



MINNESOTA STATE

Farm Business Management Program Database (2167 Farms)

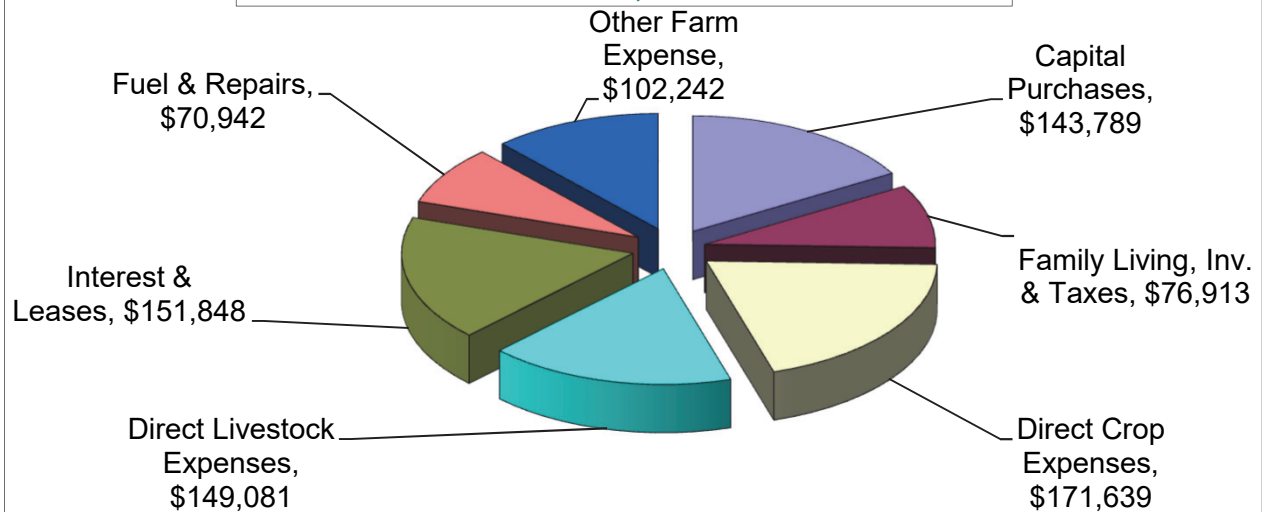
State Executive Summary - 2019

Financial Summaries & Financial Standards for 2016-2019
Current year data by Region, Farm Type, & Years Farming

April, 2020

Average Money Spent by each Farm totals

\$866,454



In Cooperation with the Center for Farm Financial Management, University of Minnesota
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Farm Business Management Websites at: agcentric.org or centerofagriculture.org

Brief Overview of 2019 in Production Agriculture

Farm Business Management Program Database

Minnesota farmers experienced their seventh consecutive year of low profitability in 2019. This is one of the key findings in the annual report developed by the Minnesota State Farm Business Management Education program (FBM) in cooperation with the University of Minnesota. The data in this report comes from 2,167 farmers participating in the Minnesota State FBM program.

Based on the graphic on the cover, over a 40 year farming career, each farmer would spend \$34,658,160. Based on that same graphic, those 2,167 farms spent \$1,877,605,818 in their greater communities in 2019. The majority of this money is spent locally, including businesses and cooperatives; demonstrating the vital importance of farms on the economy of Minnesota.

The median farm earned \$33,377, up from \$24,817 in 2018. Increases in farm income were largely driven by improved milk prices for portions of 2019 along with increases in government payments for both crop and livestock farms. With average investment just under \$2.9 million, farms earned a 3.1% return on investment. Even with the improved net farm income in 2019, almost one third of farms lost net worth in 2019.

Many farmers produced bumper crops of Minnesota's primary cash crops, corn and soybeans; while others struggled to get average yields due to various weather challenges, including significant acres that were unharvested by the end of 2019. Similar to the three previous years, high yields did not produce high profits. The median crop farm earned \$33,352, up from the \$29,712 in 2018.

