



Minnesota State Agricultural Centers of Excellence

Academic Best Practices in Agriculture
Minnesota Farm Business Management
April, 2018 Lender Support Workshops
12:30-1:30



MINNESOTA STATE
Agriculture Centers of Excellence

Centers of Agriculture Excellence



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Minnesota Farm Business Management

- What is FBM?
 - College Program
 - Participants are students
 - Eight Colleges in MN offer program
 - 66 faculty
 - Nearly 2700 farms/students
- Program components:
 - Initiate/Improve Recordkeeping program
 - Annual Cash Flow/Business Plan
 - Personal/Business goals
 - Financial Analysis/w benchmarking
 - Trend analysis
 - Benchmark to peer groups
 - Business strategy modification

FBM Program Components

- Program components
 - Changing of behaviors/habits
 - Management
 - Integrate enterprises/goals/families
- Farm Succession planning
- Tax planning
- Support for credit applications
- Mitigate risk
 - Insurances
 - Guidance/advice

What does a “class” look like?

- Scheduled mutually for meeting times.
- Usually from 1-3 hours per session
- Session frequency can be 6-8 weeks
 - Flexible
- Session agenda is based around student (farmer) needs/plans/goals.
- Faculty come/go to place of business or student goes to office
 - 1:1 ratio
 - Family members involved in management decisions attend
- Student is expected to:
 - Attend
 - Have records current
 - Supply needed information about operation
 - i.e. Inventory

What does the program cost?

- Each college varies slightly – about \$1900 per year for full program.
- Each farm can talk with faculty to design appropriate level of involvement.
- Student support for tuition:
 - Financial aid
 - Can be up to 50% of cost
 - MDA Beginning farm scholarships
 - Can cover up to 50% of remaining cost (after FA)
 - Current pool of funds (\$450,000 is depleted)

Beginning Farmer Scholarship

- MDA Offers \$450,000 for about 500 students (farmers) annually
 - Less than 10 years of farming
 - Less than 4 years in FBM
 - Average scholarship \$906.00
 - Key catalyst for enrollment, especially during these economic times

Dairy Initiatives

- Specifically designed to support dairy farms with management challenges
- Orchestrated by MDA/State MN Dairy Initiatives Coordinators
- Team meetings to discuss issues/options
- Up to \$800 to support FBM tuition or farm expenses as approved by team



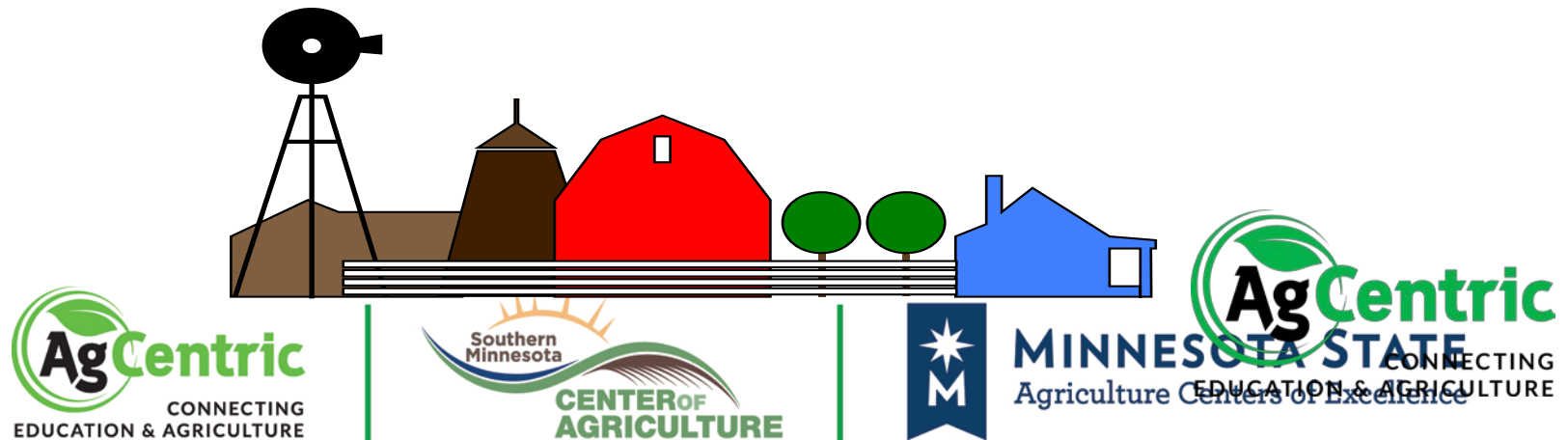
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2017 Financial Year in Review

Analysis Financial Trend Data

Compiled by
Aaron Brudelic

Minnesota West Community and Technical College Farm
Business Management Instructor
March 2018



Farm Management Education in Southern Minnesota

- Data from 1420 farms were included in the South East, South Central, South West & West Central regional report
- 14 Minnesota West Instructors
- 8 Ridgewater Instructors
- 12 Riverland Instructors
- 14 South Central Instructors

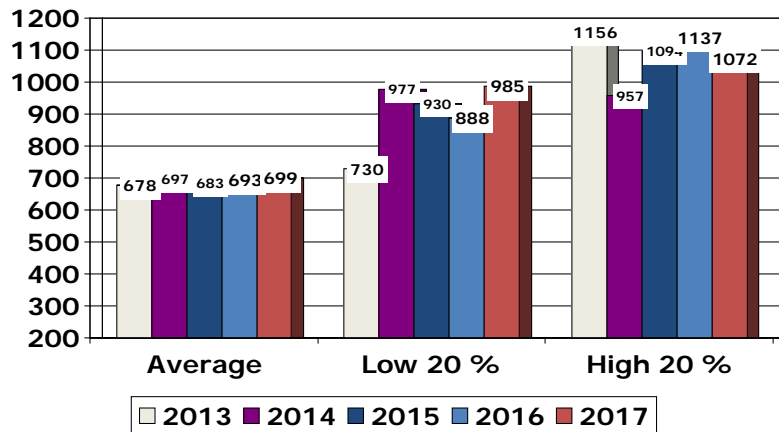
2017 in Review

- **Gross farm income was, \$774,349 in 2017, down from \$791,868 in 2016. Down 2.2%**
- **Cash operating expenses was, \$680,554 in 2017, down from \$683,984 in 2016. Down 0.5%**
- **Net cash income was \$93,795 in 2017, down from \$107,885 in 2016. Down 13%**
- **Net farm income was \$54,241 in 2017, up from \$46,742 in 2016. Up 16%**

