

## Ag Lending School created in South Dakota

The old saying, “business as usual,” is not true in agriculture anymore. The growth in corporate farms and global markets has put the squeeze on smaller farms, forcing many to sell out. Those remaining are dealing with a new farm economy that revolves around value-added products and processes. “The principle of raising what you can sell, not selling what you raise,” rules the day, noted Denny Everson, senior vice president and ag division manager at First Dakota National Bank in Yankton, S.D.

By Barb Ernster

These changes also shed light on a shortage of experienced ag lending officers who understand the new economy, Everson said. The void showed up in the banking industry around the mid-1990s after a steady decline that started with the 1980s farm crisis. The South Dakota Banker’s Association decided to tackle the problem by creating an ag lending school, proposed by Everson.

“As we looked across the United States, there were a number of people entering into the ag finance arena and the banking industry, but there didn’t appear to be any school designed for entry-level people,” said Everson. “We decided to take the opportunity to train those in South Dakota that were interested but also to set up a school that surrounding states, having a similar need, could take advantage of.”

The South Dakota school is unique in that it is for beginning ag lenders, and is open to bankers from institutions that are not SDBA members, including credit unions. SDBA also will market the school to college students seeking ag finance degrees. Everson worked with

Dr. David Kohl, professor of Ag Finance at Virginia Tech in Blacksburg, to develop the curriculum. It focuses on all facets of ag lending as it relates to the ag economy, with emphasis on credit analysis, credit scoring, risk rating, loan policies and compliance. It also has a bank simulation program, which Everson teaches along with Bob Craven, director of the Center for Farm Financial Management at the University of Minnesota.

“In college you get a lot of book learning and you learn the basics of communication,” said Everson. “This takes it to a specialized level—here’s what the job is really all about.”

Helen McBride is one of 30 people who completed the first school last August. The four-day coursework was not all new to the experienced ag loan officer from First Western Bank in Edgemont, S.D., but it was a good refresher course.

“There are more tools and programs that a lender can offer the ag customers. Just getting familiar with those is very important,” said McBride. “Agriculture is big in South Dakota and it’s important for most every banker to know a little bit about ag lending. The basics are still there but it’s nice to go more in-depth in this category.”

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petitor is a limited delivery network. "We'd have difficulty executing complicated transactions that draw money from many locations around the country," McKay said. "But the person who needs that has never been the customer we had in mind."

Overall, McKay finds service the key. "We will know each and every one of our customers," he said. "Every customer who walks into the shop will get to meet the CEO and president, have access to customized business,

personal financing and be able to sit down with someone who has the time to explain how those things function properly together. Large chains simply don't have time for that."

In the end, added St. Martin, the idea of personal service has a value that can't be gauged in monetary terms. "We are headquarters," St. Martin declared. "We can deal with ownership directly. They don't have to wait for a loan request to go 'downtown.' Business owners appreciate reaching out, shaking a hand and knowing they have a deal." ❖

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Deborah Gates, SDBA vice president, said that as the agricultural landscape changes, it is critical ag lenders get more specialized training so they can be a more useful resource to farmers.

"(Farming) is not just a matter of planting and harvesting your crop and selling it for profit," she said. The dollar is so much tighter today that ag producers are looking at non-traditional methods of agriculture that add value, she explained. They also need to be aware of the global marketplace, and the opportunities coming via e-commerce.

"With technology the way it is, you can buy and sell your product over the Internet. It's an opportunity that ag producers and bankers need to be aware of," Gates said. "The lenders are trying to get a handle on how this is going to affect the banking industry as well as agriculture. We're talking more advanced ag lending now for the beginning ag lender."

Regulators who examine agricultural banks also benefit from the school in that they can better understand what it takes to be an ag lender in today's economy. Some regulators have told Gates they really understand now why you can't just follow the book. "In some cases, there's a lot of gray area," she said.

SDBA wants to forge stronger partnerships between the ag producers and ag lenders, and develop programs that encourage new farmers and those who are considering getting out of it.

"That's where our food comes from. We're going to have farming from here until eternity, but how? That's the question," said Gates. "How are we going to help our farmers become profitable and stay profitable? If they think entrepreneurial in spirit, look beyond traditional farming, and look at diversity and value-added, there are some opportunities in farming."

And as the number of family farms steadily declines, Everson believes "alliances have never been more important than they are today." ❖



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