

*Minnesota State Colleges and Universities*

**State**  
**Farm Business Management Program**  
**Database**  
*2336 Farms*

***State Executive Summary - 2010***

*Summary Income Statement & Average Money Spent*  
*Financial Summary*  
*Financial Standards Measures*  
*Current year data by Region*  
*Selected Financial Charts*

Location of the Regional Program Center:

Minnesota Region:

Central Lakes Community and Technical College  
Minnesota West Community and Technical College  
Northland Community and Technical College  
Ridgewater Community and Technical College  
Riverland Community and Technical College  
South Central College

Northeast and East Central  
Southwestern  
Northwestern & Red River Valley  
Central and West Central  
Southeastern  
South Central

April, 2011



A MEMBER OF THE MINNESOTA STATE COLLEGES  
AND UNIVERSITIES SYSTEM

In Cooperation with the Center for Farm Financial Management University of Minnesota

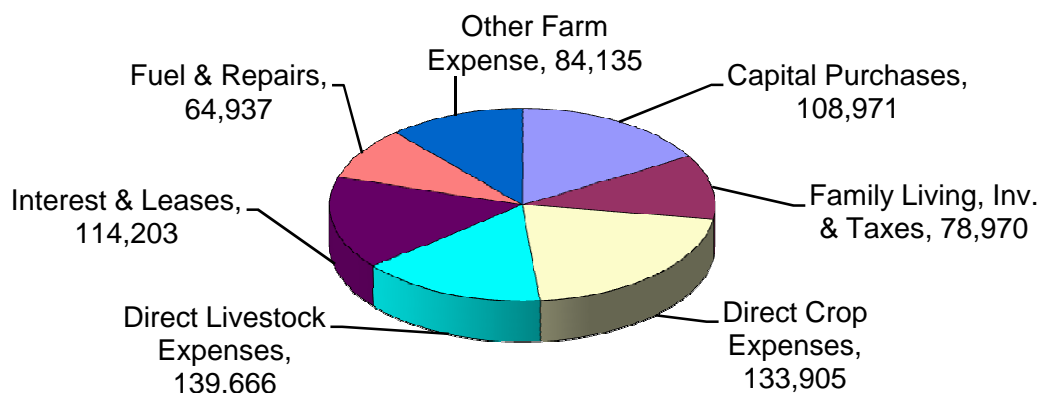
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visit the Farm Business Management Program Website: [www.fbm.mnscu.edu](http://www.fbm.mnscu.edu)

**Summary Farm Income Statement  
(Farms Sorted By Years)**

**Minnesota State Colleges & Universities - Farm Business Management**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Number of farms	2336	2323	2318	2484	2332
<b>Farm Revenue</b>					
Crop sales	374,470	348,613	351,329	271,993	214,302
Crop inventory change	81,773	4,602	23,223	66,326	47,255
Gross crop income	456,260	353,217	374,552	338,319	261,557
Livestock sales	199,384	168,428	237,586	251,152	206,067
Livestock inventory change	7,598	663	(3,103)	2,287	1,129
Gross livestock income	206,981	169,091	234,483	253,439	207,196
Government payments	19,771	21,465	19,262	15,721	27,139
Other cash income	61,340	74,143	57,428	47,801	40,884
Change in accounts receivable	1,070	(6,751)	12,681	8,957	979
Gain or loss on hedging accounts	(6,624)	(1,271)			
Change in other assets	2,745	2,756			
Gain or loss on breeding lvst	357	(1,092)			
<b>Gross revenue</b>	<b>741,901</b>	<b>611,557</b>	<b>698,406</b>	<b>664,237</b>	<b>537,755</b>
<b>Farm Expenses</b>					
Cash operating expenses	500,463	476,907	513,859	469,320	395,062
Change in prepaid exp & supplies	(14,314)	11,022	23,542	12,921	149
Change in growing crops	(143)	(452)			
Change in accts pay & other inv.	(3,289)	3,883	(921)	8,232	6,420
Depreciation	39,764	35,443	34,303	28,869	26,107
Total operating expense	522,481	526,802	525,541	477,036	414,600
Interest paid	32,652	31,366	34,087	23,552	21,630
Change in accrued interest	(26)	415	(121)	11,221	9,553
Total interest expense	32,626	31,781	33,966	34,773	31,183
<b>Total expense</b>	<b>555,108</b>	<b>558,584</b>	<b>559,507</b>	<b>511,809</b>	<b>445,783</b>
Net farm income from operations	186,793	52,974	138,898	152,432	91,971
Gain or loss on capital sales	1,088	731			
<b>Net farm income</b>	<b>187,881</b>	<b>53,704</b>			