2017 in Review

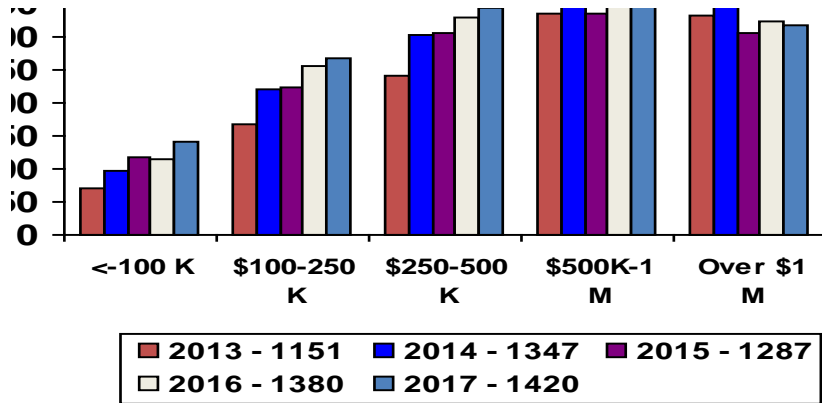
- Corn production was up **5.1%** to a yield of 215.3 bu. in 2017 from 204.8 bu. in 2016
- This is the highest yield ever in the database. The lowest was 54 bu. in 1965.
- Soybean production was down **9.8%** to a yield of 55.3 in 2017 from 61.3 bu. in 2016.
- The lowest yield was 18 bu. in 1996. The highest yield was 61.3 bu. in 2016.

