

*Minnesota State Colleges and Universities*

**State**  
**Farm Business Management Program**  
**Database**  
*2306 Farms*

***State Executive Summary - 2011***

*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, 2012



A MEMBER OF THE MINNESOTA STATE COLLEGES  
AND UNIVERSITIES SYSTEM

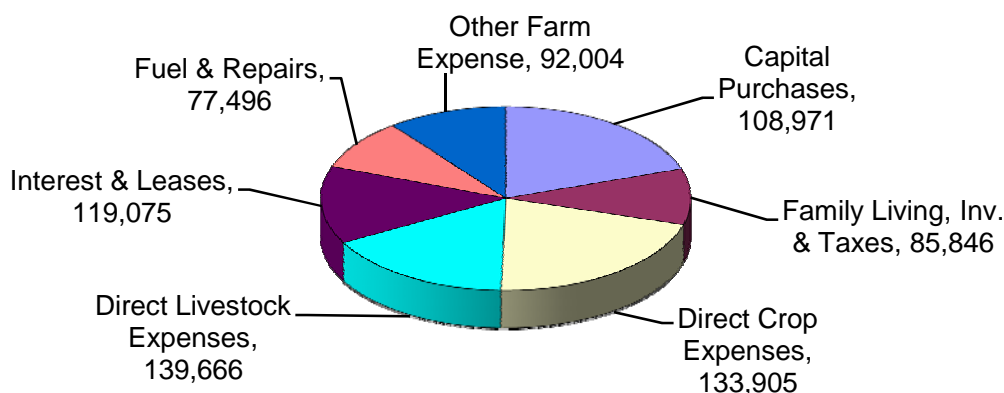
In Cooperation with the Center for Farm Financial Management University of Minnesota

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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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Number of farms	2306	2336	2323	2318	2484
<b>Farm Revenue</b>					
Crop sales	431,612	374,470	348,613	351,329	271,993
Crop inventory change	24,614	81,773	4,602	23,223	66,326
Gross crop income	456,226	456,260	353,217	374,552	338,319
Livestock sales	253,712	199,384	168,428	237,586	251,152
Livestock inventory change	5,417	7,598	663	(3,103)	2,287
Gross livestock income	259,129	206,981	169,091	234,483	253,439
Government payments	16,576	19,771	21,465	19,262	15,721
Other cash income	84,707	61,340	74,143	57,428	47,801
Change in accounts receivable	8,920	1,070	(6,751)	12,681	8,957
Gain or loss on hedging accounts	(1,121)	(6,624)	(1,271)		
Change in other assets	3,803	2,745	2,756		
Gain or loss on breeding lvst	589	357	(1,092)		
<b>Gross revenue</b>	<b>828,829</b>	<b>741,901</b>	<b>611,557</b>	<b>698,406</b>	<b>664,237</b>
<b>Farm Expenses</b>					
Cash operating expenses	583,452	500,463	476,907	513,859	469,320
Change in prepaid exp & supplies	(18,800)	(14,314)	11,022	23,542	12,921
Change in growing crops	(46)	(143)	-452		
Change in accts pay & other inv.	296	(3,289)	3,883	(921)	8,232
Depreciation	43,076	39,764	35,443	34,303	28,869
Total operating expense	607,978	522,481	526,802	525,541	477,036
Interest paid	31,247	32,652	31,366	34,087	23,552
Change in accrued interest	59	(26)	415	(121)	11,221
Total interest expense	31,306	32,626	31,781	33,966	34,773
<b>Total expense</b>	<b>639,284</b>	<b>555,108</b>	<b>558,584</b>	<b>559,507</b>	<b>511,809</b>
Net farm income from operations	189,545	186,793	52,974	138,898	152,432
Gain or loss on capital sales	976	1,088	731		
<b>Net farm income</b>	<b>190,521</b>	<b>187,881</b>	<b>53,704</b>		