**Average Money Spent by each Farm totals  
\$733,683**



**Financial Summary**  
**(Farms Sorted By Years)**

**Minnesota State Colleges & Universities - Farm Business Management**

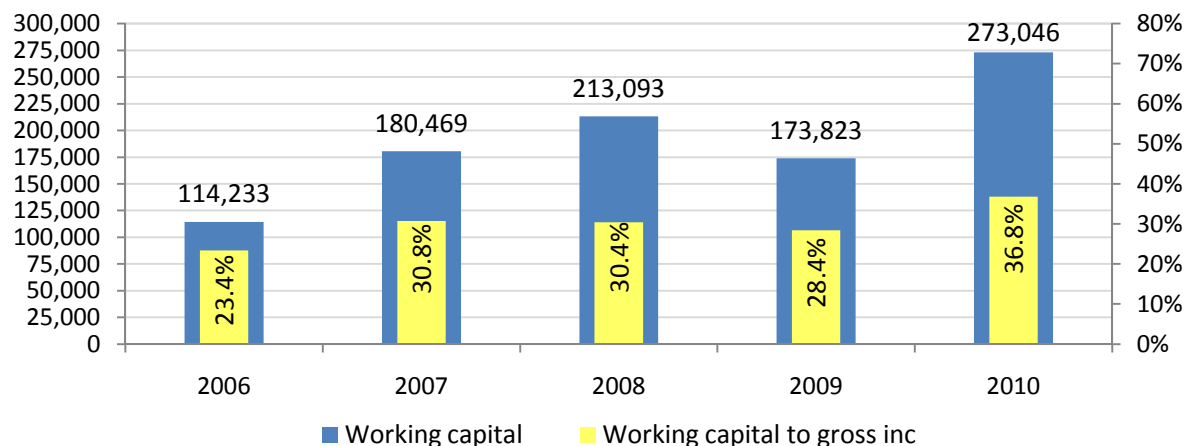
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Number of farms	2336	2323	2318	2484	2332
<b>Income Statement</b>					
Gross cash farm income	654,983	612,651	665,602	586,667	488,392
Total cash farm expense	533,116	508,273	547,945	492,867	416,694
Net cash farm income	121,867	104,378	117,657	93,800	71,698
Inventory change	104,690	-15,962	55,544	87,502	46,380
Depreciation	-39,764	-35,443	-34,304	-28,869	-26,107
Net farm income from operations	186,793	52,974	138,898	152,432	91,971
Gain or loss on capital sales	1,088	731			
Average net farm income	187,881	53,704			
Median net farm income	116,518	32,405			
<b>Profitability (cost)</b>					
Rate of return on assets	12.2%	3.2%	10.5%	13.8%	9.1%
Rate of return on equity	18.6%	1.4%	14.6%	20.7%	11.8%
Operating profit margin	26.6%	7.9%	21.7%	26.8%	19.7%
Asset turnover rate	46.1%	39.9%	48.3%	51.4%	46.1%
<b>Liquidity</b>					
Current assets	526,212	422,285	448,301	391,748	316,051
Current liabilities	253,166	248,462	235,191	211,280	201,819
Ending current ratio	2.08	1.70	1.91	1.85	1.57
Ending working capital	273,046	173,823	213,110	180,469	114,233
End working capital to gross inc	36.8%	28.4%	30.4%	30.8%	23.4%
Term debt coverage ratio	2.93	1.04	2.37	2.63	1.78
Replacement coverage ratio	2.42	0.87	2.04		
<b>Solvency (market)</b>					
Number of farms	2,336	2,323	2,318	2,484	2,332
Total farm assets	1,968,569	1,761,595	1,712,759	1,533,932	1,378,353
Total farm liabilities	888,113	821,572	624,923	720,970	662,952
Total assets	2,174,196	1,955,532	1,887,932	1,710,221	1,548,641
Total liabilities	941,077	870,326	848,675	764,987	703,945
Net worth	1,233,119	1,085,206	1,039,257	945,235	844,696
Net worth change	169,796	59,000	104,306	139,936	90,504
Farm debt to asset ratio	45%	47%	36%	47%	48%
Total debt to asset ratio	43%	45%	45%	45%	45%
<b>Nonfarm Information</b>					
Net nonfarm income	27,972	26,495	24,834	24,532	24,249
Farms reporting living expenses	618	620	701	957	893
Total family living expense	53,985	51,948	51,019	43,517	41,399
Total living, invest, & capital	78,783	80,124	81,684	65,882	66,293
<b>Crop Acres</b>					
Total acres owned	263	269	266	269	273
Total crop acres	812	798	787	777	782
Total crop acres owned	226	226	220	211	217
Total crop acres cash rented	565	551	546	545	541
Total crop acres share rented	21	21	21	22	23