Crop acres



Farm Size

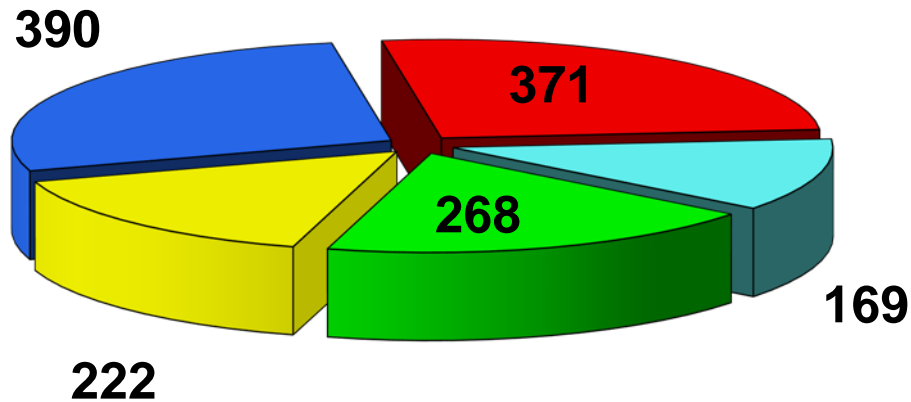
Actual Number of Farms by Size



Age of Operator

Actual Number of Farms by Operator Age Category

Total of 1420 Farms

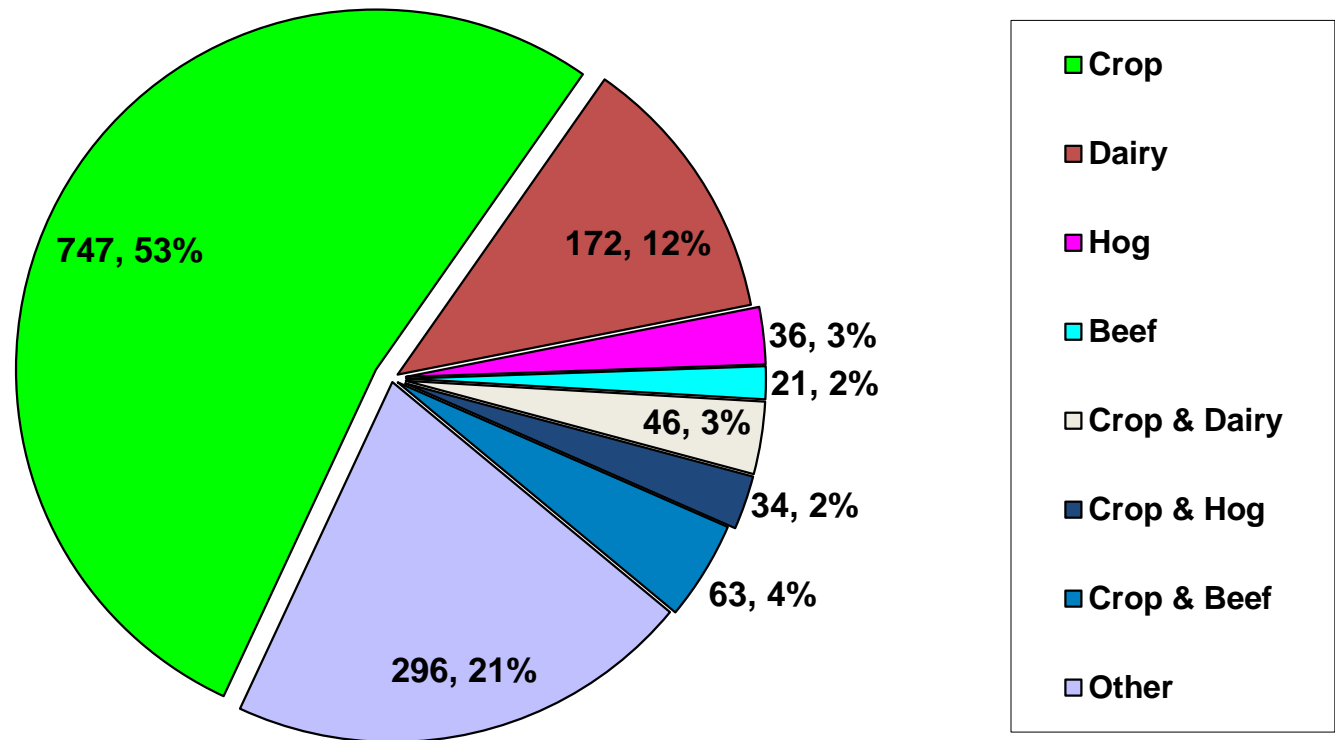


□ Under 31 □ 31-40 □ 41-50 □ 51-60 □ Over 60

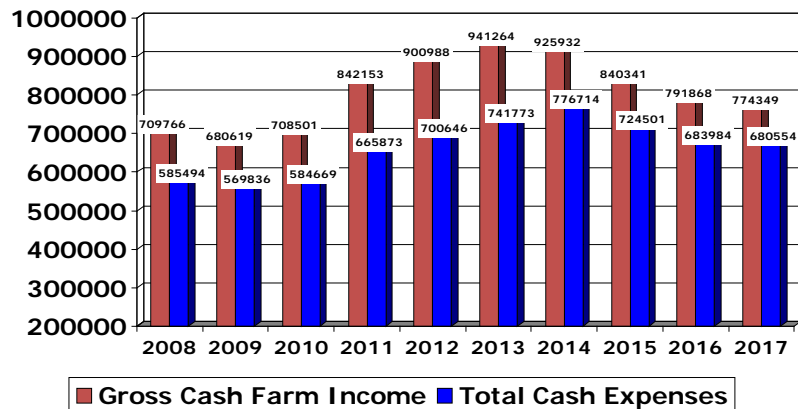
Type of Farm

Actual Number of Farms by Farm Type

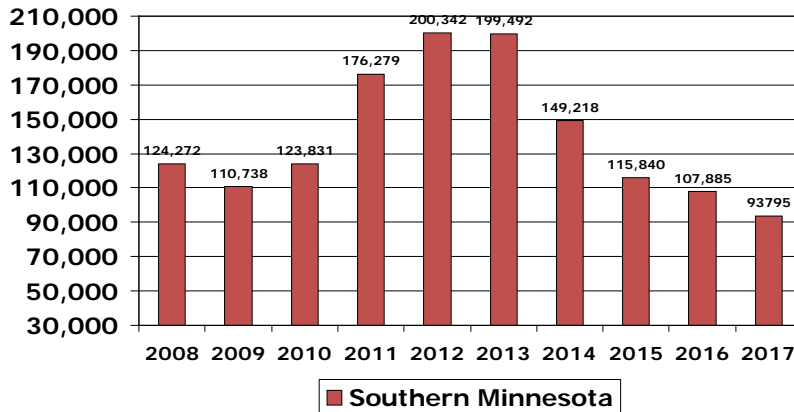
Total of 1420 Farms



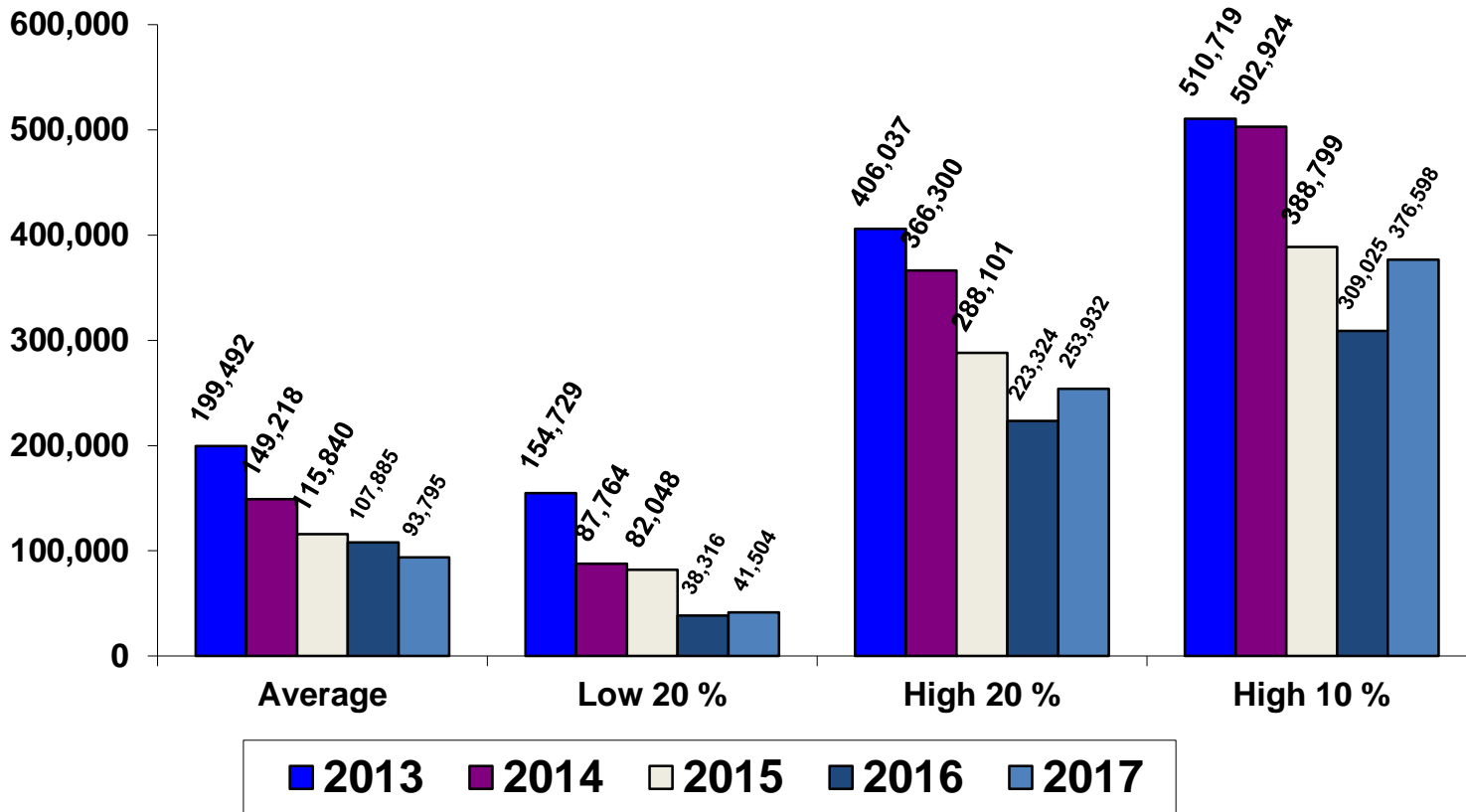
Gross Cash Farm Income & Total Cash Expenses