**Average Money Spent by each Farm totals**  
**\$873,800**



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

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

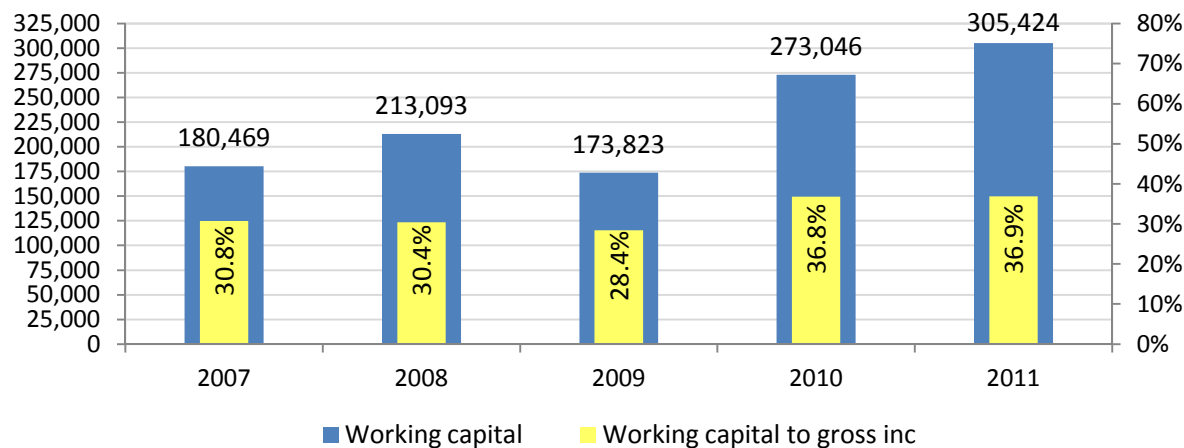
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Number of farms	2306	2336	2323	2318	2484
<b>Income Statement</b>					
Gross cash farm income	786,607	654,983	612,651	665,602	586,667
Total cash farm expense	614,698	533,116	508,273	547,945	492,867
Net cash farm income	171,909	121,867	104,378	117,657	93,800
Inventory change	60,713	104,690	-15,962	55,544	87,502
Depreciation	-43,076	-39,764	-35,443	-34,304	-28,869
Net farm income from operations	189,545	186,793	52,974	138,898	152,432
Gain or loss on capital sales	976	1,088	731		
Average net farm income	190,521	187,881	53,704		
Median net farm income	119,961	116,518	32,405		
<b>Profitability (cost)</b>					
Rate of return on assets	11.1%	12.2%	3.2%	10.5%	13.8%
Rate of return on equity	16.2%	18.6%	1.4%	14.6%	20.7%
Operating profit margin	24.0%	26.6%	7.9%	21.7%	26.8%
Asset turnover rate	46.4%	46.1%	39.9%	48.3%	51.4%
<b>Liquidity</b>					
Current assets	551,590	526,212	422,285	448,301	391,748
Current liabilities	246,166	253,166	248,462	235,191	211,280
Ending current ratio	2.24	2.08	1.70	1.91	1.85
Ending working capital	305,424	273,046	173,823	213,110	180,469
End working capital to gross inc	36.9%	36.8%	28.4%	30.4%	30.8%
Term debt coverage ratio	2.89	2.93	1.04	2.37	2.63
Replacement coverage ratio	2.37	2.42	0.87	2.04	
<b>Solvency (market)</b>					
Number of farms	2,306	2,336	2,323	2,318	2,484
Total farm assets	2,104,491	1,968,569	1,761,595	1,712,759	1,533,932
Total farm liabilities	899,269	888,113	821,572	624,923	720,970
Total assets	2,312,517	2,174,196	1,955,532	1,887,932	1,710,221
Total liabilities	953,422	941,077	870,326	848,675	764,987
Net worth	1,359,095	1,233,119	1,085,206	1,039,257	945,235
Net worth change	177,152	169,796	59,000	104,306	139,936
Farm debt to asset ratio	43%	45%	47%	36%	47%
Total debt to asset ratio	41%	43%	45%	45%	45%
<b>Nonfarm Information</b>					
Net nonfarm income	28,013	27,972	26,495	24,834	24,532
Farms reporting living expenses	554	618	620	701	957
Total family living expense	58,284	53,985	51,948	51,019	43,517
Total living, invest, & capital	91,271	78,783	80,124	81,684	65,882
<b>Crop Acres</b>					
Total acres owned	255	263	269	266	269
Total crop acres	786	812	798	787	777
Total crop acres owned	222	226	226	220	211
Total crop acres cash rented	546	565	551	546	545
Total crop acres share rented	18	21	21	21	22