As shown on page 6 of this report, profits were up for some of Minnesota's major types of livestock operations: especially the dairy and pork operations. The median livestock producer earned \$46,482 from farm operations for the year, compared to \$10,350 in 2018. Each farm in the database is placed in one of the 8 "Farm Type" columns based on that farm's source for 70% of their Gross Farm Income.

Most Minnesota farmers are still in reasonably good shape financially, even after seven years of low earnings. The average farm's debt to asset ratio was 46% in 2019, the same as in 2018. The change in working capital on page three of this summary showed an increase of \$13,844.

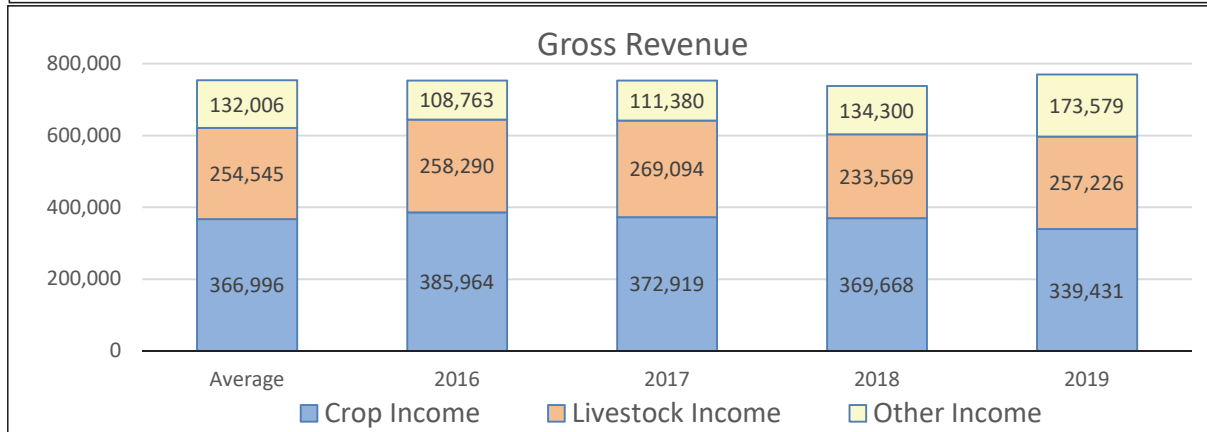
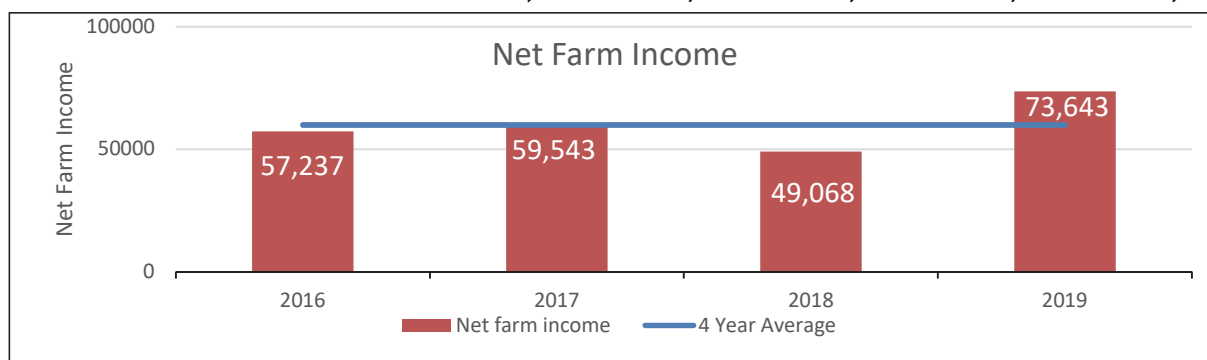
What is Net Farm Income used for?

Net Farm Income dollars are used to pay for Family Living, Social Security and Income Tax, Retirement Accounts, Medical and Health expenses, and loan principal payments. The list below shows the data for the current year. A positive balance indicates that there is revenue available for other uses, while a negative balance indicates there is a need for revenue from other sources.