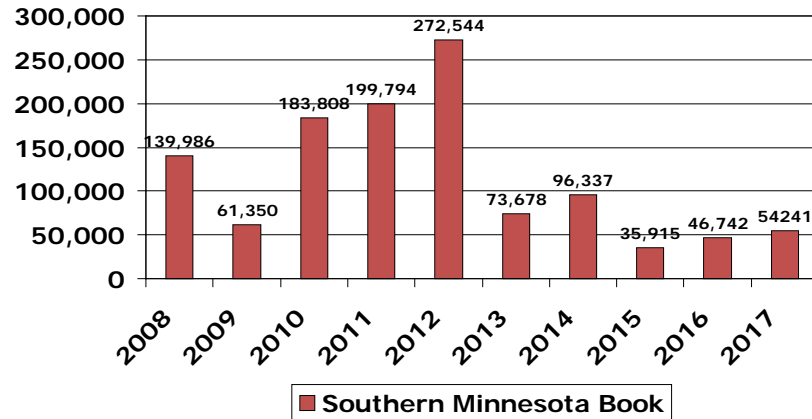
Net Cash Income



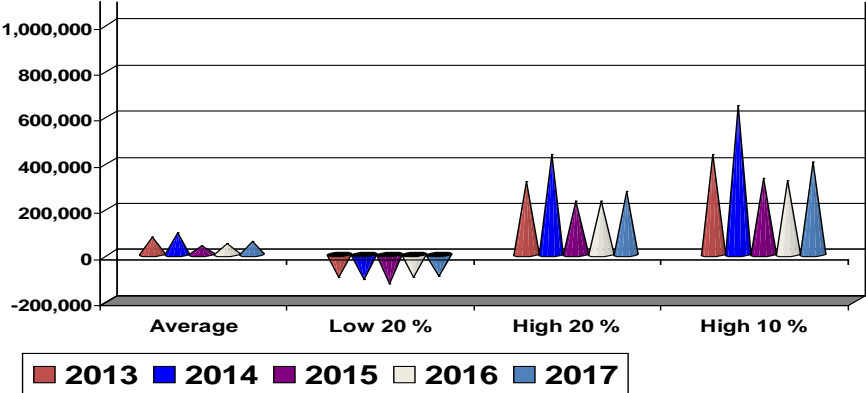
Net Cash Farm Income



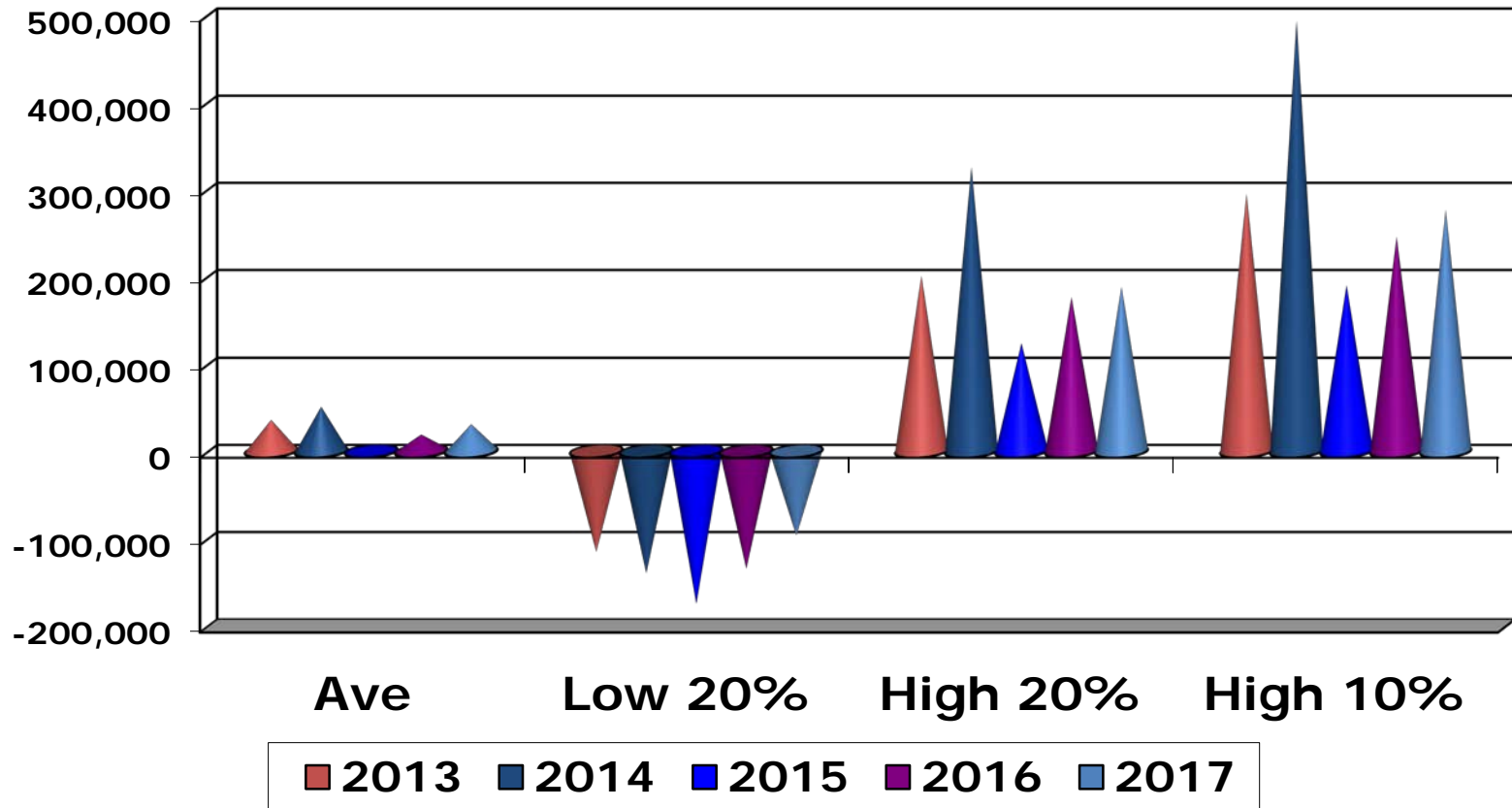
Net Farm Income (Ave)