## Financial Standards Measures (Farms Sorted By Years)

### Minnesota State Colleges & Universities - Farm Business Management

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Number of farms	2336	2323	2318	2484	2332
<b>Liquidity</b>					
Current ratio	2.08	1.70	1.91	1.85	1.57
Working capital	273,046	173,823	213,093	180,469	114,233
Working capital to gross inc	36.8%	28.4%	30.4%	30.8%	23.4%
<b>Solvency (market)</b>					
Farm debt to asset ratio	45%	47%	47%	47%	48%
Farm equity to asset ratio	55%	53%	53%	53%	52%
Farm debt to equity ratio	0.82	0.87	0.88	0.89	0.93
<b>Profitability (cost)</b>					
Rate of return on farm assets	12.2%	3.2%	10.5%	13.8%	9.1%
Rate of return on farm equity	18.6%	1.4%	14.6%	20.7%	11.8%
Operating profit margin	26.6%	7.9%	21.7%	26.8%	19.7%
Net farm income	187,881	53,704	139,864	152,432	91,971
EBIDTA	259,184	120,198	207,167		
<b>Repayment Capacity</b>					
Capital debt repayment capacity	210,055	72,226	156,146		
Capital debt repayment margin	138,470	2,449	90,384	105,629	47,929
Replacement margin	123,343	-10,653	79,505		
Term debt coverage ratio	2.93	1.04	2.37	2.63	1.78
Replacement coverage ratio	2.42	0.87	2.04		
<b>Efficiency</b>					
Asset turnover rate (cost)	46.1%	39.9%	48.3%	51.4%	46.1%
Operating expense ratio	65.1%	80.3%	70.4%	67.5%	72.2%
Depreciation expense ratio	5.4%	5.8%	4.9%	4.3%	4.9%
Interest expense ratio	4.4%	5.1%	4.9%	5.2%	5.8%
Net farm income ratio	25.3%	8.8%	20.0%	22.9%	17.1%