		2019	2018	2017	2016
Net Farm Income		\$73,643	\$49,068	\$59,543	\$57,237
Depreciation	(plus)	\$50,364	\$49,692	\$51,002	\$53,496
Family Living (Excl Health/Med)	(minus)	\$46,127	\$45,702	\$49,652	\$49,107
Social Security and Income Tax	(minus)	\$8,112	\$8,123	\$9,829	\$10,793
Health and Medical Expense	(minus)	\$9,597	\$9,701	\$9,891	\$10,436
Retirement Accounts	(minus)	\$4,735	\$6,638	\$1,781	\$2,920
Principal Payments	(minus)	\$58,043	\$59,201	\$63,286	\$63,286
Balance		-\$2,607	-\$30,605	-\$23,894	-\$25,809

Summary Farm Income Statement
(Farms Sorted by Years)
Minnesota State - Farm Business Management

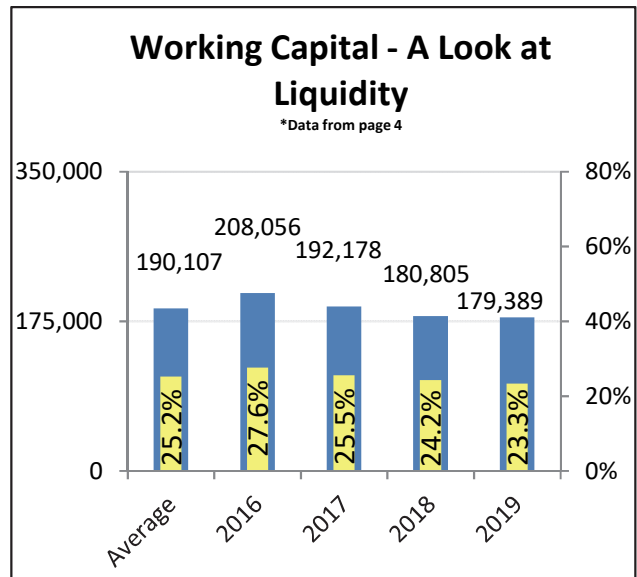
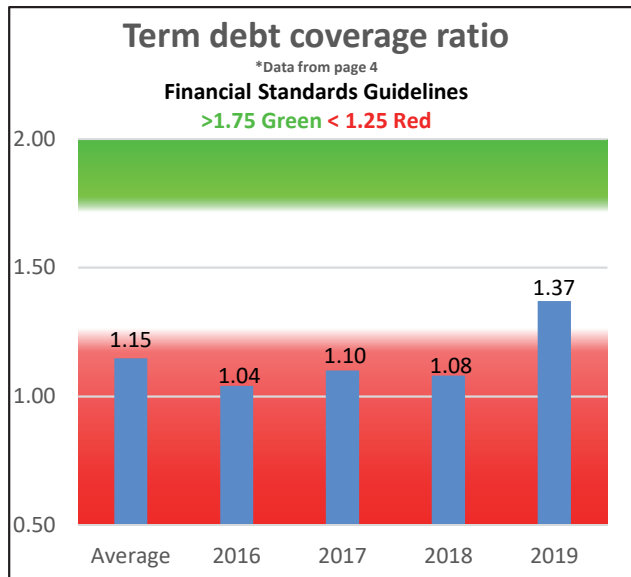
	<u>Average</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of farms	2161	2103	2164	2209	2167
Farm Revenue					
Crop sales	358,740	369,807	366,823	372,821	325,509
Crop inventory change	8,256	16,157	6,096	-3,154	13,923
Gross crop income	366,996	385,964	372,919	369,668	339,431
Livestock sales	255,687	267,230	264,814	234,219	256,483
Livestock inventory change	-1,142	-8,940	4,280	-650	743
Gross livestock income	254,545	258,290	269,094	233,569	257,226
Government payments	29,684	22,205	16,361	29,968	50,203
Other cash income	94,080	80,100	87,142	97,193	111,883
Other accrual changes	8,242	6,458	7,877	7,139	11,493
Gross revenue	753,546	753,016	753,393	737,537	770,236
Farm Expenses					
Cash operating expenses	603,628	599,291	600,637	608,512	606,073
Inventory Changes	8,213	9,448	7,543	3,955	4,811
Depreciation	51,139	53,496	51,002	49,692	50,364
Total operating expense	661,206	662,234	659,181	662,159	661,248
Interest paid	36,953	34,867	35,269	37,996	39,679
Change in accrued interest	1,150	407	1,140	1,373	1,678
Total interest expense	38,102	35,273	36,409	39,369	41,357
Total expense	699,308	697,507	695,590	701,527	702,606
Net farm income from operations	56,794	55,509	57,803	46,233	67,630
Gain or loss on capital sales	3,079	1,728	1,740	2,834	6,013
Net farm income	59,873	57,237	59,543	49,068	73,643



