



Midwest Bank
of Western Illinois

"Locally Owned"

200 East Broadway
Monmouth, IL 61462
309.734.2265

Farming Today... "Challenges and Opportunities"

Winter 2010/2011



2010 Ag Seminar



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Dear Friends,

Recently, one of our Directors told a story about a farmer that walked into the elevator several days after he had delivered his last load of corn in early October. On that particular day the elevator was paying \$5.57 per bushel. Having rarely sold \$5.00 corn before, the farmer decided to sell all his bushels that day. After he was handed his check he hugged every person at the elevator and then headed to the bank.

This may have been one of those times when it was better to be lucky than good. Many of us in this business had started selling the 2010 crop a year ago at three dollars and something and will end up with an average in the four dollar range. Some may have even sold more ahead than they produced.

This winter we expect to see results all over the board. With corn yields ranging from 130 to over 200 bushels per acre and the price ranging from \$3.50 to \$5.50, gross income on an acre of corn could be as low as \$450 and as high as \$1,100. Most will be somewhere in between. On the input side, fertilizer costs could vary up to \$150 per acre, depending on when it was booked and paid for. When you consider both sides of the ledger, the overall outcomes can vary dramatically - maybe the most disparity we have ever seen.

Looking forward, there still is a great deal of uncertainty, as the economy continues a slow recovery. However, demand is relatively strong for commodities, including corn, beans, hogs and cattle. The key factor seems to be foreign demand for food and ethanol. I was told just recently that McDonalds plans to open two restaurants per day in China over the next year. Any way you look at it, there will be a lot more meat, including hamburgers, sold in the next ten years.

So what do you get when you mix strong commodity prices, record low interest rates and uncertainty in the equity markets? The answer is prime farm ground selling for \$9,000 per acre and higher. This sure makes the balance sheets stronger, but is it good for agriculture in the long run and is it the next bubble? I will let you know as soon as I can find my crystal ball.

In these volatile times the only definitive answer we at Midwest Bank can provide is that there will likely be record returns paid for good management. Specifically, how you manage your marketing program, purchase your crop inputs and invest in resources such as land, machinery and labor, will have a major impact on the bottom line.

With so much at stake, it has never been more important to work with an experienced team of Ag professionals. This includes your crop specialist, your accountant and your banker. Les, Matt, Brad, Rex and our newest addition, Jim Dieterich, have combined experience of over 120 years and can help you successfully navigate these uncertain times. Providing competitive financial products is only a small part of what we have to offer.

At Midwest Bank we truly care about our customers, friends and neighbors. Every day we live our mission, which is to provide exceptional banking services and a strong commitment to the communities we serve. In the volatile world we live in, you can continue to count on the strength and stability of Midwest Bank.

Cordially,
Chris Gavin
President & CEO



Matt Gillen
Senior Vice President
of Lending

New or Used Equipment Loan Special

4.35% APR 5 Year Maturity

Annual percentage rate is effective as of December 9, 2010,
new money only; minimum loan amount of \$25,000;
five annual payments of principal and interest;
limited time offer; subject to credit approval

Agribusiness Banking...

Midwest Bank of Western Illinois takes great pride in being the premier agricultural bank in West Central Illinois. You deserve the support of a financial institution that understands agriculture and has a long-term commitment to the success of your farming operation.

Farm Services...

Midwest Bank works closely with the Farm Service Agency and other government agencies to assist our customers in building stability and equity. We offer innovative Ag financial products like the FSA Guarantee Program; Beginning Farmer Program; Specialized Livestock Guarantee Program; State Guarantee Program for Restructuring Agricultural Debt; Illinois State Treasurer and Farmer Mac loans for purchasing or refinancing of farm real estate. We offer competitive fixed and variable rate financing; operating loans and lines of credit and machinery leasing programs.

Our Expertise...

Our expertise is reflected not only in our experienced lending staff, but also in the wide range of products and technical innovations used to bring these products to you.

Please contact one of our Ag Lenders.



Les Allen 309.457.6236
lesa@mbwi.com

Matt Gillen 309.457.6221
mgillen@mbwi.com

Brad Ray 309.457.6232
bray@mbwi.com

Rex Johnson 309.582.5285
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Chalk up Money for Schools Midwest Bank Donated a Total of \$13,375

Contact your local branch for details about the Chalk up Money for Schools Debit Card program. Learn how you can help your favorite local school receive donations from Midwest Bank. Since the program began in 2007, the bank has given a total of \$27,410 to schools in the four county area.

Marvin and Tim Setterdahl



Tim Setterdahl Marvin Setterdahl Matt Gillen

The Setterdahl family has been farming in the Rio area since the late 1930's. They are a third generation farming operation started by Marvin's father, Glenn. Glenn moved to the Rio area from Minnesota when Marvin was about 6 months old and started the Setterdahl farming operation. They currently farm approximately 2,100 acres of corn, beans, and alfalfa located North West of Rio, IL. The family owns over 1,900 acres of this land base. The farm also feeds out over 750 head of cattle each year along with managing a 100 head cow/calf operation.