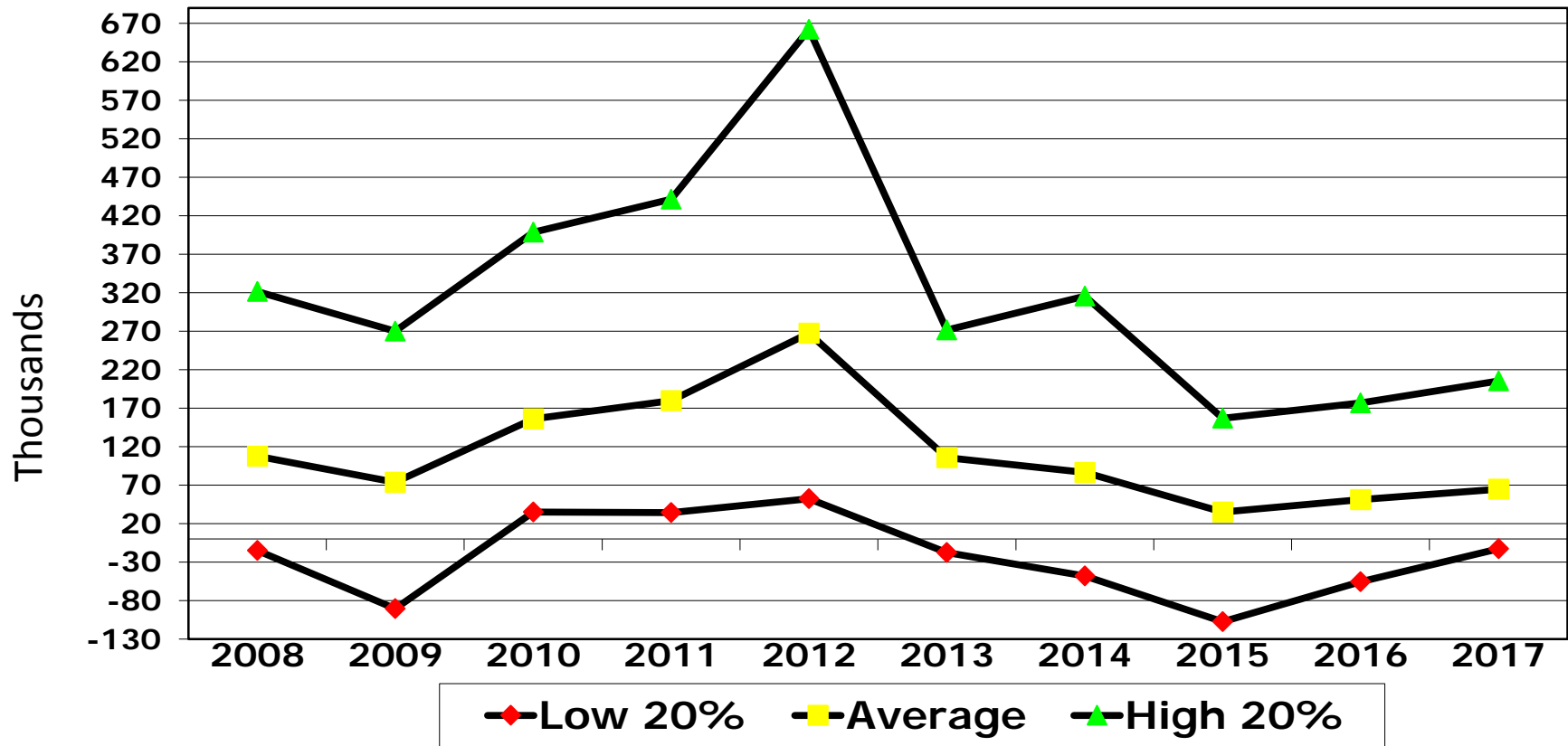
Net Farm Income



Net Worth Change (Cost)



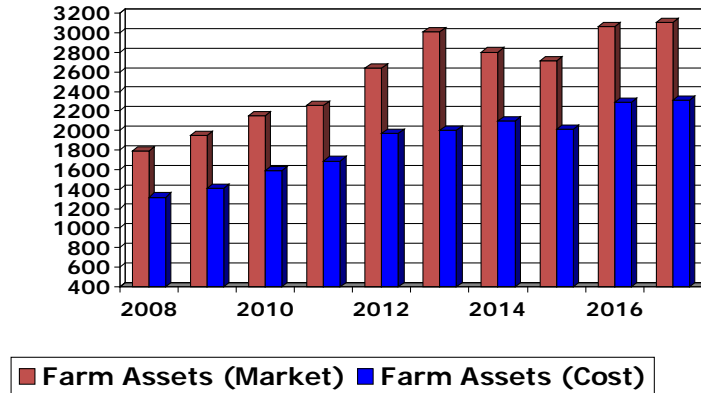
Net Worth Change(Market)