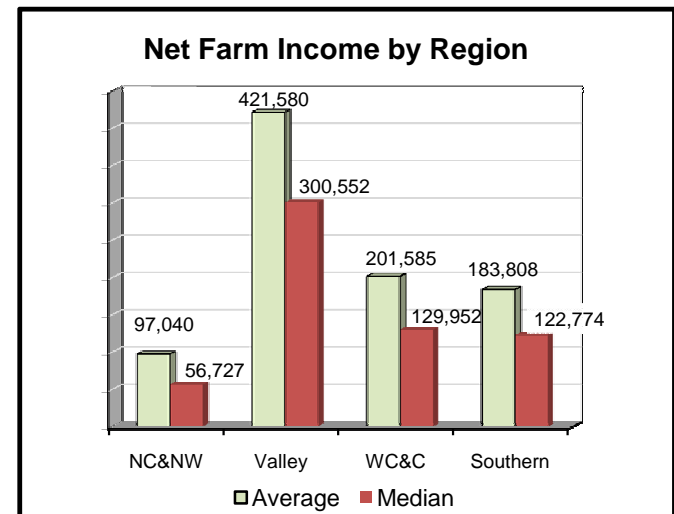
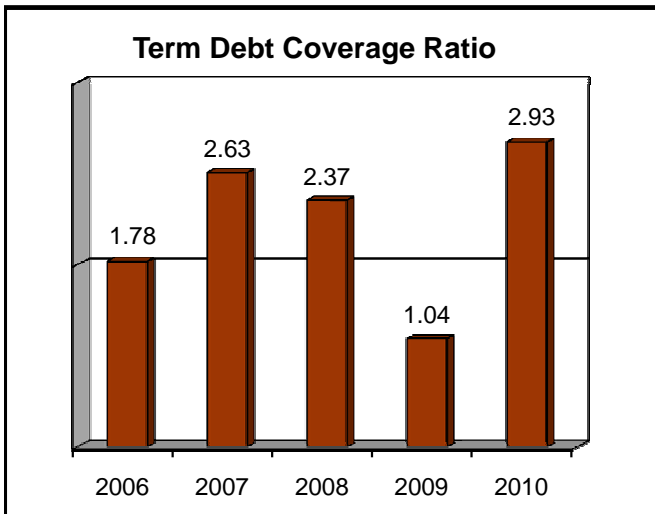
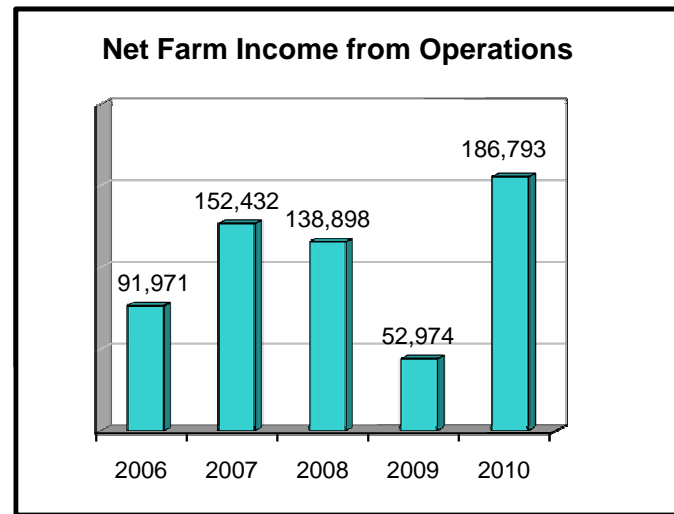
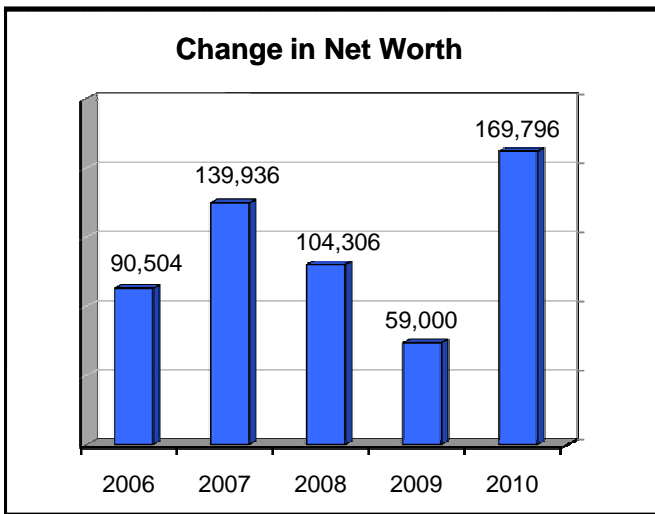
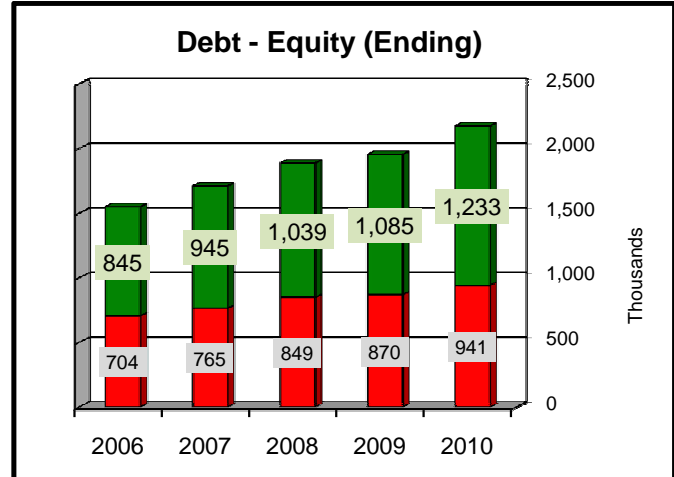
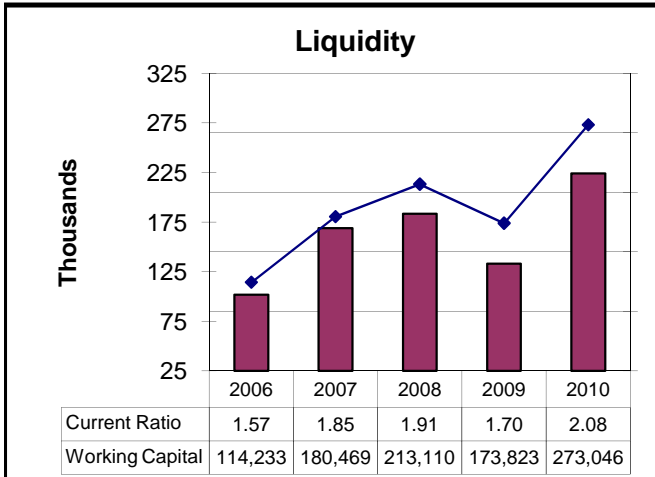
### Working Capital - A Look at Liquidity