**Financial Standards Measures  
(Farms Sorted By Years)**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Number of farms	2306	2336	2323	2318	2484
<b>Liquidity</b>					
Current ratio	2.24	2.08	1.70	1.91	1.85
Working capital	305,424	273,046	173,823	213,093	180,469
Working capital to gross inc	36.9%	36.8%	28.4%	30.4%	30.8%
<b>Solvency (market)</b>					
Farm debt to asset ratio	43%	45%	47%	47%	47%
Farm equity to asset ratio	57%	55%	53%	53%	53%
Farm debt to equity ratio	0.75	0.82	0.87	0.88	0.89
<b>Profitability (cost)</b>					
Rate of return on farm assets	11.1%	12.2%	3.2%	10.5%	13.8%
Rate of return on farm equity	16.2%	18.6%	1.4%	14.6%	20.7%
Operating profit margin	24.0%	26.6%	7.9%	21.7%	26.8%
Net farm income	190,521	187,881	53,704	139,864	152,432
EBIDTA	263,927	259,184	120,198	207,167	
<b>Repayment Capacity</b>					
Capital debt repayment capacity	211,225	210,055	72,226	156,146	
Capital debt repayment margin	138,212	138,470	2,449	90,384	105,629
Replacement margin	122,030	123,343	-10,653	79,505	
Term debt coverage ratio	2.89	2.93	1.04	2.37	2.63
Replacement coverage ratio	2.37	2.42	0.87	2.04	
<b>Efficiency</b>					
Asset turnover rate (cost)	46.4%	46.1%	39.9%	48.3%	51.4%
Operating expense ratio	68.2%	65.1%	80.3%	70.4%	67.5%
Depreciation expense ratio	5.2%	5.4%	5.8%	4.9%	4.3%
Interest expense ratio	3.8%	4.4%	5.1%	4.9%	5.2%
Net farm income ratio	23.0%	25.3%	8.8%	20.0%	22.9%