Year End Farm Assets



Thousands

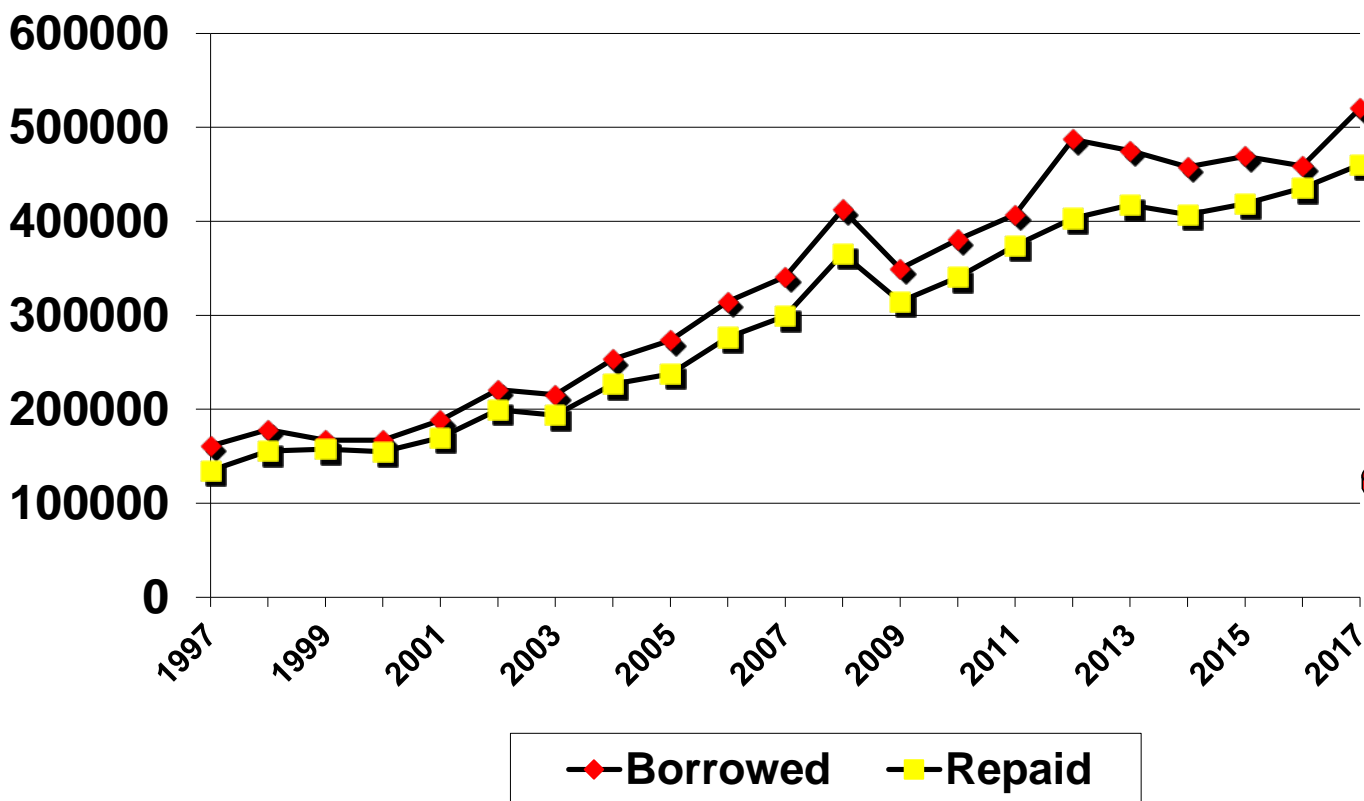


■ Farm Assets (Market) ■ Farm Assets (Cost)

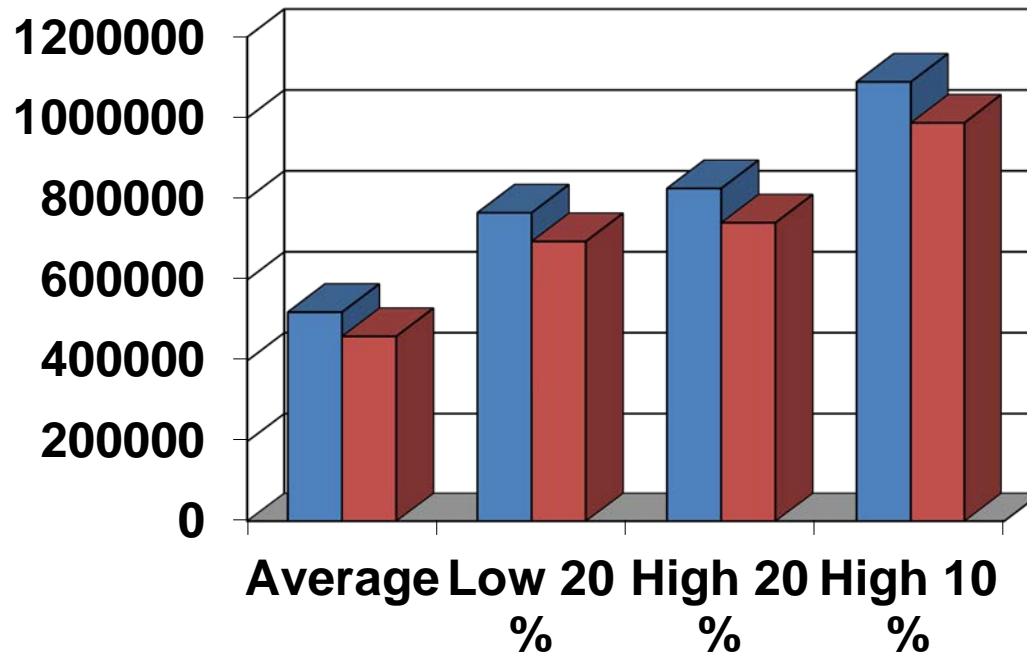
Cash Flow Analysis

Money Borrowed -vs- Debt Repaid

(Page 17)