Financial Summary (Farms Sorted by Years)

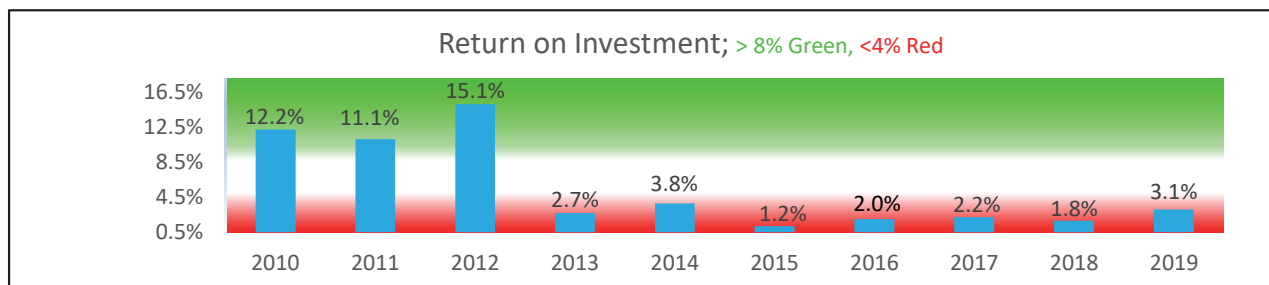
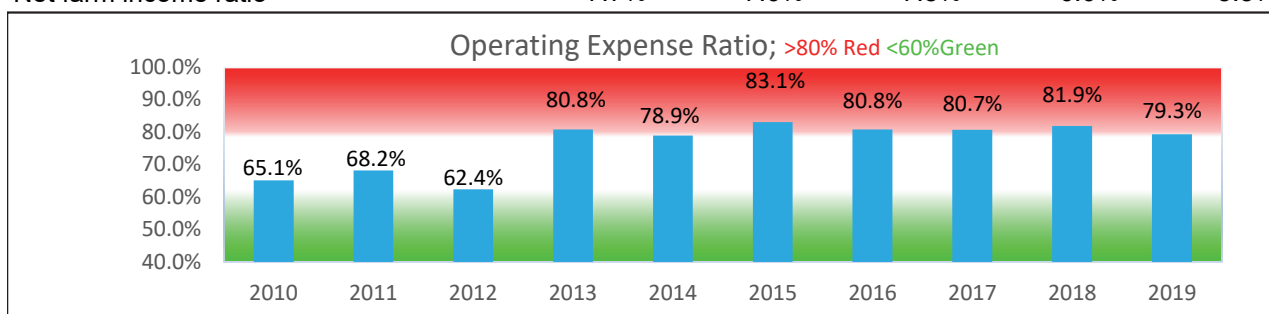
Minnesota State - Farm Business Management

