



GRANITE FALLS BANK

THE ADVANTAGE NEWSLETTER

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Is There a Bubble in Farmland and in the Ag Economy?

No one truly knows. As long as commodity prices remain high relative to operating expenses and interest rates remain low, the Ag Sector will probably be strong including significant support for high land prices. The reverse is also true. If commodity prices fall and interest rates rise, land prices will likely falter and the ag economy will dip. We plan to be in the business of lending to farmers under either scenario.

Other related factors:

- ◆ A weak dollar helps exports supporting commodity prices and vice versa
- ◆ Ethanol consumes approximately 1/3 of US corn production. As long as ethanol demand is stable or increases, the corn market will be supported
- ◆ The price of oil drives farm input expenses
- ◆ Farmers have less debt as a % of assets than in the 80's reducing the risks of a financial disaster when the ag economy takes a hit
- ◆ Investor interest in land will support land prices until other investments become more attractive

The speed with which land prices and farm income have escalated in the last year or two is concerning. Sometimes the higher and faster prices rise, the faster and lower they can fall.

The obvious question; what can I do about it? One of the great challenges of life is to not worry about what we are unable to control and to act on those things within our control. Although it is certain the economy will go up and down, we don't know (and it is outside our control), when it will change, which direction it will take and how much it will rise or fall, however, if you understand your risks, you can, to large degree, determine your staying power if something does go wrong. Can you pay your operating loans if there is a crop disaster and/or drop in commodity prices? Crop insurance or Crop Revenue Insurance provides a safety net and a baseline for a worst-case situation. From a baseline calculation farmers can determine their ability to pay in the event of unexpected problems. Livestock loans can be similarly stressed for a potential drop in meat or milk prices and, in some cases, disease risk. Also calculations can be made concerning the effect of replacing or adding equipment, erecting grain storage, livestock buildings, etc. Your lender should be able to illustrate how a negative event will affect you financially and help establish your ability to go forward after such an event.

What about buying land at current prices? How important is it for me to own more land considering my age, economies of scale in my operation, location and layout of the property and soil quality; and can I afford to pay the debt I will need if I go forward with the purchase? Your lender should be able to help you determine affordability... with help from your accountant too perhaps. We believe it is a good strategy to limit principal, interest and taxes to a cash rent equivalent. Theoretically, land can be farmed or rented to someone else if you decide not to farm and still generate sufficient income to make payments at a mathematically determined debt amount that will cause principal, interest and taxes to be equal to or less than a cash rent equivalent. This is something your lender should be able to help you determine.

As an organization that thrives on serving the financial needs of farmers and ag related businesses, our goal is to be able to focus on opportunities instead of problems when the ag economy cycles and when other lenders may be afraid to stay the course or may be reducing their exposure to agricultural loans.



**Steve Lindholm, CEO
Granite Falls Bank**

New ADVANTAGE Accounts



Betty Buesing
Personal Banker

By now you have heard about the new ADVANTAGE accounts at the Granite Falls Bank. We understand your time is as important as your money so our new accounts incorporate Electronic Statements, Bill Pay, Debit cards and more. A list of these new checking and savings accounts can be found on our website at www.granitefallsbank.com or by simply stopping in to meet with our New Accounts Personnel, Betty Buesing or Lisa Knutson.



Lisa Knutson
Personal Banker

The advantage Network

There are new security features coming to your ADVANTAGE card! The next time your Granite Falls Bank Debit card needs to be replaced, you will notice a slight difference in the appearance of the card. The most noticeable feature will be the card numbers will be flat. In addition, the wording "*electronic use only*" will appear. This means the card can no longer be imprinted using the old manual terminals where the merchant takes a carbon imprint. Any questions please contact Lindsey or Jeremiah at the Granite Falls Bank, 320-564-2111.

The U.S. Department of the Treasury will end over-the-counter sales of paper savings bonds on December 31, 2011. This means the Granite Falls Bank will no longer be able to sell you a Savings Bond. With the new changes, you will be able to go online to www.treasurydirect.gov to purchase savings bonds. However, we encourage you to come in and our Customer Service Representatives will assist you in the online process.

You are still able to redeem your savings bonds at the Granite Falls Bank.

Any questions contact us at 564-2111.



U.S. Savings Bonds are
Going Paperless in 2012

[Click Here to learn more...](#)

**Bank Offices will be Closed
Monday January 2, 2012**

10 Years of Service: Jennifer Kattvold

Jennifer, her husband Alan, and their 12 year old son Miles live outside Maynard on the family farm. Alan is employed at Swift Manufacturing in Clara City. Miles attends school at YME and is active in football, wrestling, and baseball. The family owns and operates Great Frontier Bull Riding, a bull riding company which produces events throughout the Midwest.

Jennifer can be found working the Drive-up, but also serves as the Bank Secrecy Officer and the Marketing Coordinator for the Granite Falls Bank and F&M Bank Minnesota. Jennifer also conducts bank wide training on bank and internet security, and identity theft. Jennifer assists the YME Junior and Senior High Personal Finance classes and the Senior Advocacy program by informing people on Identity Theft, Credit Scores, and banking regulations. Jennifer is active in the Granite Falls community participating in the YME-PTO, YME Mat Club, the Convention & Visitors Bureau, and has served as the President of the Granite Falls Chamber of Commerce.



Jennifer Kattvold

Favorite Food: Pasta, Lobster and Crabmeat!

Favorite Book: "Dancing Naked at the Edge of Dawn", by Kris Radish and anything by John Sandford

Favorite Past Time: Entertaining, gardening, reading, cooking & of course being with my Family

Dream Vacation: to go to Alaska, but I'll take going home to Maine anytime!!



Renting a Car while on vacation? Consider buying the Waiver offered on the contract to reduce your risk.

A standard personal auto insurance policy may not cover all rental-car exposures. There's a gap between a renter's responsibility under the rental contract and what an auto policy will pay. Over the past years, some rental companies began holding the renter liable for a "diminution of value" charge when a rental car was damaged. This charge represents the reduction in a vehicle market value due to it being in an accident. When the repaired vehicle is eventually sold, it brings a lower price. Today many cars are never repaired. They simply sell the damaged car for salvage. They then charge the renter the difference between the market value and the amount the car brought at the salvage auction.

States have different rules on coverage for rental vehicles. In Minnesota & North Dakota the rental vehicle is covered under the Property Damage Liability portion of your auto insurance policy. Unfortunately most insurance policies do not cover "**diminution in value or loss of use.**" Do not expect them to create a new coverage to address the added exposures, because these risks are not easily addressed by insurance. Also, Auto Rental companies do not always go after the rental customer for additional dollars, but it can happen, *and we recommend that you buy the waiver from the rental car company.*

With this waiver, which is not insurance, the renter will not be liable for any damage to the vehicle. The renter should review the prohibited use provisions and avoid engaging in any activity that would void the waiver. This would also keep any rental auto damage from being a claim against your personal auto policy.



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Happy Holidays from All of Us!

