

President's Message



As my year as ICBSD President nears its end, and I look forward to one of our signature events at Sylvan Lake next month, it gives me cause for reflection on my experiences with ICBSD.

First, the Annual Retreat has now been held at Sylvan Lake, for seventeen years, during the last week in July. Many of you have had the opportunity to experience this event first hand and return each year to experience it again. My first Retreat was in 1993, when it was held at Blue Bell Lodge, in Custer State Park. I believe (Ginger may

correct me) that I have only missed three Retreats over the last 19 years. When I first started attending, Nicole and Michael (our children) were only 7 and 5 years old. They no longer are able to attend with us but they have developed many lifelong friendships through the many years of experiencing the Retreat with Kristi and I. While the Retreat has provided many motivational and educational opportunities, I will also always value the networking and friendships that both my family and I have established, through the years. If you, or your bank, has not yet taken the opportunity to attend the Retreat, please consider joining us this year at Sylvan Lake.

After many years of attending ICBSD events, I was asked to serve on the Board of Directors and ultimately go through the chairs to serve as President during 2010 - 2011. My experience serving in this capacity, leaves me with several thoughts, that I think most of you who have gone before me would agree. First, with Ginger as our Executive Director, the year as President goes by very smoothly and quickly. Secondly, serving on the board has given me the opportunity to get to know many bankers from across the state. Not only do they have a strong commitment to our industry but they represent the best of leaders in our communities and our state. I thank them all for the experience and opportunity to work with them.

Over the last 19 years, we have experienced an enormous amount of change within the community banking industry. Based upon the current regulatory environment, and rate of new technology, we can only expect continued changes going forward. We have been fortunate to have Ginger serve as our Executive Director, for the last 17 years. Operating within an industry of constant change, this has brought a certain level of stability to our association. ICBSD incorporated at the end of 1982 but there was no office until Ginger started on October 1, 1994. Thus, she is largely responsible for what ICBSD is today. While she still has 'work to do' over the next couple months, I want to personally thank her for her commitment and leadership she has brought to community banking in South Dakota. She has represented us well!

That being said, September will bring change to ICBSD. As we wish Ginger well in her retirement, we will also be welcoming a new Executive Director to our association. I am thankful for what the association has accomplished, and look to the future with a high level of optimism, that we will continue to build on our past success.



Timothy A. Prince
President

National Director's Report



As I write this June newsletter article, I find it difficult to stay focused on the task. With all of the recent wet and cloudy weather, I should have written it then. Now, with the warmer sunny weather, I find myself distracted and looking for things to do outside. School is out, vacations are being planned, and the baseball games have begun. With our grandchildren so close, we are going to ball games every day to watch and show our support. What energy and enthusiasm there is!

With the Memorial Day holiday, we had a chance to pay tribute to all of our loved ones who have served this great nation and those who have died and gone before us. Memorial Day, for me, is also a day to rejuvenate my commitment to serve my community, in the many ways that I do. Just as you, we (our board and staff) serve on City Councils, School Boards, Church Boards, Fire Departments, Ambulance Services, Hospital Boards, and many other civic organizations. The Community in the name we use (Community Banks) is the most important part. It is what sets us apart from our competition. We need to continue to emphasize our importance in our communities, to not only our Legislators but to those whom we serve, our customers.

ICBA has made progress with making a distinct difference in the minds of Congress as it relates to community banks. As we weather through the impacts of the Dodd-Frank Bill, we need to continue to make this distinction known.

After significant changes were made to ICBA-advocated debit card interchange legislation, a vote on the measure will have been taken by the time you read this. ICBA is strongly urging the nation's community bankers to use the association's new grassroots alert to urge Congress to pass the much-needed legislation.

The revised legislation, which is sponsored by Senators Jon Tester (D-MT) and Bob Corker (R-TN), would:

- Create a strong oversight regime to help ensure and provide a basis for further legislative action by requiring that, over time, community banks are not subject to anticompetitive market forces or discriminatory merchant behavior.
- Delay the proposed Fed rule by one year.
- Require financial regulators to submit to Congress a new study of the debit interchange system, taking into account the full spectrum of community bank's cost to operate their debit programs.
- Suspend and possibly require the withdrawal of the Fed's proposed rule on debit interchange.
- Mandate that a new rule consider all of the costs associated with running a debit card program for issuers.

One op-ed discusses how the security breach at the Michaels Stores demonstrates that large retail chains would rather spend their time lobbying Congress for price controls on interchange fees than protecting their customers. The other encourages Main Street communities to help community banks support small-business lending by telling their members of Congress about the harmful impact of interchange price fixing.

ICBA's updated Interchange Action Center features a customizable letter to Senate offices, a custom op-ed for your hometown media and other background materials to spread the word on the need to pass this

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crucial legislation. Continued community banker outreach is critical to maximize congressional support. Please contact Congress Now.

I know you will agree that summer is almost here and we have a lot to do both professionally and personally. Take time to give your loved ones a hug and tell them how you feel about them. You never know! I look forward to our upcoming Retreat at Sylvan Lake Lodge. It is one of the summer high lights for Peg and myself. Make plans now to attend. Just call Ginger and she will register you over the phone. We look forward to visiting with many of you and hope to see you there!

Dick Behl
ICBA Director for South Dakota

SD CONGRESSIONAL OFFICES:

Congresswoman Kristi Noem

226 Cannon House Office Building
202-225-2801 E-Mail: kristi.noem@mail.house.gov

Banking Aide: Andrew Christianson
E-Mail: andrew.christianson@mail.house.gov
Ag Aide: Renee Latterell

Senator Tim Johnson

136 Hart Senate Building
202-224-5842 E-Mail: www.johnson.senate.gov

Banking Aide: Laura Swanson
E-Mail: laura_swanson@johnson.senate.gov
Ag Aide: Cynthia Bartel

Senator John Thune

511 Dirksen Senate Building
202-224-2321 E-Mail: www.thune.senate.gov

Banking Aide: Dan English
E-Mail: dan_english@thune.senate.gov
Ag Aide: Lynn Tjeerdsma



CALENDAR OF EVENTS

ANNUAL RETREAT

July 28 - 30, 2011

Sylvan Lake Lodge, Custer State Park

ANNUAL TECHNOLOGY CAREER DAY

September 27, 2011

Dakota State University, Madison

ANNUAL CEO/DIRECTORS' CONFERENCE

October 19 - 20, 2011

Best Western Ramkota, Sioux Falls

ICBA CONVENTION/TECHWORLD

March 11 - 15, 2012

Gaylord Opryland Hotel, Nashville, TN

ANNUAL RETREAT

July 26 - 28, 2012

Sylvan Lake Lodge, Custer State Park

FINE POINTS - by Camden R. Fine



CFA - Real Solutions

Call it a down payment on doable measures for Congress to bolster community banks and Main Street America. Consider it a reflection of ICBA's leadership in advocating real solutions on Capitol Hill and remaining a constructive and influential participant, in the Washington policymaking process.

The Communities First Act (CFA) of 2011 (H.R. 1697), introduced last month by House Financial Services Committee member Blaine Luetkemeyer (R-Mo.), represents a comprehensive package of highly targeted regulatory-and tax-relief measures. Like its earlier version that ICBA helped lawmakers fashion in 2006-2007, the legislation is chock full of practical, nitty-gritty measures that make a real difference for community banks. They're very much worth reviewing.

Among its regulatory-relief provisions, the CFA would...