	<u>Average</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of farms	2161	2103	2164	2209	2167
Income Statement					
Gross cash farm income	738,190	739,342	735,140	734,201	744,078
Total cash farm expense	640,581	634,157	635,906	646,508	645,752
Net cash farm income	97,609	105,184	99,234	87,693	98,326
Inventory Change	10,323	3,821	9,570	8,232	19,668
Depreciation	-51,139	-53,496	-51,002	-49,692	-50,364
Average net farm income	59,873	57,237	59,543	49,068	73,643
Median net farm income	29,768	34,321	26,556	24,817	33,377
Liquidity & Repayment (end of year)					
Current Assets	527,673	536,918	528,180	525,403	520,189
Current Liabilities	337,590	328,862	336,002	344,698	340,799
Change in working capital	180	NA	-9,472	-3,831	13,844
Solvency (end of year at market)					
Total assets	2,914,193	2,915,331	2,955,907	2,897,360	2,888,174
Total liabilities	1,255,261	1,238,075	1,261,663	1,265,455	1,255,849
Net worth	1,658,933	1,677,256	1,694,245	1,631,905	1,632,325
Net worth change	60,385	59,468	63,209	39,220	79,642
Change in net worth %	4%	4%	4%	2%	5%
Nonfarm Information					
Net nonfarm income	35,449	33,082	33,090	37,849	37,773
Farms reporting living expenses	424	453	442	409	390
Total family living expense	58,971	58,526	58,933	58,139	60,284
Total living, invest, & capital	83,964	80,890	84,694	82,916	87,356
Total Crop Acres	781	764	788	795	775
Machinery value per crop acre	723	761	730	708	692



Financial Standards Measures
(Farms Sorted by Years)