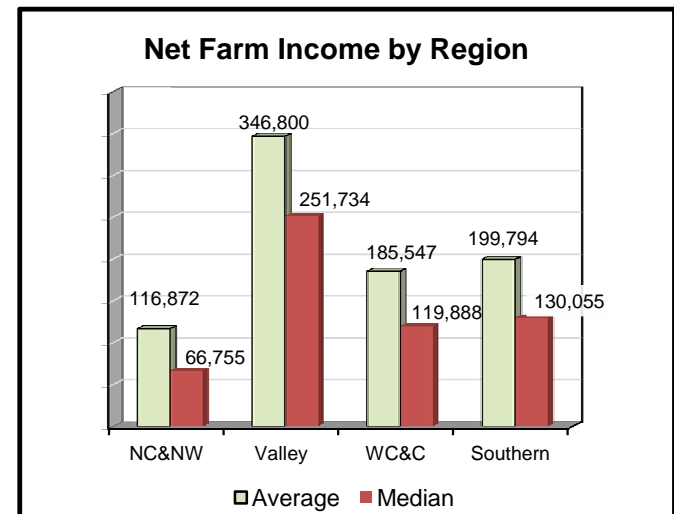
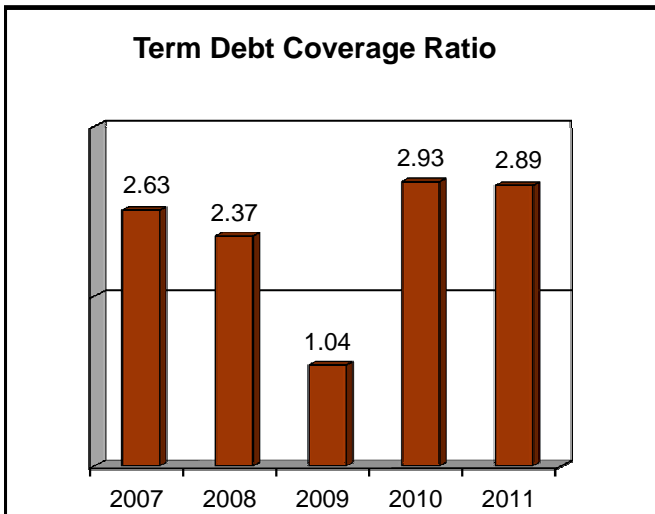
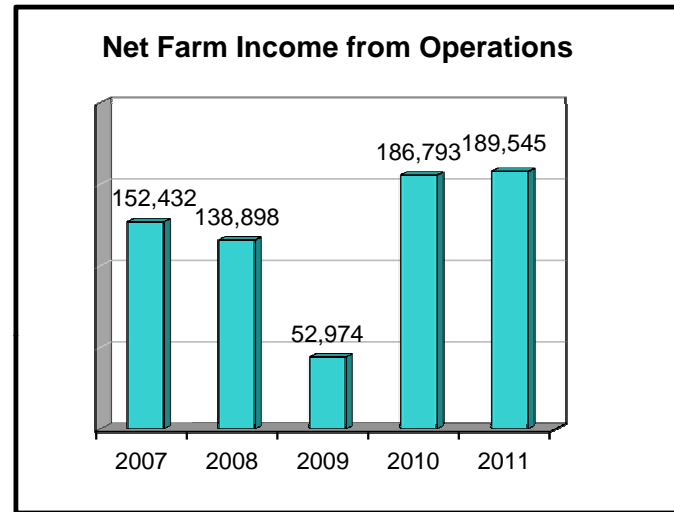
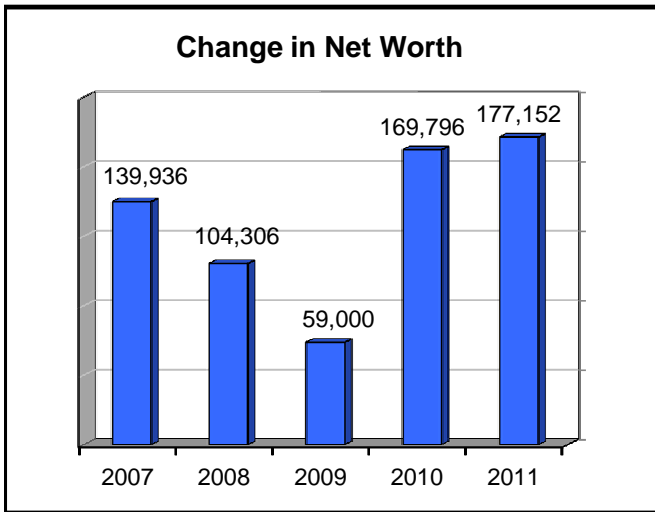
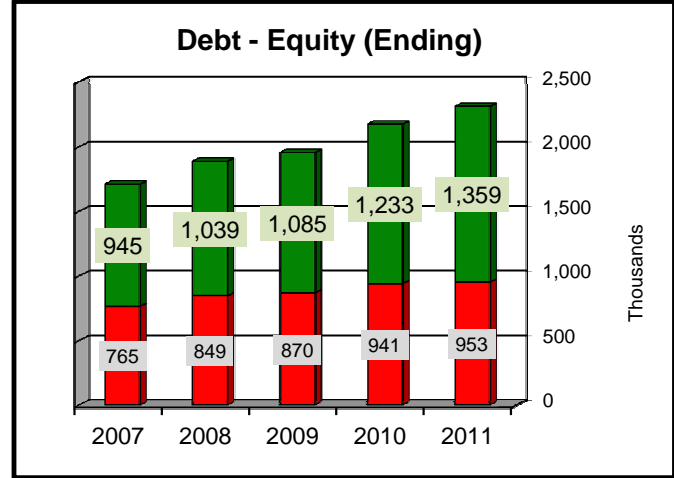
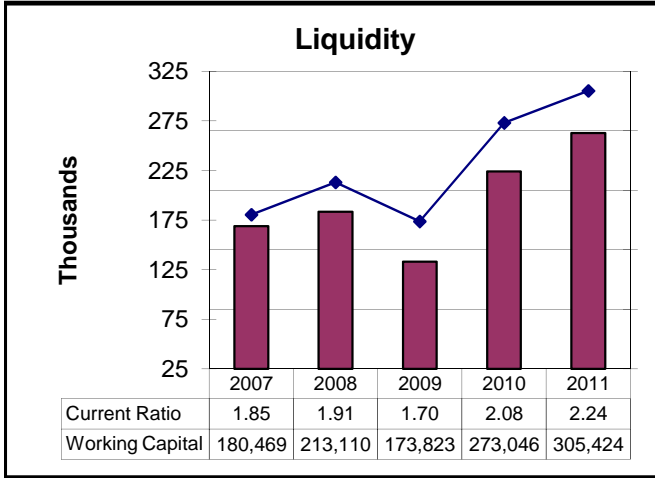
**Working Capital - A Look at Liquidity**