- allow highly rated, well-capitalized banks with assets of \$10 billion or less to file a short-form call report in two nonsequential quarters of each year;
- increase the Sarbanes-Oxley internal attestation level exemption for depository institutions from \$75 million to \$1 billion in market capitalization;
- only require annual privacy notices to customers unless a bank changes its information sharing policies;
- require the federal government to reimburse costs for banks with \$10 billion in asset or less that produce documents for law enforcement or investigative purposes;
- create a five-year rolling average of real estate loan appraisals for classifying loans during a downturn;
- direct the Federal Reserve to double its threshold to \$1 billion in consolidated assets for bank holding companies that are eligible for simplified capital requirements; and
- require the SEC to increase the threshold number of bank shareholders that trigger SEC registration from 500 to 2,000, and require the SEC to conduct a cost-benefit analysis before approving any accounting change.

To provide sensible tax relief, in addition to several meaningful refinements to the Wall Street Reform Act promoted by ICBA, the CFA would ...

- allow community banks to amortize losses on commercial real estate loans and other real estate owned over 10 years for regulatory capital purposes;
- extend the five-year net-operating-loss carry-back provision, which would help community banks that suffered losses during the economic downturn.
- double the shareholder limit for Subchapter S corporations to 200;
- allow the use of preferred stock for Subchapter S corporation banks and allow IRA shareholders to invest in S corporation banks; and
- permit banks and bank holding companies under \$10 billion in assets to elect a limited liability company tax status, without a transition cost.

These are just highlights, of course. Details in any legislation matter substantially, right down to the commas and semicolons. But it's worth learning about all of the CFA's provisions. Each is carefully designed to assist the greatest number of community banks as possible. Becoming familiar with all of them will help you rally to support them.

Demonstrated by the success of its earlier version, the Communities First Act shows that ICBA, with our state and regional association allies, can initiate creative, consequential policy solutions that significantly benefit the nation's community banks and Main Street America.

For More Details Visit:

ICBA's online grassroots advocacy center, at www.cbconnect.com, for more information on the Communities First Act.

Reach Camden R. Fine at cam.fine@icba.org.

2011 CEO/DIRECTORS CONFERENCE HAS GREAT LINE-UP!

ICBSD's Annual CEO/Directors' Conference will be October 19 - 20, at the Sioux Falls Best Western Ramkota. Registration brochures will be available this summer. *As always, you will note that the Conference will again feature two highly qualified, and very respected, presenters!*



Philip K. Smith is President and a member of the Board of Directors of the Memphis-based law firm of Gerrish McCreary Smith, PC, and its affiliated bank consulting firm, Gerrish McCreary Smith Consultants, LLC. He received his undergraduate business degree and Masters of Business Administration degree from the Fogelman School of Business and Economics at The University of Memphis and his law degree from the Cecil C. Humphreys School of Law at The University of Memphis. Philip is a Summa Cum Laude graduate of the Barret School of Banking, where he has been a member of the faculty. He has also served as a member of the faculty of the Pacific Coast Banking School, the Colorado Graduate School of Banking, the Southwestern Graduate School of Banking the and Wisconsin Graduate School of Banking.

Philip's presentation is titled: *'The Community Bank Report Card: Grading How My Bank is Doing'*.



Mark Stenson is President of the Stenson Management Consulting, Inc., consultants to the financial services industry. He brings 39 years of experience in the financial services industry and served as a bank director and shareholder of a \$500 million community bank. Mark was also President/CEO of First American Trust Company of Minnesota. He has served on the following faculties: Southwest State University in Marshall, MN, Wisconsin Graduate School of Banking, Minnesota School of Banking and the Mid-West Banking Institute in Morris, MN.

He currently consults with 17 leading independent community banks, located across the nation, in the areas of market positioning, strategic planning and staff development. In addition, he speaks at numerous banking conferences, conventions and schools, which includes the Independent Community Bankers of America (ICBA) National Convention and Annual Directors' Conference.

Mark's presentation is titled: *'Key Elements to Improve the Performance of Your Community Bank'*.

2011 ICBA WASHINGTON POLICY SUMMIT

ICBSD members recently participated in two busy days as part of the Independent Community Bankers of America Washington Policy Summit. During the Summit, they advocated the needs of Main Street and pertinent community banking issues that help drive economic stability and prosperity within South Dakota.

Those who participated were Dick/Peg Behl, Scotland; Jack/Gina Hopkins, Sioux Falls; Lynn Peterson, Yankton; Tim/Kristi Prince, Miller and Ginger Adams, Mitchell.

The two days were spent learning about ICBA's 2011 legislative priorities and visiting all three members of our Congressional delegation. Some of the main concerns addressed were:

- a) *Debit Interchange Fees*: Unfair to consumers, small retailers and card issuers
- b) *Examination Environment*: Requirements impose disproportionate burden on community banks
- c) *Communities First Act*: Will provide much needed regulatory/tax relief for community banks
- d) *Consumer Finance Protection Rules*: CFPB can operate in a vacuum with little say from regulators
- e) *Farm Credit System/Credit Union Expansion*: Have favorable tax/funding advantages & are expanding into nonfarm activities.

Highlights of the Summit also included remarks from Representatives Spencer Bachus (R-AL) and Blaine Luetkemeyer (R-MO), Senator Mary Landrieu (D-LA), Neal Wolin, Department of the Treasury Deputy Secretary and Thomas Hoenic, President of the Federal Reserve Bank of Kansas City.



Jack Hopkins, CorTrust Bank, NA, Sioux Falls; Ginger Adams, ICBSD, Mitchell; Dick Behl, The F&M State Bank, Scotland; Tim Prince, American Bank & Trust, Miller; Lynn Peterson, CorTrust Bank, NA, Yankton.



Jack Hopkins, Peg Behl, Gina Hopkins, Dick Behl, Tim Prince, Kristi Prince, Lynn Peterson.

Annual Retreat Headliners

Jeffrey L. Gerhart, ICBA Chairman-Elect, is Chairman of the Bank of Newman Grove, NE and is a fourth generation banker. Jeff is Chairman of the Congressional Affairs Committee. He has served on numerous ICBA committees including Education, Federal Legislation, Payments and Technology, Regulatory Review and has been Chairman of the Policy Development Committee.

He is a past Chairman of the Nebraska Independent Community Bankers and served as a Class A board member of the Federal Reserve Bank of Kansas City from 1999 - 2004. Jeff also manages Gerhart Insurance Agency in Newman Grove.

He is President/Manager of Marbu Inc., a family-farming operation and serves on various community boards. He received a bachelor's degree in business from the University of Nebraska and graduated from the Colorado Graduate School of Banking. Jeff, and his wife, Becky, have an adult son and daughter.



James Nowak, AVP Risk Management with United Bankers' Bank in Bloomington, MN, received his B.S. in Finance from St. Cloud State University, in Minnesota. Prior to joining UBB in 2002, he had eight years of Asset Liability Management and economic forecasting experience working for several institutions, one with \$5 billion in assets. Jim developed and manages, *ALMEdge*[®], UBB's asset liability modeling product. He is a former member of the Wisconsin Graduate School of Banking faculty, where he taught courses in Asset/Liability Management. Jim is a guest commentator on Fox9 news on matters of finance and economics. *His presentation is titled 'Roping in Risk'*. He will tie together risk analysis and management versus reality. We all know rates are going higher at some point in the future but what if that future is still years away? How do we survive a zero rate world for that long without taking risk today?