Minnesota State - Farm Business Management

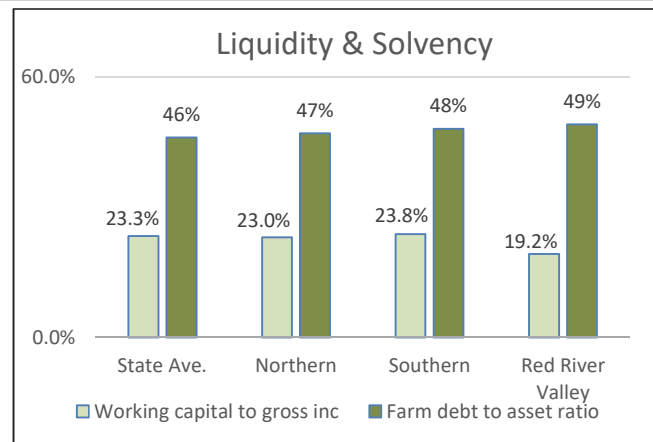
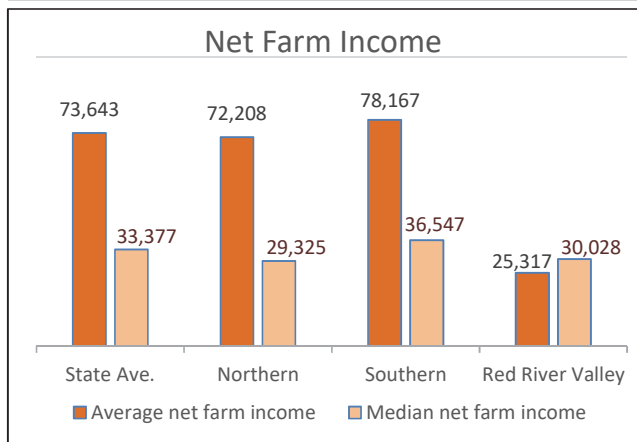
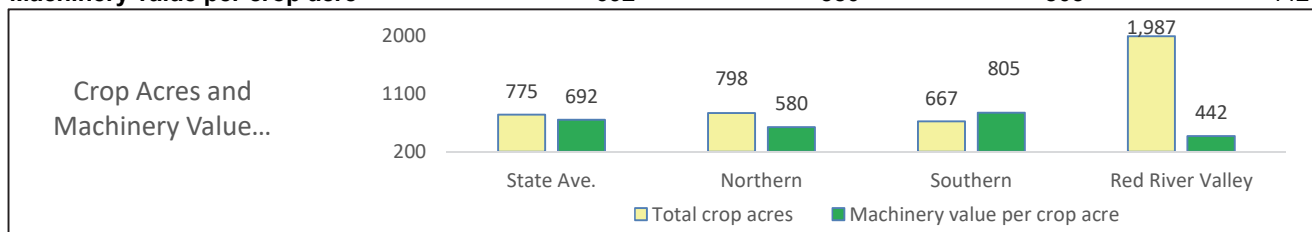
	<u>Average</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of farms	2161	2103	2164	2209	2167
Liquidity					
Current ratio	1.56	1.63	1.57	1.52	1.53
Working capital	190,107	208,056	192,178	180,805	179,389
Working capital to gross inc	25.2%	27.6%	25.5%	24.2%	23.3%
Solvency (market)					
Farm debt to asset ratio	46%	45%	45%	46%	46%
Farm equity to asset ratio	55%	55%	55%	54%	54%
Farm debt to equity ratio	0.84	0.82	0.82	0.86	0.86
Profitability (cost)					
Rate of return on farm assets	2.3%	2.0%	2.2%	1.8%	3.1%
Rate of return on farm equity	0.7%	0.4%	0.6%	-0.3%	1.9%
Operating profit margin	7.0%	6.2%	6.8%	5.7%	9.3%
Net farm income	59,873	57,237	59,543	49,068	73,643
EBIDTA	146,035	144,279	145,214	135,294	159,351
Repayment Capacity					
Capital debt repayment capacity	100,589	95,471	97,230	93,148	116,506
Capital debt repayment margin	12,661	3,710	8,645	6,967	31,322
Replacement margin	-16,024	-23,718	-20,346	-21,863	1,833
Term debt coverage ratio	1.15	1.04	1.10	1.08	1.37
Replacement coverage ratio	0.87	0.80	0.83	0.81	1.02
Efficiency					
Asset turnover rate (cost)	32.4%	31.9%	32.1%	32.4%	33.2%
Operating expense ratio	80.7%	80.8%	80.7%	81.9%	79.3%
Depreciation expense ratio	6.8%	7.1%	6.8%	6.6%	6.5%
Interest expense ratio	5.1%	4.7%	4.8%	5.3%	5.4%
Net farm income ratio	7.7%	7.6%	7.8%	6.6%	8.8%