**Financial Summary**  
**(Farms Sorted By Report Region)**  
**Minnesota State Colleges & Universities - Farm Business Management**

	<u>NC&amp;NW</u>	<u>Valley</u>	<u>WC&amp;C</u>	<u>Southern</u>
Number of farms	408	147	554	1226
<b>Income Statement</b>				
Gross cash farm income	375,936	1,059,321	633,206	708,501
Total cash farm expense	313,387	804,263	507,445	584,669
Net cash farm income	62,549	255,058	125,761	123,831
Inventory change	57,491	226,353	112,223	102,349
Depreciation	-23,486	-64,047	-38,181	-42,973
Net farm income from operations	96,554	417,364	199,803	183,207
Gain or loss on capital sales	485	4,216	1,782	601
Average net farm income	97,040	421,580	201,585	183,808
Median net farm income	56,727	300,552	129,952	122,774
<b>Profitability (cost)</b>				
Rate of return on assets	9.7%	17.2%	12.9%	11.5%
Rate of return on equity	15.1%	25.9%	19.3%	17.4%
Operating profit margin	23.3%	30.3%	28.8%	25.4%
Asset turnover rate	41.8%	56.9%	44.9%	45.5%
<b>Liquidity &amp; Repayment (end of year)</b>				
Current assets	269,641	945,379	532,834	558,335
Current liabilities	144,874	421,263	242,420	273,668
Ending current ratio	1.86	2.24	2.2	2.04
Ending working capital	124,766	524,117	290,414	284,667
End working capital to gross inc	29.5%	41.7%	39.9%	36.0%
Term debt coverage ratio	2.28	4.4	3.13	2.78
Replacement coverage ratio	1.97	3.62	2.59	2.27
<b>Solvency (cost)</b>				
Number of sole proprietors	408	147	554	1,226
Ending farm assets	940,419	2,399,966	1,539,359	1,585,325
Ending farm liabilities	487,089	928,764	651,749	736,264
Ending total assets	1,055,858	2,641,553	1,681,559	1,786,154
Ending total liabilities	518,000	1,026,439	686,553	778,521
Ending net worth	537,858	1,615,114	995,006	1,007,633
Net worth change	80,470	336,936	169,896	152,469
Ending farm debt to asset ratio	52%	39%	42%	46%
End total debt to asset ratio	49%	39%	41%	44%
<b>Solvency (market)</b>				
Number of sole proprietors	408	147	554	1,226
Ending farm assets	1,161,161	3,078,957	1,872,026	2,148,198
Ending farm liabilities	591,680	1,269,911	808,210	977,181
Ending total assets	1,287,246	3,363,696	2,036,627	2,389,265
Ending total liabilities	625,782	1,428,418	849,163	1,029,081
Ending net worth	661,463	1,935,277	1,187,464	1,360,184
Net worth change	89,151	465,145	180,790	156,172
Ending farm debt to asset ratio	51%	41%	43%	45%
End total debt to asset ratio	49%	42%	42%	43%
<b>Nonfarm Information</b>				
Net nonfarm income	24,694	18,391	25,609	31,302
Farms reporting living expenses	56	11	155	396
Total family living expense	38,253	66,468	51,171	56,965
Total living, invest, & capital	48,578	155,176	69,980	84,378
<b>Crop Acres</b>				
Total acres owned	338	449	242	226
Total crop acres	717	2,050	811	693
Total crop acres owned	246	425	223	197
Total crop acres cash rented	460	1,582	566	475
Total crop acres share rented	11	42	22	21