Ron Haynie is President/CEO of ICBA Mortgage. In his current role, Ron is responsible for providing competitive mortgage lending products and services that enable ICBA's nearly 5,000 community bank members to safely grow their mortgage business, while protecting their franchise. Ron has over 35 years in mortgage lending and banking. He spent 20 years at Freddie Mac in a variety of roles that includes sales, MBS trading, credit policy and program development. He has also worked in the correspondent and wholesale mortgage business. Ron has run secondary marketing for a regional bank and most recently he ran the mortgage lending business for an Idaho community bank.



Gordy Pratt is known as 'The One Guy.' He has been in the entertainment business since age 12. He has opened for Kenny Chesney, Michael Martin Murphy, Williams & Ree, the Beach Boys and the Nitty Gritty Dirt Band.

Gordy studied guitar at Ithaca College, Ithaca, NY, the Royal College of Music in London and the San Francisco Conservatory of Music. He raised a couple of great kids in the Black Hills and ended up starting a production company in Deadwood. Gordy started working solo, in 1994, when the 'ONE GUY' was born. His stand-up musical comedy show is hysterically funny, musically strong and for children 'of all ages.' Gordy will be with us on Friday evening. For the first time, we will not be leaving the Sylvan property. Instead we will enjoy a special dinner in the Auditorium, and among other things, be entertained by Gordy.



Will Rogers Coming to ICBSD's Annual Retreat!

One of America's most beloved citizens will be highlighting ICBSD's 2011 Annual Retreat, on July 28th - 30th. Lance Brown, aka as Will Rogers, will be with us on Friday morning. He will be bringing the warmth and wit of one of America's great humorists with him. He puts special emphasis on how Rogers' wit and wisdom still apply to our lives today, some seventy-five years after his death. Using the Rogers' trademark trick roping to illustrate his points about politics, government, business and the human condition, Brown never breaks character. He takes you on a journey into the roots of American experience.

After years of performing as Will Rogers, Brown wears the role like a second skin. This performance brings you history, heroes and hilarity, a few rope tricks but mostly the irrepressible spirit of Will Rogers and hope for our troubled times. Lance wraps things up with a brief, but heart-rending, discussion of heroism, integrity and Will's down-to-earth take on life. As Will Rogers, Lance Brown leaves his audiences with inspiration, motivation and a lot of laughs.



2011 Retreat Schedule Highlights

1. We will be back at *The Golf Course at Red Rock* for the Thursday Golf Scramble.
2. **Will Rogers** will be with us on Friday morning.....Thanks to Lance Brown of Chicago!
3. **Jeffrey Gerhart**, ICBA Chairman-Elect, and his wife, Becky, of Newman Grove, NE, will be our guests.
4. As always, there will be **valuable/interesting morning presentations** on Friday and Saturday.
5. A **new Friday evening** format has been planned. For the first time, we will not be leaving the Sylvan property. A special dinner will be held in the Auditorium and, among other things, we will be entertained by **Gordy Pratt**.
6. There will be a **western attire contest Friday evening**. Prizes will be given for the best dressed cowboys and cowgirls. ****This is optional and not required!**
7. A **Blue Bell Trail horseback ride** has been planned for **Saturday afternoon**.
8. As in the past, we will have a great time **raising money for our ICBSD State PAC**.
9. Ginger is willing to help with your **PAC Silent Auction contributions**, just give her a call.
10. **Lodging** can be reserved by calling the ICBSD office. **(605-996-9329)**



ANNUAL RETREAT SCHEDULE

THURSDAY, 7/28

Best Ball Golf Scramble
8:30 a.m. Shot Gun Start
The Golf Club at Red Rock, Rapid City
Evening: 7:00 p.m. Sylvan Auditorium
Registration/Dinner/Networking/Family Activities
*Child Activity Bags

FRIDAY, 7/29

Will Rogers Presentation
~Recommended for All Attendees
Industry Presentations:
Ron Haynie, ICBA Mortgage President/CEO
ICBSD Lobbyist, Dean Krogman
Afternoon
Leisure Time
Evening
Sizzlin' Steaks in the Sylvan Auditorium
** Gordy Pratt
**Western Attire Contest

SATURDAY, 7/30

Annual Business Meeting
ICBA Update/Review:
Jeffrey Gerhart, ICBA Chairman-Elect
Industry Presentations:
Jim Nowak, United Bankers' Bank, AVP
and More
Afternoon
Blue Bell Horse Trail Ride
or Leisure Time
Evening
Dinner/Networking/ICBSD PAC Silent Auction
and Family Activities

RETREAT HEALPFUL HINTS:

- Golfers reserve own lodging, in Rapid City, for Wednesday, 7/27.
- Sylvan Resort lodging must be reserved through the ICBSD office.
Call Ginger ASAP to reserve your lodge room/cabin.
- Lance Brown's (aka *Will Rogers*) Friday morning presentation is recommended for all attendees.
- Friday evening will be spent on the Sylvan Property, for the first time. *This will give everyone more leisure time during the afternoon.*
- All Sylvan activities are in the Auditorium except breakfast, which is in the Lodge Dining Room.
- Spouses/children are included in every meal function.
- Dress for the entire Retreat is vacation casual.
- It is recommended that you bring a sweatshirt,
- Every attendee is encouraged to contribute to the ICBSD PAC Silent Auction.
You need not be attending to contribute!
- All children, through the age of 13, will receive a 'Fun Activity Bag'.
- Directions/Black Hills map are sent to all new attendees, with their attendance confirmation.



FROM THE TOP - *Sal Marranca, ICBA Chairman* Our Product Is Service



To hear industry consultants or news reports tell it, everyone out there is wearing out thumbs texting and twitting and making mobile deposits while driving. (Don't do that!) There's a growing demand for the latest technology of every kind, but let's not go overboard.

Our reputation as community bankers is conservative and cautious. True. To stay in business, we're also innovative and service-minded. We need to appeal to our social media customers on one hand and our Social Security customers on the other - to be high-tech and high-touch. In short, balanced.

Community banks have to be all things to all people - within reason. My bank is considering those ATMs that take deposits, but they're expensive. Some banks don't even have online bill pay, debit cards or telebanking. Has your bank set priorities for such advances? Have you discussed the plan with your board?

When it comes to its member product and service programs, ICBA has to balance the needs of its different members just as we community bankers have to balance the needs of different customers. Not every community bank has the budget for the latest, greatest stuff - but because we're all in this industry together, we don't want ICBA's product and service options to price out the littlest banks. And we want plenty of goodies that every community bank can use, just as we share our mission of serving our customers in towns and cities across America - no matter what their size.

The most obvious products are tangible ones, such as the resources of the ICBA Services Network: ICBA Bancard and TCM Bank, ICBA Mortgage, ICBA Securities and ICBA Reinsurance. About 85 percent of our member banks use one of these products or services every year, and from that our members see \$255 million in savings, revenue and dividends annually.

Speaking of both products and services, the hard-working ICBA Services Network staff puts hundreds of hours into currently bringing us 28 ICBA Preferred Service Providers, vetted for member need, financial stability and national distribution capability. That in turn saves us, and our colleagues, hours of due diligence on these companies to be sure they're worthy of our trust and all of our banks' investment.

Services from ICBA, that show up in our lobbies include marketing for Community Banking Month, the "I Love My Community Bank" campaign and perhaps the "Independent Banker" magazine, if it's not dog-eared in the boardroom or employee break room. Customers don't see the webinars, the conferences, the great service you get by phone or email from our information center - but they see the results in our work.

And it's the same in ICBA's whole purpose, to bring all of us together as one to share what we know and to gain strength in numbers. The organization's product is its service to us, whether in pushing our agenda with the White House or regulators . . . educating legislative staff about a bill's implications for business . . . crafting op-eds to show the voting public why their senator is right . . . reading the fine print to catch trouble early . . . and on and on.