Marvin and Darlene have been married for 40 years and have three children. Their daughter Jennifer is a successful doctor living in Rushville, Illinois, and daughter Debbie lives in Urbandale, Iowa, and works for Drake University. They currently

have three grandchildren. Marvin also has an extensive antique tractor collection consisting of a variety of John Deere Tractors.

Their son Tim became involved in the farm operation after he graduated from high school in 1996. He and Marvin have continued to expand the operation through land acquisitions financed by Midwest Bank. They have been customers of the bank for over 10 years. Tim and his wife Elizabeth were married in 2008 and they had their first child, a daughter Lillian, in September 2009.



**Our employees and management team are your neighbors and friends
You know us – we know you! Let's do business!**

BE READY FOR TODAY PREPARE FOR TOMORROW

Make the most of your earnings while investing for your retirement.

Please contact me today for a complimentary consultation.

**Kevin J. Ball, WMS
Financial Advisor**

RAYMOND JAMES
Financial Services Inc.

Midwest Bank of
Western Illinois
2558 North Seminary St
Galesburg, IL 61401



**309.341.2274
877.301.6294**

**Mornings, Evenings,
Weekends—You pick it!**

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Rex Johnson and Jim Childs

Jim and his wife Lynn were married in 1979 and currently live on a 160 acre tract that her family has farmed since 1939 and owned since 1954. They are the third generation to care for this tract of land. Jim and Lynn have two children. Jason and his wife Susan live in Yates City, Illinois. Lindsay and her husband Brian live in Pontiac, Illinois. They recently welcomed their second granddaughter into their family. Lynn is a Registered Nurse who works full time for Mercer County Hospital.

Jim and Lynn Childs

Jim Childs has been farming in the Aledo area since 1975. He does not take the term “family farm” lightly. The core of Jim’s farming operation is a 60 acre tract on the west edge of Aledo that was purchased by his Great-Great-Great-Grandfather in 1869. Jim’s mother still lives in the house, which was built on this tract in 1873. Jim is the fifth generation of his family to care for this tract of land.



Over the years, the Childs’ farming operation has evolved from a small row crop and large hog production operation to one with more row crop acres and almost no livestock. Jim no longer raises hogs, but does keep a very small cow-herd to “tinker” with. Their row crop operation consists of roughly 1,700 acres. They own 320 and raise corn, soybeans wheat and hay.

The Childs have been customers of Midwest Bank since 2005. “I got to know Rex back in the early ’80s. He and I co-chaired several projects in a local service organization during those years. More recently, he has become my banker. Rex has helped me through many of the ups and downs associated with the farming industry, and for that I am grateful,” replied Jim.



Aledo Branch Open House



Derrick Johnston

Derrick joined the bank in 2009 as a Credit Analyst after a twenty year career in law enforcement. He was promoted to Special Credit Officer in January of 2010. Derrick graduated from Blackburn College in 1993 with a B.A. in Business Administration.

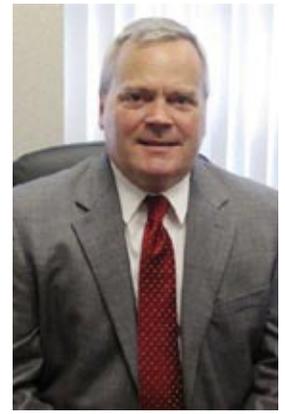
Derrick and his wife Christine, who is the Registrar at Monmouth College, have a daughter Haley age 13 and son Patrick who is 9. Derrick also is an assistant football coach at Monmouth College and is a deputy with the Warren County Sheriff’s Department. He enjoys spending time with family and is active as a volunteer firefighter/EMT with Monmouth Fire Department, Central Warren FPD, Gerlaw FD and Alexis Ambulance Service. You may email Derrick at derrick@mbwi.com or call him at 309.457.6240.



Please contact your Ag Lender to set up an appointment for your year-end renewals

Jim Dieterich

Jim joined the Bank as Vice President of Commercial and Agricultural Lending. His office is located at our Seminary Branch in Galesburg. Jim has a total of 30 years experience with Commercial and Agricultural Lending. He began his career with Farm Credit in Minnesota and continued his service with banks in both Minnesota and Illinois. Jim was the Senior Vice President of Commercial and Ag Lending for First Bank of Galesburg and Vice President of Commercial and Ag Lending for F & M Bank in Galesburg. Most recently, Jim was Vice President of Commercial and Ag Lending for Associated Bank in Peoria.



He and his family have lived in Galesburg since 1992. Jim has been active in Western Illinois American Institute of Banking, Galesburg Ambassadors and several civic organizations in Galesburg.

“We are pleased to have Jim join our team in Galesburg”, Chris Gavin said. “His lending experience in both Commercial/Agricultural and his knowledge of the Galesburg community will be a great asset to us as we move forward. Jim looks forward to serving our customers and assisting the residents of the Knox County area.” You may email Jim at jdieterich@mbwi.com or call him at 309.341.2274.