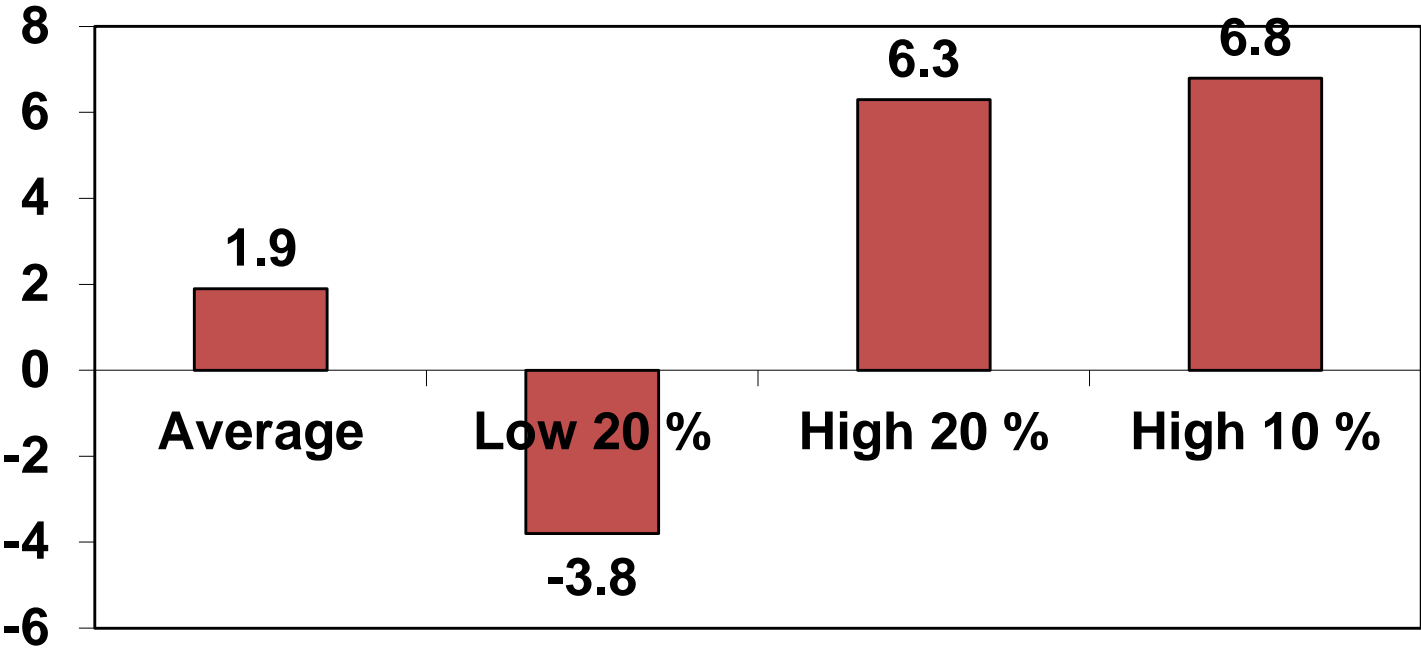


Money Borrowed vs Principal Paid



■ Money Borrowed ■ Money Paid Back

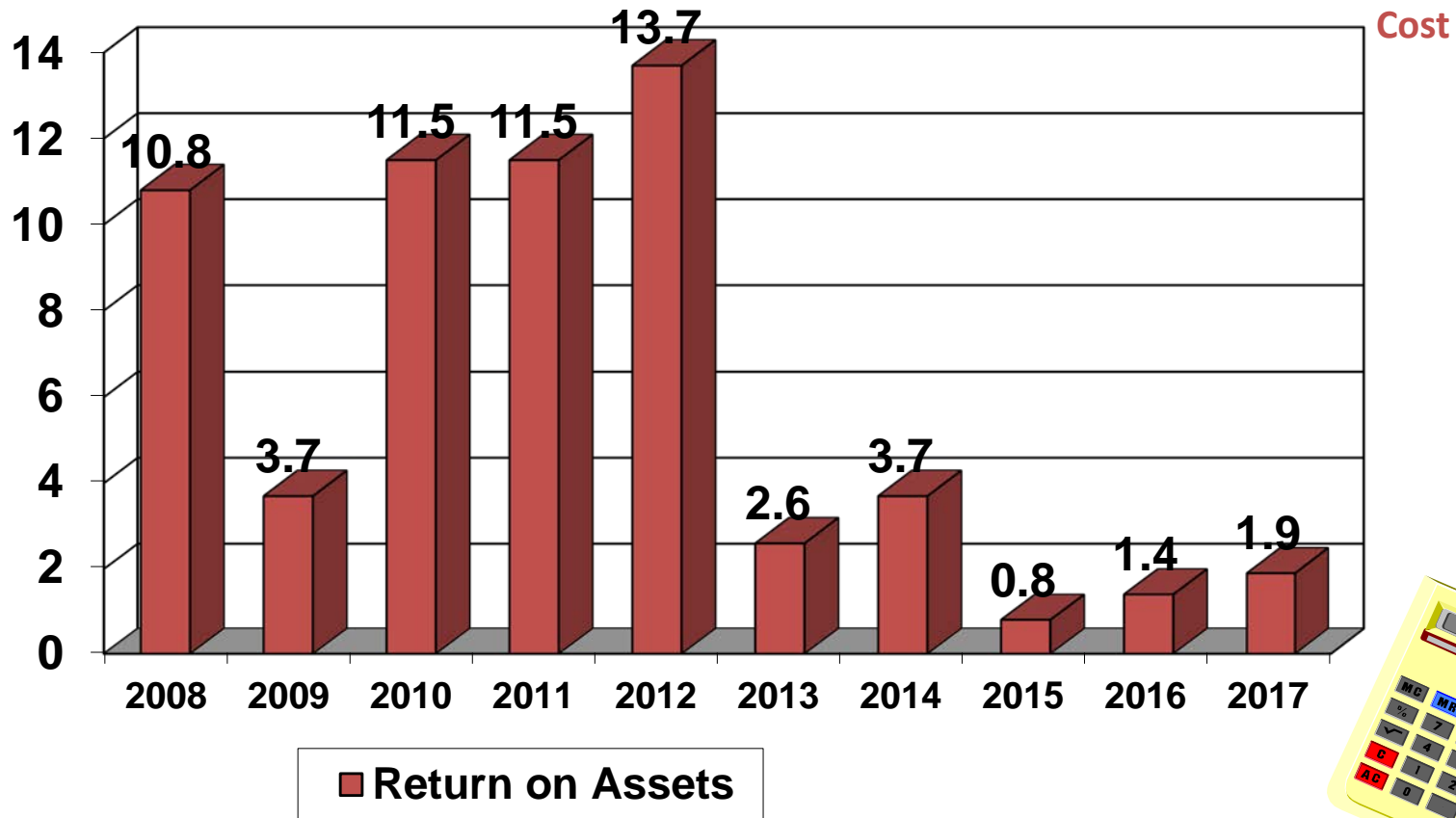
Rate of Return on Farm Assets (ROA) Cost