Financial Summary (Farms Sorted by Region)

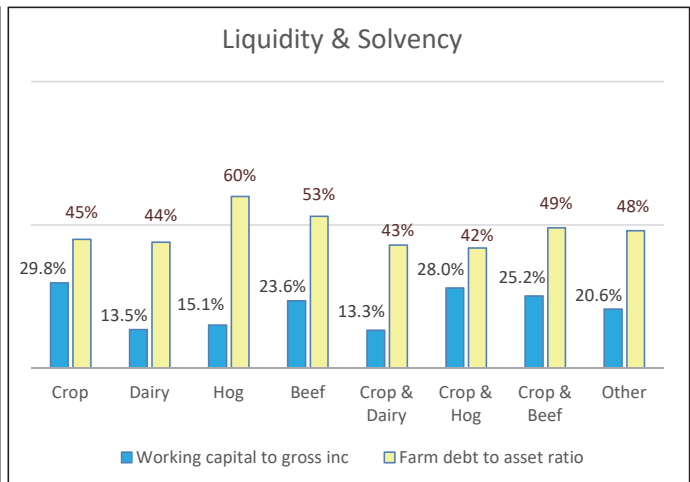
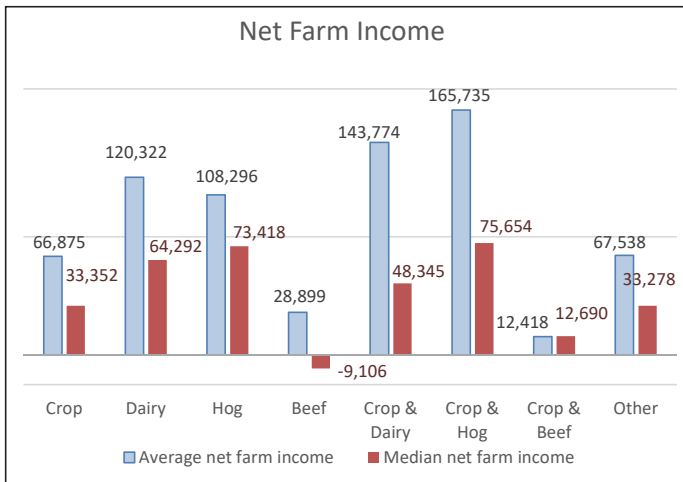
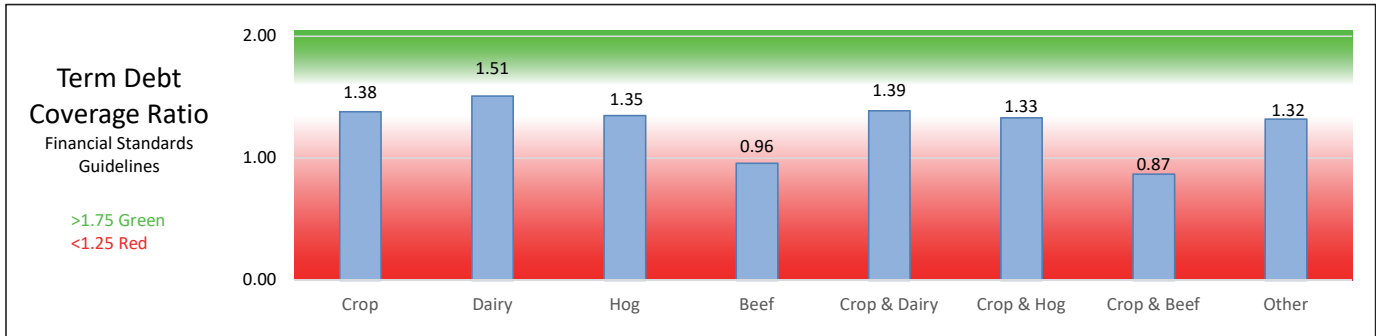
Minnesota State - Farm Business Management

	<u>State Ave.</u>	<u>Northern</u>	<u>Southern</u>	<u>Red River Valley</u>
Number of farms	2167	572	1474	121
Income Statement				
Gross cash farm income	744,078	605,725	771,105	1,068,869
Total cash farm expense	645,752	511,025	675,013	926,182
Net cash farm income	98,326	94,700	96,092	142,687
Average net farm income	73,643	72,208	78,167	25,317
Median net farm income	33,377	29,325	36,547	30,028
Profitability (cost)				
Rate of return on assets	3.1%	3.4%	3.4%	0.0%
Rate of return on equity	1.9%	2.4%	2.5%	-3.8%
Operating profit margin	9.3%	10.9%	10.1%	0.1%
Asset turnover rate	33.2%	30.8%	33.9%	34.3%
Liquidity & Repayment (end of year)				
Current ratio	1.53	1.53	1.56	1.30
Working capital	179,389	144,382	190,459	210,036
Working capital to gross inc	23.3%	23.0%	23.8%	19.2%
Term debt coverage ratio	1.37	1.35	1.48	0.45
Solvency (end of year at market)				
Total assets	2,888,174	2,290,635	2,236,493	3,562,490
Total liabilities	1,255,849	1,029,465	1,000,841	1,684,507
Net worth	1,632,325	1,261,170	1,235,652	1,877,984
Farm debt to asset ratio	46%	47%	48%	49%
Nonfarm Information				
Net nonfarm income	37,773	33,283	40,429	26,638
Farms reporting living expenses	390	70	300	20
Total family living expense	60,284	51,527	61,853	67,397
Total living, invest, & capital	87,356	74,591	88,194	119,477
Total crop acres	775	798	667	1,987
Machinery value per crop acre	692	580	805	442



Financial Summary
(Farms Sorted by Farm Type)
Minnesota State - Farm Business Management