## Five Year History of Selected Financial Measures



**Financial Summary by Farm Type**  
**(Farms Sorted By Years)**  
**Minnesota State Colleges & Universities - Farm Business Management**

	<u>Crop</u>	<u>Dairy</u>	<u>Hog</u>	<u>Beef</u>	<u>Crop &amp; Dairy</u>	<u>Crop &amp; Hog</u>	<u>Crop &amp; Beef</u>	<u>Other</u>
Number of farms	1282	416	41	43	134	75	96	246
<b>Income Statement</b>								
Gross cash farm income	656,020	634,369	1,990,502	481,852	565,163	1,308,707	439,490	430,170
Total cash farm expense	511,288	555,023	1,894,885	448,980	471,549	1,061,867	373,345	335,573
Net cash farm income	144,732	79,346	95,618	32,872	93,614	246,839	66,145	94,598
Inventory change	131,653	52,598	208,398	74,052	55,574	191,966	90,461	47,149
Depreciation	-43,226	-34,966	-45,331	-15,099	-37,248	-66,775	-26,287	-31,844
Net farm income from operations	233,158	96,977	258,684	91,825	111,940	372,030	130,320	109,903
Gain or loss on capital sales	1,676	521	-	83	461	529	568	68
Average net farm income	234,835	97,498	258,684	91,908	112,401	372,559	130,887	109,971
Median net farm income	161,229	57,784	223,423	34,451	91,792	269,436	76,349	67,780
<b>Profitability (cost)</b>	13.9%	7.3%	13.7%	9.2%	7.5%	14.7%	12.2%	10.5%
Rate of return on assets	20.8%	9.5%	27.1%	13.7%	10.3%	21.6%	20.1%	16.3%
Rate of return on equity	28.7%	16.8%	27.4%	34.8%	18.1%	31.7%	30.2%	26.3%
Operating profit margin	48.4%	43.5%	49.8%	26.4%	41.6%	46.2%	40.5%	39.9%
Asset turnover rate								
<b>Liquidity</b>								
Current assets	654,015	228,359	1,008,940	410,199	347,602	979,144	433,244	304,238
Current liabilities	300,872	120,273	658,283	282,372	183,257	398,389	222,573	164,058
Ending current ratio	2.17	1.9	1.53	1.45	1.9	2.46	1.95	1.85
Ending working capital	353,144	108,086	350,657	127,827	164,345	580,755	210,672	140,180
End working capital to gross inc	46.3%	15.9%	15.9%	23.4%	26.8%	39.5%	40.2%	29.8%
Term debt coverage ratio	3.55	1.69	3.02	2.93	1.86	3.61	3.04	2
Replacement coverage ratio	2.85	1.48	2.72	2.54	1.53	2.9	2.54	1.74
<b>Solvency (cost)</b>								
Number of sole proprietors	1,282	416	41	43	134	75	96	246
Ending farm assets	1,691,824	1,209,378	2,094,420	1,043,352	1,308,874	2,517,761	1,104,427	1,051,614
Ending farm liabilities	714,997	617,398	1,220,212	532,254	664,160	999,000	565,362	542,453
Ending total assets	1,896,303	1,314,836	2,247,426	1,121,752	1,439,468	2,733,354	1,238,917	1,236,685
Ending total liabilities	767,738	644,979	1,234,821	547,108	679,677	1,031,841	598,642	583,834
Ending net worth	1,128,564	669,857	1,012,605	574,644	759,792	1,701,513	640,275	652,852
Net worth change	199,648	63,997	237,169	82,544	75,974	302,997	130,086	89,654
Ending farm debt to asset ratio	42%	51%	58%	51%	51%	40%	51%	52%
End total debt to asset ratio	40%	49%	55%	49%	47%	38%	48%	47%
<b>Solvency (market)</b>								
Number of farms	1,282	416	41	43	134	75	96	246
Total farm assets	2,189,957	1,529,810	2,591,613	1,214,061	1,825,938	3,366,047	1,438,903	1,455,322
Total farm liabilities	951,468	733,545	1,485,185	650,334	864,159	1,399,749	709,097	691,603
Total assets	2,432,592	1,648,386	2,770,815	1,300,672	1,983,656	3,617,528	1,599,537	1,671,868
Total liabilities	1,018,604	768,059	1,503,965	666,680	886,700	1,444,045	749,022	738,909
Net worth	1,413,988	880,328	1,266,850	633,992	1,096,956	2,173,483	850,515	932,959
Net worth change	216,615	72,775	214,165	114,091	75,958	312,865	128,549	116,411
Farm debt to asset ratio	43%	48%	57%	54%	47%	42%	49%	48%
Total debt to asset ratio	42%	47%	54%	51%	45%	40%	47%	44%
<b>Nonfarm Information</b>								
Net nonfarm income	33,389	14,048	15,094	30,858	14,902	21,344	31,360	32,690
Farms reporting living expenses	379	80	11	8	31	23	21	63
Total family living expense	57,642	42,036	61,853	22,401	49,593	66,717	51,310	48,811
Total living, invest, & capital	89,536	45,207	91,419	24,843	58,381	107,297	74,816	63,648
<b>Crop Acres</b>								
Total acres owned	305	166	169	203	255	368	282	202
Total crop acres	1,114	289	406	353	552	1,041	588	433
Total crop acres owned	282	116	137	103	207	332	194	150
Total crop acres cash rented	801	172	268	243	336	698	381	261
Total crop acres share rented	31	2	1	7	8	11	14	22

