farm business manager and a farm producer. A producer is very knowledgeable about what needs to be done to produce a great crop and they can deliver. They know everything you need to know about the seed, equipment, application of chemicals, etc. These are good qualities to have but this is often where it stops.

A farm business manager is someone who possesses all the knowledge and skills of the farm producer but realizes the need to have a complete understanding of the operation. Here are some of the qualities that set the business manager apart and gives them an edge on the farm and at the bank.

Business managers know the cost of production. Without this knowledge everything else I discuss cannot be calculated. This concept has been discussed at seminars across the country and many Ag and banking conferences. As a banker, if someone comes into the bank and does not know what the input costs are on their farm it is hard to get accurate information. As a farmer, if you do not know what you are spending, how do you know if your operation is viable?

Business managers know what their breakeven point is. Times are tight and even the smallest sale can make the difference between being profitable and not. If someone says to you that your breakeven on corn is \$4, does that sound correct? How about \$3.50? If you are unsure what the number is, you cannot make informed grain sales and decisions. Your banker should be willing and able to help you calculate these numbers, provided you have accurate information on input costs.

Business managers are willing to expand and contract an operation to insure continued profitability. A bigger operation is not better if there is no profit to be made. If rent on some ground is high enough that it hurts the operation, the contract needs to be renegotiated or cut loose. It is better to use the funds for something else or save the money for a new rental opportunity next year. Be willing to look for additional income through custom hire, side projects, or off farm income. If your farm projections are starting to drop because of the prices, there is still time to supplement the operation for 2019.

Finally, business managers look to outside sources for additional information and guidance. Be in communication with your lender. If you are struggling or might not be able to make a timely payment, do not wait for the lender to contact you saying you are late. Look at your numbers together and discuss your plan. Be in communication with your tax person. Make sure you are making the moves that benefit you outside of the current crop year. Be in communication with your family. The farming way of life is not something that you need to shoulder alone. Talk with your family, get help and support if you need it and keep everyone informed of the current situation.

Many of these concepts I have discussed in prior newsletters, but in tougher times they continue to take on a more important role. If you have any questions or would like to discuss your financial situation, please call me at (815)478-6063.

First Bank of Manhattan appreciates all the work all our farmers do and provide for our country. We wish you continued success with the rest of planting and the 2019 crop year.

Tim Koltveit  
Agricultural Loan Officer  
First Bank of Manhattan



## MORTGAGE RATES: WHERE ARE THEY AND WHAT DOES IT MEAN FOR ME?

Home-buying season is here, and mortgage rates are as low as they have been in years. In the last year, interest rates on a 30-year mortgage have decreased by almost an entire percentage point. Now is a great chance to lock in a near historically low rate before they increase. These low rates influence those looking to purchase, those looking to refinance and those who are content with their current situation.

For those looking to purchase, especially younger buyers, one would think this is a great buying opportunity. However, younger buyers are burdened with rising student loan debt and high rent costs that are making it difficult to save for a new home or qualify for a mortgage. As a result, according to a 2017 study by the National Association of Realtors, the average age for a new home purchase is 45. This number says that not only is the average age for a first-time buyer increasing, but older people are also more active in the real estate market. Many empty nesters are opting to downsize or relocate.

For those younger buyers looking to avoid high rent costs and purchase a home, there are many programs that require little to no money down. VA and USDA both offer programs with zero money down. FHA loans only require 3.5% down and conventional loans only require 5% down. There are even special conventional programs available that only ask for 3% down.

Today's low rates are also a great opportunity for current homeowners to refinance. If a homeowner had troubled credit in the past and had to finance their home at a higher rate, now is the time to review the current situation and find out how to qualify for a lower rate. In addition, if a home has increased in value or the principal has been reduced, one may be eligible to refinance out of a loan that carries Private Mortgage Insurance (PMI).

Finally, if a homeowner has no plans on moving but would like to enhance their home and make improvements, a cash-out refinance may be a great option. This takes out some of the equity in order to make improvements, consolidate high-interest debt or even purchase a second home.

Our North Street location in Manhattan and our New Lenox branch have mortgage specialists to help you evaluate your current situation, and we can pre-approve you for a mortgage in one visit. Call today to make an appointment while rates are still low.

Ryan Bancsy  
Residential Loan Officer  
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