**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	395	150	537	1207
<b>Income Statement</b>				
Gross cash farm income	489,148	1,229,492	774,992	842,153
Total cash farm expense	389,571	904,057	598,627	665,873
Net cash farm income	99,577	325,435	176,364	176,279
Inventory change	45,283	84,743	50,765	68,217
Depreciation	-29,184	-67,741	-41,852	-45,515
Net farm income from operations	115,675	342,437	185,277	198,982
Gain or loss on capital sales	1,197	4,362	269	812
Average net farm income	116,872	346,800	185,547	199,794
Median net farm income	66,755	251,734	119,888	130,055
<b>Profitability (cost)</b>				
Rate of return on assets	9.6%	12.2%	10.8%	11.5%
Rate of return on equity	14.4%	17.2%	15.3%	16.9%
Operating profit margin	22.1%	23.3%	23.7%	24.7%
Asset turnover rate	43.7%	52.6%	45.3%	46.4%
<b>Liquidity &amp; Repayment (end of year)</b>				
Current assets	298,668	973,278	550,647	588,863
Current liabilities	151,495	436,551	236,108	260,814
Ending current ratio	1.97	2.23	2.33	2.26
Ending working capital	147,173	536,727	314,539	328,049
End working capital to gross inc	0.28	42.30%	38.90%	36.80%
Term debt coverage ratio	2.47	3.26	2.9	2.94
Replacement coverage ratio	2.10	2.73	2.37	2.38
<b>Solvency (cost)</b>				
Number of sole proprietors	395	150	537	1,207
Ending farm assets	1,089,771	2,587,694	1,652,295	1,687,958
Ending farm liabilities	519,267	955,349	690,920	730,932
Ending total assets	1,208,039	2,835,211	1,802,313	1,887,084
Ending total liabilities	545,746	1,049,511	723,105	773,927
Ending net worth	662,293	1,785,700	1,079,208	1,113,157
Net worth change	91,675	281,765	142,115	160,642
Farm debt to asset ratio	48%	37%	42%	43%
Total debt to asset ratio	45%	37%	40%	41%
<b>Solvency (market)</b>				
Number of sole proprietors	395	150	537	1,207
Ending farm assets	1,349,766	3,323,956	2,024,449	2,252,275
Ending farm liabilities	640,333	1,288,604	852,002	964,436
Ending total assets	1,480,387	3,602,757	2,197,455	2,492,469
Ending total liabilities	670,483	1,455,747	890,928	1,019,297
Ending net worth	809,903	2,147,009	1,306,528	1,473,172
Net worth change	116,594	369,922	166,977	179,665
Farm debt to asset ratio	47%	39%	42%	43%
Total debt to asset ratio	45%	40%	41%	41%
<b>Nonfarm Information</b>				
Net nonfarm income	27,828	16,813	25,004	30,867
Farms reporting living expenses	49	9	151	343
Total family living expense	40,784	81,843	57,900	60,452
Total living, invest, & capital	50,363	171,459	88,691	96,315
<b>Crop Acres</b>				
Total acres owned	348	407	236	217
Total crop acres	712	1,957	803	667
Total crop acres owned	251	413	223	191
Total crop acres cash rented	452	1,503	562	457
Total crop acres share rented	9	41	18	19