Do you Know the Difference Between a Self-Directed IRA & a Regular IRA?

IRAs have become a common word in our modern day language. Almost everyone has heard about them and considered using them to build their retirement assets. However, while people are generally familiar with IRAs, most people aren't familiar with the term “self-directed IRA.”

Self-directed IRAs can be either Traditional IRAs (providing current tax deduction benefits) or Roth IRAs (providing no current tax deductibility but being withdrawn tax-free). With a self-directed IRA, the account owner has the opportunity to invest in a variety of different assets rather than the usual stocks, bonds, and mutual funds that most IRAs hold. Some of the additional investment options permitted under the regulations include, but are not limited to, real estate, mortgages, franchises, partnerships and tax liens. One significant rule to remember though, is that individuals are not allowed to get involved with, or have any personal gain from an investment before they begin making withdrawals in retirement. Therefore, a farmer would be foolish to put farm ground into a self-directed IRA if he were planning to use that ground in his farming operations. However, a person who buys ground strictly as an “appreciation” play might find a self-directed IRA as a beneficial tool for that. As always, a person should study both the advantages and disadvantages of holding a particular asset inside a self-directed IRA before he ever contributes that asset to the IRA.



Theresa Pettett; Adam Carlson;
Jodi Chandler; Dan Ashton

Self-directed IRAs require that either a qualified trustee or custodian hold the IRA assets on behalf of the IRA owner. It is important that those interested in self-directed IRAs, work with qualified and experienced IRA custodians. The trust department of Midwest Bank has many years of experience working with and managing self-directed IRAs.

If you have questions or are interested in establishing a self-directed IRA, please contact...

Dan Ashton, Trust Administration Officer, 309.457.6220
Adam Carlson, Trust Operations Officer, 309.457.6256
Seminary Branch in Galesburg (309) 341.2274

This is for general information and is not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your personal situation. IRAs thru the Trust Department may or may not be FDIC insured investments. Such as securities, land investments, etc., and are not deposits or obligations of the financial institution; are not guaranteed by the financial institution and are subject to risk, including the possible loss of principal.



**Relay for Life
Donations**

Monmouth \$5,500
Aledo Branch \$3,500
Oquawka Branch \$2,000

**United Way
Donation**
\$8,355



Porter Insurance Agency, Inc.

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Phone: 309.482.6111

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As I write this short note for the newsletter we are winding down another interesting year with our crop insurance business. We probably had more preventive planting and replanting claims this year than any other year that I can remember. The harvest losses are also now trickling in as well as the updates on the yields.

An unusual year like this is always a good time to reflect on your farming strategies for the upcoming year. Producers are probably asking themselves was the big discount for going with Enterprise Units a good choice, or should they consider going back to Optional Units? Is the 60% level for Preventive Planting, which is automatically provided, the level that they should be at or should they consider raising that level to 65% or 70%?

As for next year, if you think you are finally up to speed on the differences between RA and CRC and APH; guess what, the government has decided to eliminate all of these. That is right; RA, CRC and APH no longer exist starting next year. **Now you have basically three personal product choices.** You can buy Yield Protection, which is similar to the "old" APH or you can buy Revenue Protection with Harvest Price or without Harvest Price coverage. The company you are with will automatically convert your policy to the closest coverage you had this year. Therefore, it is more important than ever to sit down with your agent and make sure you understand the new policies and to ensure that you are making the best choice for your operation.

Cost of renting a combine
\$150 per hour

Remember, Sales Closing is March 15th.

On a last note, the large number of combine fires that occurred this year also brought to our attention some critical issues of farm policy coverage. We found that not only having the proper coverage on the combine itself was important; we also found out that having adequate Extra Expense coverage is just as important. The cost of renting a combine is \$150 per hour. I suggest that all producers sit down with their agents and review this coverage as well.

Thanks again to all of our Porter Insurance clients for all the support they have shown us.

We wish all of you a happy holiday season.

Regards,
Kent Porter
Insura□
gua□

Check us out on facebook!
www.facebook.com/mymbwi



Chicago Cubs vs. St. Louis Cardinals

Friday, June 3, 2011

Game Time 7:15 pm

\$100 Per Person

Depart: East Main St Galesburg @ 12:30 pm

Depart: 200 East Broadway Monmouth @ 1:00 pm

Call your local branch to sign up!



2010 WRAM/WMOI Ag Roundtable



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of Western Illinois

"Locally Owned"

Main Bank
200 East Broadway
P. O. Box 440
Monmouth, IL 61462
734.2265



Mark your Calendar to Attend
Midwest Bank of Western Illinois
14th Annual 2011 Ag Seminar
"Challenges and Opportunities"

February 17, 2011

Registration 8:30 am Program 9:00 am

American Legion

1110 North 11th Street; Monmouth

Guest Speaker: Mark Pearson

Call now for reservations



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