The public never sees all that either, but eventually, we hope the good results show up in the products and services we are able to offer our own customers on Main Street.

Sal Marranca is President/CEO of Cattaraugus County Bank in Little Valley, NY.

ICBSD Welcomes New Associate Member

Superior Consulting, LLC exists to serve the needs of the Community Bank as they have personnel skilled in Information Technology, Consumer Compliance, Loan Review, Audit and much more. Their home office is in Springfield, MO and they recently opened an office in Sioux Falls, SD. **Terisa Heiman**, Senior Consultant, can be reached at **913-302-1584** or **theiman@superiorconsultingllc.com**. You can learn much more about them by visiting **www.superiorconsultingllc.com**.

INDEPENDENT COMMUNITY BANKERS OF SOUTH DAKOTA

OFFICERS:

- PRESIDENT** Timothy A. Prince, Senior Vice President
American Bank & Trust, PO Box 317, Miller, SD 57362-0317
605-853-3051, Fax: 605-853-3054, tprince@americanbanktrust.net
- PRESIDENT-ELECT** Lance Koth, President Mitchell Branch
First Dakota National Bank, PO Box 1306, Mitchell, SD 57301-1306
605-995-7901, Fax: 605-996-3784, lkoth@firstdakota.com
- SECRETARY/TREASURER** Emily Hofer, Controller
Merchants State Bank, PO Box 399, Freeman, SD 57029-0399
605-925-4222, Fax: 605-925-4836, ehofer@msb-sd.com
- PAST PRESIDENT** David A. Callies, Executive Vice President/CEO
Miner County Bank, PO Box 129, Howard, SD 57349-0129
605-772-4561, Fax: 605-772-5492, dcallies@minercountybank.com
- ICBA NATIONAL DIRECTOR** Dick D. Behl, CEO/President
The F & M State Bank, PO Box 367, Scotland, SD 57059-0367
605-583-2234, Fax: 605-583-4205, dbehl@fmsbscotland.com
- HONORARY PAST-PRESIDENT** Michael B. Owens, President
Sunrise Bank Dakota, PO Box 284, Onida, SD 57564-0284
605-258-2641, Fax: 605-258-2454, mike@mysunrisebank.com
- HONORARY PAST-PRESIDENT** Jan Thompson, Exec. Vice President/COO
The First National Bank of Volga, PO Box 77, Volga, SD 57071-0077
605-627-9121, Fax: 605-627-9123, jan.thompson@fnbvolga.com
- LOBBYIST** Dean M. Krogman
218 State Avenue, Brookings, SD 57006
Cell: (605) 695-3497, dkrogman@sdsma.org
During Session: (605) 224-5030
- EXECUTIVE DIRECTOR** Ginger Adams
PO Box 696, 115 West 15th Avenue, Mitchell, SD 57301-0696
(605) 996-9329, Fax (605) 996-1401, ginger@icbsd.com

DIRECTORS:

- 2011 R. Scott Campbell, President
First National Bank, PO Box 576, Frederick, SD 57441-0576
605-329-2122, Fax: 605-329-2524, fnbsscott@nvc.net
- 2011 Jaimey Schempp, Vice President/SLO
State Bank of Alcester, PO Box 168, Alcester, SD 57001-0168
605-934-2500, Fax: 605-934-2515, jaimey.schempp@statebankofalcester.com
- 2012 Bruce J. Haerter, CEO/President
Farmers State Bank, PO Box 65, Hosmer, SD 57448-0065
605-283-2201, Fax: 605-283-2396, bhaerter@valleytel.net
- 2013 Raymond E. Smith, CEO/President
First National Bank in Philip, PO Box 910, Philip, SD 57567-0910
605-859-2525, Fax: 605-859-2238, ray@fnbphilip.com
- 2013 Terry Torgerson, Senior Vice President
CorTrust Bank, N.A., PO Box 1246, Mitchell, SD 57301-1246
605-995-1104, Fax: 605-996-1929, ttorgerson@cortrustbank.com

www.icbsd.com

2011-2012 ICBSD Nomination Slate

The ICBSD Nominating Committee has submitted the following 2011-2012 Officer/Director Slate for election, at our association's Annual Business Meeting, on July 30, 2011:

- President:** **Lance Koth**, President Mitchell Branch
First Dakota National Bank, Mitchell
- President-Elect:** **Emily Hofer**, CFO
Merchants State Bank, Freeman
- Secretary-Treasurer:** **Raymond E. Smith**, CEO/President
First National Bank in Philip
- 3-Year Director:** **Scott Campbell**, President
First National Bank, Frederick
- 3-Year Director:** **Jaimey Schempp**, VP/SLO
State Bank of Alcester
- 2-Year Director:** **Troy Vander Stouwe**, SVP
The First National Bank in Sioux Falls
- 1-Year Director:** **Wayne Olsen**, CEO/President
American State Bank, Oldham

PAST PRESIDENT'S COLUMN



It's hard to believe it is June already! One-half of 2011 will be behind us with a respectable amount of time left to accomplish our goals for the year.

As I pondered writing this column, I reviewed the past several issues of our newsletter. Each and every one had multiple comments on the continual changes in the banking environment, onerous regulatory oversight, and escalating expense on community banks to meet the requirements of new or changing legislation stemming from too-big-to-fail banks. It's nothing new.

But I would like to encourage each of you to remember that we have been through multiple issues over the course of decades and each has 'cycled out.' We have remained diligent and committed. We respond and we overcome the difficult tasks that we face. We have a very strong national association (ICBA) that has proven its dedicated leadership, along with our national directors. They have played a significantly positive role, during the changes. Ultimately our customers, and the communities that we serve, remain the focus for all community bankers. For this, we can be very proud.

Our associations - both state and national - have committed staff and board directors. Our board met in May to once again work for our association and its future. We continue to pass along many excellent opportunities to our membership and plan to have a few more planned for this coming year.

Based upon these opportunities, we feel that we have positioned this association to provide excellent value to our members. The many webinars and on-line training, the CEO/Directors' Conference, and the Annual Retreat, with the many first-class speakers and associate members, are a testament to this statement. I congratulate everyone involved. The dues, sponsorships, support and loyalty are our foundation and allow us to provide these events. Having said that, board members would appreciate receiving input from you on this or any subject you would like to discuss.

The Retreat will be held July 28th - 30th, at Sylvan Lake Resort, again this year. We have another interesting line-up of speakers and entertainment, which will appeal to everyone in attendance. Please get your reservations to Ginger soon if you have not already done so.

Have a good Spring and a Great Next Exam!

~Jan Thompson is EVP/COO, of the First National Bank of Volga, and is currently an ICBSD Honorary Past President.