## ***Selected Definitions***

### **Income Statement**

Net farm income from operations	Net farm income from operations is the farm earnings before adjusting for gain or loss from capital sales.
Net farm income	Net farm income represents the returns to labor, management, and equity capital invested in the business. Without income from other sources, or appreciation of capital asset values, net farm income must cover family living expenses and taxes, or net worth will decrease

### **Profitability (Cost)**

Rate of return on assets	Rate of return on assets is, in effect, the interest rate your farm earned in the past year on all money invested in the business. If assets are valued at market value, the rate of return on investment can be looked at as the "opportunity cost" of investing money in the farm instead of alternative investments. If assets are valued at cost (cost less depreciation), the rate of return represents the actual return on the average dollar invested in the business.
Rate of return on equity	Rate of return on equity is, in effect, the interest rate your investment in the business earned in the past year. If assets are valued at market value, this return can be compared with returns available if the assets were liquidated and invested in alternative investments. If assets are valued at cost, this represents the actual return to the amount of equity capital you have invested in the farm business.
Operating profit margin	The operating profit margin is a measure of the profit margin from the employment of assets. It measures how effectively you are employing assets relative to the value of output produced. Low prices, high operating expenses, or production problems are all possible causes of a low operating profit margin.
Asset turnover rate	Asset turnover is a measure of how efficiently assets are used in the business. A farm with good operating profit margin and asset turnover will show a strong rate of return on farm assets. If operating profit margin is low, the asset turnover rate must be strong, or vice versa, to maintain the rate of return on assets.

### **Liquidity**

Working capital	Working capital shows the dollar amount that current assets can or cannot cover current liabilities. It approximates the amount of capital available to purchase crop and livestock inputs and equipment necessary to produce farm products. The amount of working capital considered adequate must be related to the size of
Working capital to gross inc	Measures operating capital available against the size of the business.
Term debt coverage ratio	The term debt coverage ratio measures the ability of the business to cover all term debt payments. A number less than 100 percent indicates that the business, plus non-farm income, is not generating sufficient cash to meet all of the debt payments, after family living expenses and taxes have been paid. A number greater than 100 indicates the business is generating sufficient cash to pay all term debt obligations with some surplus margin remaining.
Replacement coverage ratio	This represents the ability to term debt and unfunded capital purchases. A ratio under 1.0 indicated that you did not generate enough income to cover term debt payments and unfunded capital purchases.

### **Solvency**

Farm Debt to Asset Ratio	The farm debt to asset ratio measures the financial position or solvency of the farm or ranch by comparing the total liabilities to the total assets. It measures the portion of the farm assets that have debt against them. A higher ratio is considered an indicator of greater financial risk.
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### **Efficiency**

Operating Expense Ratio	This ratio indicates the percent of the gross farm income, which is used to pay the operating expenses. Operating expenses do not include interest or depreciation expense.
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