	<u>Crop</u>	<u>Dairy</u>	<u>Hog</u>	<u>Beef</u>	<u>Crop & Dairy</u>	<u>Crop & Hog</u>	<u>Crop & Beef</u>	<u>Other</u>
Number of farms	1137	294	35	70	47	27	112	440
Income Statement								
Gross cash farm income	659,016	1,276,496	2,039,496	521,375	906,809	1,660,205	552,252	521,941
Total cash farm expense	564,882	1,123,342	2,008,809	493,135	765,483	1,475,119	496,377	431,156
Net cash farm income	94,134	153,154	30,687	28,240	141,327	185,086	55,875	90,784
Average net farm income	66,875	120,322	108,296	28,899	143,774	165,735	12,418	67,538
Median net farm income	33,352	64,292	73,418	-9,106	48,345	75,654	12,690	33,278
Profitability (cost)								
Rate of return on assets	2.6%	4.6%	3.6%	0.9%	3.8%	4.1%	0.6%	3.7%
Rate of return on equity	1.1%	4.6%	2.2%	-3.4%	3.3%	3.8%	-4.0%	3.0%
Operating profit margin	7.7%	11.9%	9.9%	4.6%	12.8%	10.6%	2.4%	13.1%
Asset turnover rate	33.9%	38.9%	36.5%	18.5%	29.8%	38.7%	26.9%	28.0%
Liquidity								
Current ratio	1.51	1.75	1.48	1.41	1.39	1.79	1.43	1.47
Working capital	204,944	176,392	328,888	125,730	125,294	491,470	136,920	110,689
Working capital to gross inc	29.8%	13.5%	15.1%	23.6%	13.3%	28.0%	25.2%	20.6%
Term debt coverage ratio	1.38	1.51	1.35	0.96	1.39	1.33	0.87	1.32
Solvency (end of year at market)								
Number of farms	1,137	294	35	70	47	27	112	440
Total assets	3,107,701	3,065,583	3,789,127	1,657,698	3,605,870	5,251,341	2,305,957	2,268,438
Total liabilities	1,322,791	1,315,256	2,133,046	833,380	1,466,349	2,075,233	1,066,152	1,024,638
Net worth	1,784,910	1,750,327	1,656,081	824,318	2,139,521	3,176,108	1,239,805	1,243,800
Farm debt to asset ratio	45%	44%	60%	53%	43%	42%	49%	48%
Total crop acres	1,074	420	460	299	734	1,149	600	373
Machinery value per crop acre	569	1,403	896	766	992	790	716	953



Financial Summary
(Sorted by Number of Years Farming)

Minnesota State - Farm Business Management

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Number of farms	629	342	308	395	493
Income Statement					
Gross cash farm income	330,378	657,650	872,505	1,077,958	984,112
Total cash farm expense	300,568	573,768	749,128	934,887	839,850
Net cash farm income	29,809	83,882	123,377	143,071	144,263
Average net farm income	45,666	79,174	71,510	90,928	92,984
Median net farm income	24,921	37,335	44,758	39,586	34,864
Profitability (cost)					
Rate of return on assets	4.6%	4.4%	2.9%	2.7%	2.5%
Rate of return on equity	5.6%	4.7%	1.1%	1.3%	1.0%
Operating profit margin	11.4%	11.7%	8.8%	8.6%	8.1%
Asset turnover rate	40.1%	38.0%	32.5%	31.3%	31.0%
Liquidity & Repayment (end of year)					
Current ratio	1.56	1.34	1.44	1.52	1.67
Working capital	86,482	103,375	203,278	253,844	276,081
Working capital to gross inc	23.5%	14.7%	22.9%	23.0%	27.8%
Term debt coverage ratio	1.95	1.55	1.22	1.23	1.23
Solvency (end of year at market)					
Number of farms	629	342	308	395	493
Total assets	970,590	1,797,542	2,750,861	3,243,963	3,007,986
Total liabilities	566,638	958,984	1,304,444	1,314,725	1,133,717
Net worth	403,952	838,559	1,446,417	1,929,239	1,874,269
Farm debt to asset ratio	61%	56%	50%	44%	41%
Total crop acres	410	690	1,044	1,008	945
Machinery value per crop acre	376	554	697	812	831