Ginger Snaps

- #1. Key features of our **2011 Annual Retreat** are outlined in this newsletter, while the morning programs are still evolving. You will find registration information, as well. Please contact me, immediately in regard to your lodging needs.
- #2. We look forward to welcoming **ICBA Chairman-Elect, Jeffrey Gerhart**, and his wife Becky, to our *Annual Retreat*. **Ron Haynie**, of **ICBA Mortgage**, will also be with us this year.
- #3. The major sources of funding, for our **ICBSD State PAC**, are the **Retreat Silent Auction** and **Golf Scramble mulligans**. Please let me know if you need some help, or a suggestion, in regard to your Auction contribution. *You need not attend the Retreat to support your State PAC, with an Auction contribution.*
- #4. **Something New This Year:** We will spend **Friday Evening**, during the Retreat, on the **Sylvan Property** and enjoy a delicious **'Sizzlin' Steak'** dinner. If you desire, wear your **Western Attire**. Maybe you will *win a certificate redeemable during the 2012 Retreat.*
- #5. ICBSD is again participating, as a host for the **ICBPAC Golf Classic**, to be held at the **Minneapolis Golf Club**, on **August 15th**, in **St. Louis Park, MN**, at the **Minneapolis Golf Club**. Everyone will be receiving an invitation. You can also reserve your spot by calling Courtney Schoenbron, or John Hand, at 800-422-8439. All South Dakota participation results in some of the registration net proceeds coming back to our own ICBSD State PAC.
- #6. **Congratulations, and Thank You, to your 2011 - 2012 ICBSD Officer/Director slate!** You will find these individuals highlighted in this newsletter. They have already proven their leadership, and dedication, to their association.
- #7. Be sure you have **October 19 - 20** marked on your calendar. You will find an overview, of our **Annual CEO/Directors' Conference** presenters, in this newsletter. **Philip Smith** and **Mark Stenson** both always receive high evaluation comments from Conference attendees. Registration information will be available this summer.
- #8. ICBSD will again be hosting **Technology Career Day**, on the **Dakota State University** campus, on **September 27th**. ICBSD members will receive sponsorship/registration information, by the end of the summer. As in the past, our banks will provide the transportation, DSU will provide the program/presenters and your association will provide lunch for all attendees.

JUNE FEATURE: FIRST BANK OF WHITE

First Bank of White began operation on April 2, 1902 as First National Bank of White. It was one of the few banks that survived the depression. The bank's history traces back to 1886 when the Holden family established themselves, in the banking business, in White. Ralph Holden, the bank president from 1902 until 1965, was in the first graduating class of White High School. In January, 1913, the bank acquired Farmers National Bank, also located in White. First Bank of White has been the only bank in White since 1926 when White State Bank was closed by the Department of Banking and Finance.

The bank became part of the Fishback family in July, 1977, when Robert Fishback purchased the bank from Arthur Graslie. Graslie had followed Ralph Holden as president from 1966 to 1977. Robert Osborne (1977-1987) and Russ Larson (1987-2009) were the next two presidents leading up to the current president, Andy Hubbart. The bank ownership transferred to Fishback Financial Corporation in August of 1994.

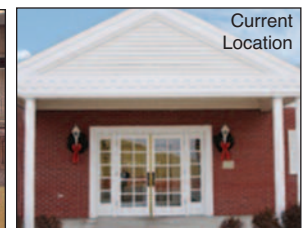
"We are happy to be part of the White community," said Hubbart. "We have a nice niche in this agriculturally-based area, and hope to sustain it."

The original building, built in 1900, was occupied until 1992 when the present bank was built in the same location.

First Bank of White, with assets of \$52 million, has 8 employees and is one of five bank charters affiliated with the Fishback Financial Corporation. The corporation is a bank holding company, with \$1.6 billion in assets and affiliate banks in 12 communities, along the I-29 Corridor in eastern South Dakota and southwestern Minnesota.

The bank is actively involved in the community's Annual Pioneer Days celebration, as well as Habitat for Humanity Brush with Kindness. The employees are also all personally involved, in the community, coaching sports, serving on church boards and much more.

"We are a small bank and love to help out the local community in any way that we can," said Sheila Hanson, Retail Banking Supervisor.



An Investor's Guide to FedSpeak

How the Bond Market Reacted in 2004 - By Jim Reber



It's hard to believe, but as of this writing it has now been seven full years since the Federal Reserve's Federal Open Market Committee last voted to raise interest rates. The date was June 30, 2004, and it was both the culmination of a year's worth of speculation as to the first move, and the beginning of an extended period of actual rate hikes.

Interest rates bottomed out a year earlier in June, 2003, when Fed Funds were set at 1.00 percent; that marked a generational low. The Treasury market, especially shorter maturities, responded in kind, and money-market yields were barely equal to Fed Funds. The curve was steep, to be sure, which signaled investor skepticism over longer term inflation risk. Sound familiar?

While we may be months and quarters away from the next actual Fed hike, it may be time to review how the bond market reacted to Fed statements in the months leading up to the June, 2004 move. It's interesting to note how far ahead of the FOMC that bond investors can actually get when they attempt to read between the lines. It could also be helpful to your investing strategies as we approach the inevitable tightening cycle.

Top O' The Market

On June 30, 2003, if you were a portfolio manager, you had both a lot of unrealized gains in your portfolio and low available yields. The two-year Treasury note yielded 1.30%, and one had to go out to five years to get to a 2.50% yield. Our senses have been numbed by the past two years, but the yields mentioned above were the lowest the bond market had seen in at least 50 years.

The FOMC's statements that accompanied their meetings were of the "downside risks outweigh the probability of sustained growth" variety. GDP growth was positive, and we clearly weren't in a recession, but inflation was hovering around 2% and falling.

By the end of 2003, economic growth was improving, but not yet to the FOMC's satisfaction. However, inflation was beginning to show signs of returning, so the Fed's statements were essentially unchanged for the rest of the year. The bond market sensed a shift was approaching, and the two-year Treasury's yield had risen 52 basis points to 1.82% by December 31.

Change in Tenor

About this time, the FOMC's statements shifted to subtle warnings. The March 31, 2004, release stated "...upside and downside risks...are roughly equal" but it "...can be patient in removing its policy accommodation." By the May 4, 2004, meeting, the language was less ambiguous. It read, in part, "the Committee believes that policy accommodation [read: low rates] can be removed at a pace that is likely to be measured."

The bond market was battered as investors began building in full expectations for rate hikes sooner than later.

The two-year's yield rose to 2.20%, even though Fed Funds was still anchored at 1.00%. This is an enormous difference between the two, which is normally about 45 basis points.

Flattening of The Curve

The first shoe fell on June 30, 2004. Fed Funds rose to 1.25% after the FOMC's statement that repeated the "likely to be measured" phrase from May, and added the sentence "The Committee will respond to changes...to fulfill its obligation to maintain price stability."

By the close on June 30, the two-year had risen all the way to 2.68%. Clearly, the short end of the market was many meetings ahead of the Fed. As is typical in a rising rate environment, yields on the longer end rose much less. The final accounting is that for the 12-month period ending June 30, 2004, the two- to ten-year curve flattened by 31 basis points. And that was followed by additional flattening, through 2006.

Conclusions

These should be pretty obvious. One, when the FOMC's language removes the "for an extended period" language to their press releases, it will be a clear signal to the market that rate hikes are coming sooner than later. For another, the steepness of today's curve will certainly begin to undo itself.

Less subtle are the effects on your portfolio. Normally, as rates rise, yield spreads tighten, and durations extend. The drop in market prices is often as pronounced on short (e.g., two year maturities) as they are on longer ones, compliments of the flattening curve.

The recommendations therefore are to stay attuned to the Fed's statements when they are released, as they have become less opaque under the Bernanke regime. And continue to monitor your portfolio's price volatility, especially in the "rates up" scenarios.

Jim Reber is President/CEO of ICBA Securities and can be reached at 800-422-6442 or jreber@icbasecurities.com.