## 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	1277	403	46	42	107	58	92	277
<b>Income Statement</b>								
Gross cash farm income	748,888	862,505	2,747,505	525,103	661,017	1,494,672	531,019	556,446
Total cash farm expense	556,248	715,572	2,477,153	508,988	532,050	1,179,987	445,077	419,680
Net cash farm income	192,640	146,933	270,352	16,115	128,968	314,685	85,942	136,766
Inventory change	62,899	48,316	219,683	88,438	38,336	141,376	73,327	26,457
Depreciation	-46,414	-40,427	-57,517	-17,265	-37,422	-65,719	-25,271	-36,705
Net farm income from operations	209,125	154,822	432,518	87,288	129,881	390,343	133,999	126,517
Gain or loss on capital sales	1,253	1,234	403	185	662	-237	220	178
Average net farm income	210,378	156,055	432,920	87,473	130,543	390,106	134,218	126,695
Median net farm income	142,672	84,218	342,134	27,948	119,888	261,501	90,219	78,650
<b>Profitability (cost)</b>								
	11.4%	9.8%	16.4%	8.2%	8.6%	14.4%	10.7%	10.1%
Rate of return on assets	16.3%	14.2%	31.8%	11.7%	12.0%	19.6%	15.5%	14.7%
Rate of return on equity	24.0%	20.2%	32.8%	28.2%	20.1%	30.1%	27.7%	25.0%
Operating profit margin	47.6%	48.5%	50.1%	29.2%	43.0%	47.7%	38.5%	40.2%
Asset turnover rate								
<b>Liquidity</b>								
Current assets	658,091	283,608	1,303,155	441,387	385,034	1,059,747	483,726	329,099
Current liabilities	288,934	133,463	676,529	300,640	147,900	349,922	237,507	154,862
Ending current ratio	2.28	2.12	1.93	1.47	2.6	3.03	2.04	2.13
Ending working capital	369,157	150,145	626,626	140,747	237,133	709,825	246,219	174,237
End working capital to gross inc	46.80%	16.70%	21.50%	22.60%	34.80%	44.80%	41.20%	30.20%
Term debt coverage ratio	3.19	2.24	3.64	3.22	2.07	4.02	3.16	2.29
Replacement coverage ratio	2.54	1.98	3.22	2.72	1.69	3.01	2.53	1.92
<b>Solvency (cost)</b>								
Number of sole proprietors	1,277	403	46	42	107	58	92	277
Ending farm assets	1,748,243	1,442,351	2,772,479	1,129,985	1,383,796	2,548,764	1,294,793	1,246,318
Ending farm liabilities	708,898	672,559	1,465,185	588,444	658,131	851,166	592,098	582,203
Ending total assets	1,962,028	1,543,261	2,945,550	1,247,172	1,524,275	2,758,312	1,414,177	1,397,590
Ending total liabilities	761,021	693,019	1,495,371	612,054	679,063	896,531	620,918	617,013
Ending net worth	1,201,007	850,242	1,450,180	635,118	845,213	1,861,781	793,259	780,577
Net worth change	169,153	109,171	316,859	70,270	100,061	295,262	122,686	115,654
Ending farm debt to asset ratio	41%	47%	53%	52%	48%	33%	46%	47%
End total debt to asset ratio	39%	45%	51%	49%	45%	33%	44%	44%
<b>Solvency (market)</b>								
Number of farms	1,277	403	46	42	107	58	92	277
Total farm assets	2,275,394	1,781,178	3,455,892	1,344,351	1,950,486	3,308,108	1,639,196	1,654,522
Total farm liabilities	939,892	806,458	1,835,465	704,874	861,572	1,229,810	744,475	724,541
Total assets	2,529,719	1,893,385	3,655,533	1,469,299	2,120,234	3,535,986	1,797,592	1,828,752
Total liabilities	1,011,217	829,838	1,870,121	733,074	889,006	1,288,853	784,365	766,140
Net worth	1,518,502	1,063,548	1,785,412	736,225	1,231,228	2,247,133	1,013,228	1,062,613
Net worth change	207,052	125,595	309,632	75,528	107,941	282,128	122,459	132,809
Farm debt to asset ratio	41%	45%	53%	52%	44%	37%	45%	44%
Total debt to asset ratio	40%	44%	51%	50%	42%	36%	44%	42%
<b>Nonfarm Information</b>								
Net nonfarm income	33,292	12,631	18,683	45,050	15,883	18,110	32,468	30,479
Farms reporting living expenses	335	80	13	9	18	17	24	57
Total family living expense	62,606	46,400	77,091	39,849	50,603	73,851	46,278	51,511
Total living, invest, & capital	104,553	55,735	114,603	63,639	68,206	137,635	61,658	69,041
<b>Crop Acres</b>								
Total acres owned	287	178	226	221	262	355	304	190
Total crop acres	1,050	338	597	311	521	977	616	453
Total crop acres owned	273	127	167	150	210	320	194	141
Total crop acres cash rented	750	209	429	156	307	649	388	305
Total crop acres share rented	28	2	1	5	4	8	34	8

## **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 the

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.

### **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.