ICBPAC Golf Classic

ICBSD will again be hosting an *ICBPAC Golf Classic*, with our counterparts in Minnesota. The 8th Annual Classic will be *August 15th*, at the *Minneapolis Golf Club*, in *St. Louis Park, MN*. Registration starts at 10:30 a.m., followed by a 11:15 a.m. buffet lunch. The Shotgun Start is at 12:00 Noon. As usual, the Classic will end with an awards reception, dinner and silent auction. Everyone will be receiving an invitation, in the near future. Contact either Courtney Schoenborn or John Hand, in the ICBPAC office, at 800-422-8439, with questions or for further information. *Net proceeds go to the ICBPAC and our own ICBSD State PAC.*



NEW SOUTH DAKOTA DIVISION OF BANKING DIRECTOR

Bret Afdahl is the new Division of Banking Director. He replaces Roger Novotny, who announced his retirement in March. Bret has served as the Division's counsel and trust examiner, since 2006.

State Labor and Regulation Secretary, Pam Roberts, has stated that "An extensive search was conducted for the director position. The best candidate ended up being from within the division. Our team of bank and trust examiners is extremely well-trained, intelligent and dedicated to their mission. Bret already plays a leadership role for this team and is well-respected."

The Division of Banking is charged with the regulation and supervision of state-chartered financial institutions. The Director also serves as the Executive Officer for the State Banking Commission.

TECHNOLOGY CAREER DAY

ICBSD looks forward to hosting another Technology Career Day on the campus of Dakota State University, in Madison. It will be held September 27th this year. Registration information will be sent to all member banks in August. Banks provide the transportation (and driver/chaperone), ICBSD provides the lunch (in the Trojan Center) and DSU provides the program/faculty. Students will participate in sessions with hands-on access to state-of-the-art labs and software.

Students who will want to consider this exciting opportunity should include those thinking of careers in the fields of computers or business and students yet undecided on their college major. Everyone who has taken (or is currently doing so) high-school computer classes will benefit from this exciting, and educational, event.

2011 Annual Retreat

July 28 - 30

Sylvan Lake Lodge



Registration

Single: \$250.00 Couple: \$400.00
 Each Additional Family Member 04 - 09 Yrs: \$100.00, Per Child
 Each Additional Family Member 10 - 18 Yrs: \$125.00, Per Child
 **3 Years & Under: Free Non-Member Single: \$425.00
 **Those Over 18 Years, with a Family, Register @ Fee of \$175.00

REGISTRATION INCLUDES:

THURSDAY Dinner/Cash Bar; FRIDAY Breakfast/Lunch; SATURDAY Breakfast/Lunch & Dinner/Cash Bar;
 SPEAKERS; PROGRAM; PAC AUCTION/RAFFLES; YOUTH FUN ACTIVITY BAGS & MORE

Friday Evening/Entertainment on Sylvan Property: \$40.00 4-9 Yrs: \$27.00 3 Yrs and Under: Free
 ~Special Sizzlin' Steaks in Sylvan Auditorium! Gordy Pratt! Great Time for Visiting/Networking

Blue Bell Stable Trail Ride: Saturday Afternoon; One Hour; Groups of 15; All Ages: \$37.00
 Children MUST ride alone!

*All Registrations Non-Refundable after Friday, July 15th.

NAME: _____ SPOUSE/GUEST NAME: _____

BANK/COMPANY: _____

ADDRESS: _____

CITY/STATE/ZIP: _____

PHONE: _____ FAX: _____ E-MAIL: _____

Registration Fee: \$ _____ # Of Children Attending: _____
 Please Check One Below:
 Single _____ Couple _____ Family _____

Friday Eve Sizzlin' Steaks @ Sylvan: \$ _____
 (# @ \$40.00 _____) (# @ \$27.00 _____) (# Free _____)

Blue Bell Stable Trail Ride: \$ _____
 (# @ \$37.00 _____)

Best Ball Golf Scramble: \$ _____
 (# @ 75.00 _____)
 ~Please return form with names/handicaps.

Thursday Evening Lodging Deposit: \$ _____
 If you do not receive a lodging confirmation, with this registration form,
 it will be sent soon. Please call Ginger, at 605-996-9329, with questions.
 **Lodging deposit can be paid with registration fees, or in advance.

TOTAL ENCLOSED: \$ _____

RETURN TO: ICBSD *Please make check payable to ICBSD.
 PO BOX 696
 MITCHELL, SD 57301-0696

Please List Child Names/Ages Below:

1. _____
2. _____
3. _____
4. _____

~Please Include Children 18 Yrs & Under



BEST BALL SCRAMBLE



THURSDAY, JULY 28th
THE GOLF CLUB AT RED ROCK
6250 Birkdale Drive, Rapid City -- Off Sheridan Lake Road

18 - HOLES
SHOTGUN START AT 8:30 A.M.

TEAM PRIZES: LOW SCORES **Only one prize, per person (plus team prize).

FLAG PRIZES: LONGEST DRIVE
LONGEST PUTT
CLOSEST TO PIN

2 Mulligans, for \$10, Will Be Available
One Per Nine Holes Per Person
Purchase On-Site
All Proceeds Go To ICBSD PAC!

Scramble Chairman:
Dave Callies, EVP/CEO
Miner County Bank - Howard

- ~All registrations MUST be received, in ICBSD office, by July 15th.
- ~You will be notified, in advance, of your specific team. Course directions will be included.
- ~Golfers make own lodging reservations, in Rapid City, for Wednesday, 7/27.
- ~Direct questions, to Ginger, at 605-996-9329.

\$75.00 Entry Fee Includes: Green Fees/Cart Rental/Lunch



BANK/COMPANY: _____

ADDRESS: _____

CITY/STATE/ZIP: _____

PHONE: _____ E-MAIL: _____

NAME(S):

HANDICAP or AVERAGE SCORE: (For 18 Holes)

Enclosed: \$ _____
@ \$75.00, per person

Please return to:
ICBSD
PO BOX 696
MITCHELL, SD 57301-0696



**Please make check payable to ICBSD.

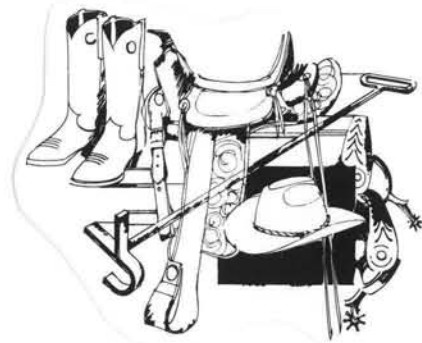
2011 ICBSD PAC SILENT AUCTION and RAFFLES



The Independent Community Bankers of South Dakota looks forward to your participation in its ICBSD PAC AUCTION/RAFFLES, on Thursday and Saturday evenings, during our Annual Retreat.

PLEASE NOTE THE SPECIFIC INFORMATION BELOW. It will be appreciated if you RETURN THE BOTTOM OF THIS FORM regarding your auction contribution(s), to the ICBSD office by JULY 15th, FOR PLANNING PURPOSES.

Please call Ginger at 605-996-9329, with questions, or if you need an idea for your contribution.



- ~ Contributions can be made only by individuals (not your bank).
- ~ You need not attend the Auction to contribute.
- ~ Contributions are not tax deductible.
- ~ Purchases can be made only by individuals (not your bank).
- ~ As always, there will be a fun children's table.
- ~ There will again be unique raffles, in addition to the auction.
- ~ We will be set up for you to pay by check or cash.

**All proceeds go to our own state PAC.

**Funds available to only state legislative candidates.

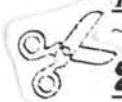
**Distribution determined by ICBSD PAC selection committee.

PLEASE RETURN THE FORM BELOW, BY JULY 15th, TO:

*PO BOX 696 MITCHELL, SD 57301-0696 or

*FAX: 605-996-1401 or *E-MAIL: ginger@icbsd.com

THANKS SO MUCH FOR YOUR SUPPORT!



2011 ICBSD SILENT PAC AUCTION/RAFFLE CONTRIBUTION:

NAME: _____ HOME ADDRESS: _____

TOWN/ZIP: _____

PHONE: _____ FAX: _____ E-MAIL: _____

MY DONATION: _____

Value: \$ _____ I w/bring item(s) to Retreat _____ I w/send item(s) to ICBSD office _____

Please describe your contribution(s) below, which will enable us to adequately describe your item(s) on the auction listing and bid sheets. Please also include artisan information, when appropriate.

PLEASE FEEL FREE TO USE THE BACK.

Buy Or Rent That Home-Which Is A Better Deal?

Last September I recommended that if you expected to remain employed and in your new home for 3 to 5 years, it was a great time to buy a house. Since then, according to the Case-Shiller 20 city composite index, housing prices have plunged by another 6.2 percent. Do I still recommend buying a home? Yes, and let me provide the rationale. In 2007 at the height of the housing bubble, the average monthly payment on a U.S. home was \$1,166 assuming no down payment and a 30 year mortgage. At that same time, the average monthly rent for a U.S. apartment/house was \$665. Thus in 2007, the average monthly house payment was 75 percent higher than the average monthly apartment rent. By March 2011, housing prices had plummeted while apartment rents had expanded to the point where the two were equal--that is the monthly mortgage payment was the same as the monthly apartment rental. Between 1988 and 2004, the monthly mortgage payment was approximately 31 percent higher than the average monthly apartment rent. If U.S. shelter prices return to this average ratio or relationship, one of three changes must occur, 1) apartment rentals must decline by 24 percent, 2) housing prices must rise by 30 percent, or 3) the 30 year mortgage rate must soar from its current level of 4.8 percent to 7.4 percent. Which will occur? First, I do not expect rental rates to decline. In fact, I expect robust growth in rental prices across the U.S. However, I do forecast a combination of advancing housing prices and expanding mortgage rates to bring the ratio back to its long run average. So just like last September, housing represents a true deal for the buyer who locks in current bargain prices and record low mortgage rates. However in my judgment, this option will only work for the person who remains in the home for more than three years and locks in a fixed mortgage rate close to today’s ultra attractive rates. Ernie Goss.

MAINSTREET RESULTS

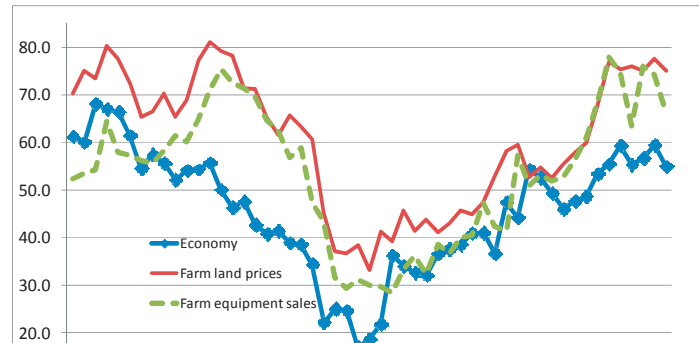
Growth for Rural Mainstreet Slows: Farm Equipment Sales Remain Strong

Tables 1 below summarizes the findings from the May survey with an index above 50.0 indicating growth and an index below 50.0 signifying weakness. [Index > 50.0 indicates expansion]

Table 1: The Mainstreet Economy	May 2010	Apr 2011	May 2011
Area Economic Index	54.3	59.4	54.9
Loan volume	54.4	58.1	55.5
Checking deposits	67.0	65.5	58.2
Certificate of deposits	50.0	48.5	44.6
Farm land prices	52.7	77.6	75.0
Farm equipment area sales	50.9	74.2	65.9
Home sales	58.8	55.2	54.3
Hiring in the area	56.1	56.9	54.2
Retail Business	49.2	50.1	50.1
Economy 6 months from now	63.0	61.0	63.7

- Rural Mainstreet Index slumps for the month but remained in positive range.
- Farmland price growth somewhat weaker but still robust.
- Almost one-fifth of bank CEOs report less than 25 percent of 2011 corn planting completed to date.
- Almost one-fourth of bankers report that soil is currently too wet for planting.

Rural Mainstreet, Jan. '07 – May '11



The May overall index for the Rural Mainstreet economy moved above growth neutral 50.0 for a seventh straight month indicating that the rural agriculturally dependent areas of the region continue to expand at positive pace, according to this month’s survey of bank CEOs in a 10-state region. Overall: The Rural Mainstreet Index (RMI), which ranges between 0 and 100, plummeted to a still healthy 54.9 from 59.4 in April. Even though the Rural Mainstreet economy is expanding, higher energy prices are beginning to slow growth. Goss and Bill McQuillan, CEO of CNB Community Bank of Greeley, Neb., created the monthly economic survey in 2005.

Farming: The farmland price index remained above growth neutral for the 16th straight month slipping to a still lofty 75.0 from April’s 77.6. One year ago, the farmland index stood at 52.7. The farm equipment sales index slumped to a still robust 65.9 from 74.2 in April. Firms linked to agriculture or international market are experiencing very healthy growth and growth prospects. On the other hand, Rural Mainstreet companies that are not tied to the farm economy and dependent on the domestic market continue to experience a much slower expansion.

Common across the region was excessive moisture for planting. Bryan Grove CEO of American State Bank in Grygla, Minnesota, “Field work in our area just got started around May 10th. Some areas are still too wet to go-expect full scale planting to get going this week.” This month we asked bankers about planting conditions. Approximately one-fourth of the bank executives reported that the soil was too wet for planting. On the other hand, 67 percent indicated that soil conditions were perfect for planting. The remaining 9 percent reported that soil was too dry for planting.

Banking: The loan volume index for May declined to 55.5 from April’s 58.1. The checking deposit index sank to 58.2 from 65.5 in April while the index for certificates of deposit and other savings instruments decreased to 44.6 from April’s 48.5. Several bankers questioned why the U.S. Treasury was delaying action on Small Business Loan Fund applications. As stated by Jim Ashworth president of Carlinville National Bank Holding in Carlinville, Illinois, “The sooner that money is put to work, the more small business and agricultural loans can be approved, improving rural economies and putting people back to work.”

Jobs: For a sixth straight month the Rural Mainstreet economy added jobs with a May index of 54.2, down from 56.9 in April. The Rural Mainstreet economy is adding jobs at an annual pace of one percent. We need to see this pace increase to 1.5 percent to return to a healthy job market. **Confidence:** The economic confidence index, which reflects expectations for the economy six months out, rose to a strong 63.7 from April’s strong 61.0. Even though confidence is high, bankers remain concerned about the level and growth in energy prices. Given the importance of energy prices to agriculture, any significant increase in oil prices would certainly reduce business confidence. **Home and retail sales:** For only the third time since June of last year, the home sales index

climbed above growth neutral. The May index dipped to 54.3 from April’s 55.2. The retail sales index for May was unchanged from April’s tepid 50.1. In terms of retail sales, higher fuel prices continue to restrain retail sales for Rural Mainstreet vendors.

MAINSTREET ON YOUR STREET

COLORADO

For a fifth straight month, Colorado’s Rural Mainstreet Index (RMI) moved above growth neutral. The May reading sank to 55.0 from 59.5 in March. The May farmland and ranchland price index slipped to 75.3 from April’s 77.0. Colorado’s farm equipment sales index plunged to 66.2 from April’s 74.5.

ILLINOIS

For a 13th straight month, Illinois’ RMI remained above growth neutral. The May index declined to 55.4 from 59.9 in April. For a 16th straight month, farmland prices advanced above growth neutral with a May reading of 76.3, down from April’s 78.9. Farm equipment sales for May declined to a still strong 67.2 from 67.5 in April. Jim Shafer, president of the First National Bank in Tremont, reported that planting conditions vary almost day by day from perfect to too wet.

IOWA

The RMI for Iowa sank to 55.5 from April’s 60.0. The farmland price index slipped to 76.6 from 79.2 in April. The state’s farm equipment sales index sank to 67.5 from April’s 75.8.

KANSAS

The RMI for Kansas was above growth neutral 50.0 for the month. The index declined to 54.6 from April’s 59.1. The farmland price index expanded to 77.4 from April’s 76.9. The May agricultural equipment sales index declined to 65.2 from 73.5 in April. Dale Bradley, CEO of The Citizens State Bank in Miltonvale reported that, “We need some good rains in Kansas for wheat. Southwest Kansas is very dry and wheat is not in good shape. Farm Land prices are still holding steady to higher.”

MINNESOTA

The May RMI for Minnesota dropped to 55.3 from 59.8 in April. Minnesota’s farmland price index expanded to 76.0 from April’s 72.3. The agricultural equipment sales declined to 66.9 from April’s 75.2. Pete Haddeland, CEO of the First National Bank in Mahanomen said that, “Very wet conditions, no one has planted anything up here.”

MISSOURI

The RMI for Missouri sank to 53.8 from April’s 58.3. The farmland price index for Missouri dipped to 72.3 from 74.9 in April. The May farm equipment sales index declined to 63.2 from 68.5 in April.

NEBRASKA

The May RMI for Nebraska advanced to 61.2, a regional high, from 60.5 in April. The farmland price index declined to 77.9 from 80.5 in April. The farm equipment sales index sank to 68.8 from April’s 77.1. Kathy Thuman president of Farmers State Bank in Maywood, indicated that, “Farmers are very busy with a delayed corn planting schedule. Wheat in southwest NE looks pretty good, but turns poor quickly as you head south.”

NORTH DAKOTA

The North Dakota RMI for May decreased to 58.6 from 63.1 in April. The farmland price index slipped to 84.1 from April’s 86.7. The farm equipment sales index for May dipped to 75.0

from April’s 75.6. Scott Tewksbury, CEO of Heartland State Bank in Edgeley reported that while planting got a late start, “More favorable conditions have prevailed the past couple weeks in our area and rapid progress is being made seeding corn & small grains.”

SOUTH DAKOTA

For a seventh straight month, the RMI for South Dakota was above growth neutral. The index for May slumped to 55.4 from 59.9 in April. The farmland price index rose to 80.3 from April’s. South Dakota’s farm equipment sales index for May was 67.3, down from 75.6 in April.

WYOMING

The Wyoming RMI for May slipped to 55.3 from 59.8 in April. The May farmland and ranchland price index sank to 76.1 from 78.7 in April. The state’s agricultural equipment sales index decreased to 67.0 from 75.3 in April. According to Bob Sutter, vice-chair of Hilltop national Bank in Casper, “Casper and southeast Wyoming continue to experience strong economic growth in anticipation of continued exploratory drilling in the Niobrara shale. The potential area runs from roughly Douglas, Wyoming to Colorado Springs.”

THE BULLISH NEWS

- The Organization of the Petroleum Exporting Countries plans to raise its oil production quota for the first time in several years, However in my judgment, this will have little impact on U.S. fuel prices since many OPEC members were already exceeding their quotas.
- The US municipal bond market is poised for its biggest week of new issuance this year as concerns of mass defaults have eased, sending borrowing costs lower. Some \$7 billion bond sales are expected this week, according to Ipreo, a market research group, up from an average weekly volume of about \$4 billion in 2010.
- U.S. retail and food services sales for April were \$389.4 billion, an increase of 0.5% from March and 7.6% from one year earlier. Not great but not bad.

THE BEARISH NEWS

- U.S. economic growth for the final quarter of 2010 was roughly double the current rate of expansion.
- Global food prices dropped 1% in May compared to the previous month, but remain 37% above May 2010, according to a price index released by the UN. It said lower cereal and sugar prices led to the decrease in the May index, offsetting increases in meat and dairy prices.
- For May, total nonfarm payrolls grew at a much lower-than-expected 54,000 (consensus expectations were for over 150,000). Additionally, the unemployment rate unexpectedly rose to 9.1%.
- From 2004 to 2007 the number of new households headed by foreign born citizens increased by 200,000 per year but since 2007 the number foreign-born non-citizen households have declined by the same amount.

WHAT TO WATCH

- Retail sales: The U.S. Census Bureau releases retail sales for June on July. Non-fuel purchases will be a gauge of the U.S. consumer. Any weakness will be bullish for bond prices and tend to push interest rates down (stock prices down). Need to see monthly growth of more than 0.7%.
- Jobs: On Friday July 8, the U.S. BLS will release the employment report for June. Another positive increase in the unemployment rate and less than 120,000 jobs created will be bullish for bond prices and negative for stocks pushing interest rates lower.
- First time claims for unemployment insurance: Released every Thursday by the U.S. Department of Labor, this report will be closely watched for new claims of more than 420,000.

THE OUTLOOK

FROM GOSS:

- I expect the nation’s unemployment rate to continue to rise, albeit slowly, for the next couple of months, before it begins to move lower
- Mortgage rates should begin to rise slightly in July as the Fed’s QE2 program ends
- The trade deal with South Korea to be put on the “back burner” until the Fall as politics interferes with economic decision making.

OTHER FORECASTS:

- US President Barack Obama Tuesday dismissed fears of a plunge into a “double-dip” recession and warned against “panic” over dismal economic data. In a news conference with German Chancellor Angela Merkel, Obama responded to signs the recovery may be slowing and sought to assure “skittish and nervous” investors and voters that better times lay ahead
- Fed Chairman Bernanke said Tuesday that recent signs of economic weakness had not altered his basic view that the economy is mending slowly and that the pace of recovery “seems likely” to increase during the rest of the year. He also said that he continues to see no evidence of broad and enduring inflation despite recent increases in the prices of oil and other commodities.

GOSS EGGS (RECENT DUMB ECONOMIC MOVES)

- This is the dumbest economic action of the last 10 years. The National Labor Relations Board (NLRB) filed a complaint last month to block Boeing’s plan to build the company’s 787 Dreamliner at a new assembly plant in South Carolina. The NLRB is attempting to force Boeing to build the plane in Washington where workers must join the union as opposed to South Carolina, a right to work state.

BANKER READING ROOM

“The Dodd-Frank Act: A Cheat Sheet,” The Dodd-Frank Act implements changes that, among other things, affect the oversight and supervision of financial institutions, provide for a new resolution procedure for large financial companies, create a new agency responsible for implementing and enforcing compliance with consumer financial laws, introduce more stringent regulatory capital requirements, effect significant changes in the regulation of over the counter derivatives, reform the regulation of credit rating agencies, implement changes to corporate governance and executive compensation practices, incorporate the Volcker Rule, require registration of advisers to certain private funds, and effect significant changes in the securitization market. Although the legislation calls for a number of studies to be conducted and requires significant rule-making, we all will be required to be intimately acquainted with the Dodd-Frank Act. <http://www.mofo.com/files/Uploads/Images/SummaryDoddFrankAct.pdf>

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