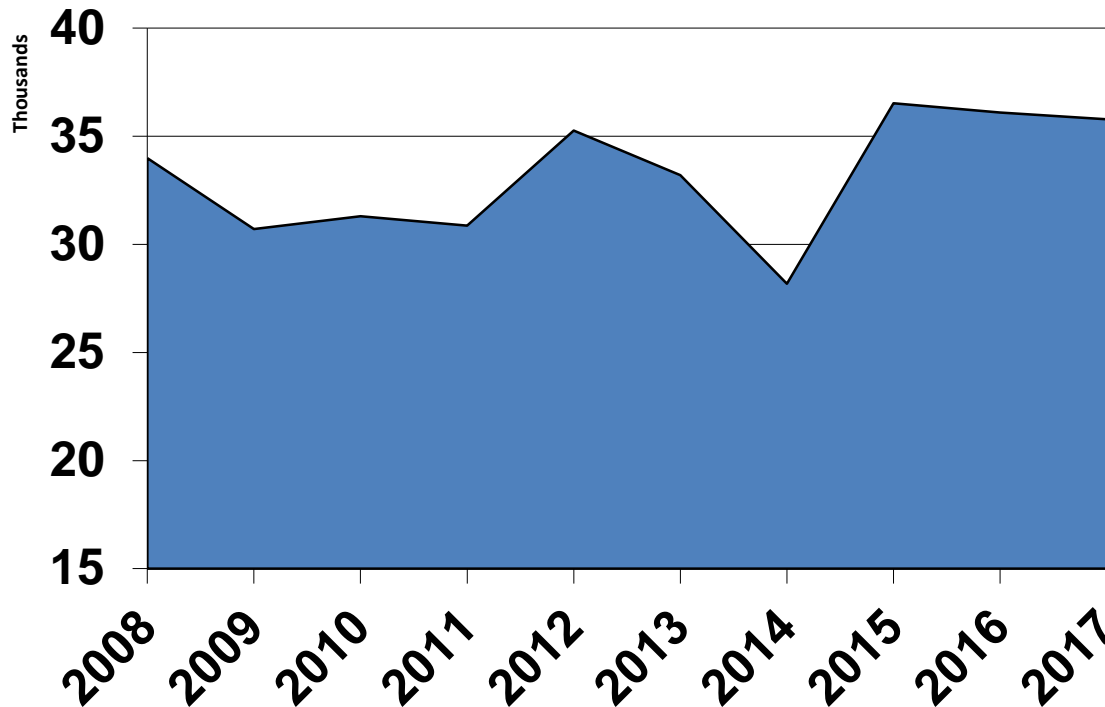
■ Rate of return cost

Profitability Analysis

Rate of Return on Assets



Non-farm Income

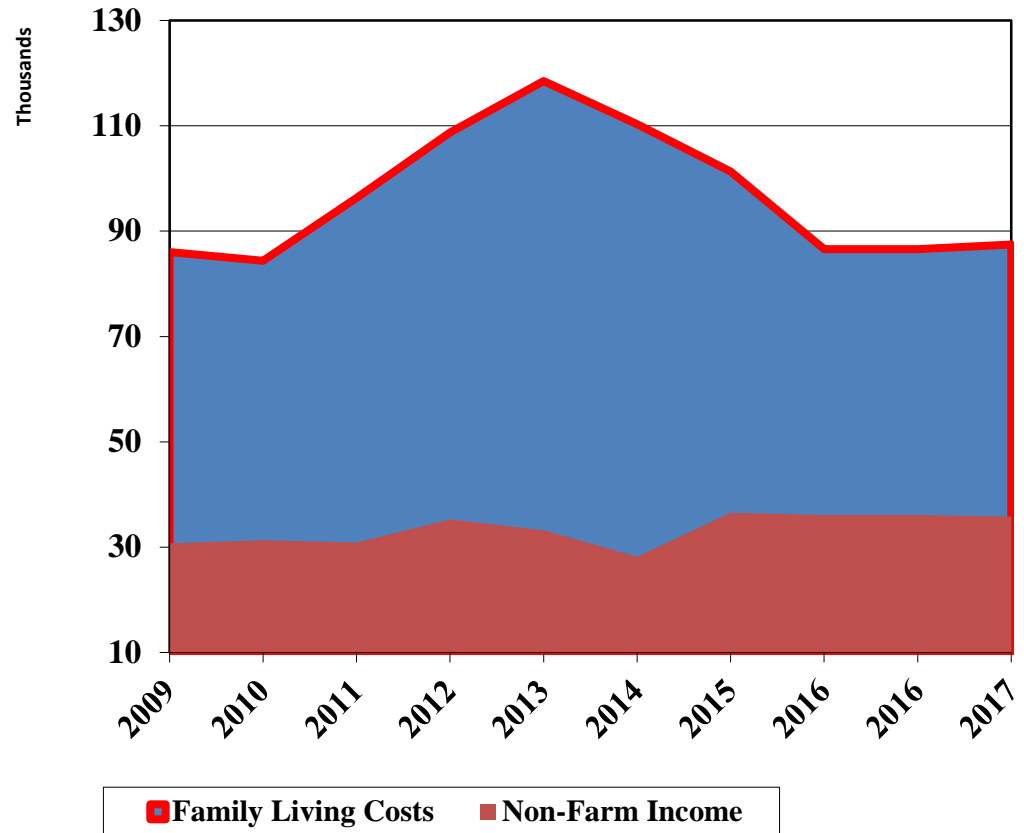


■ Off Farm Income

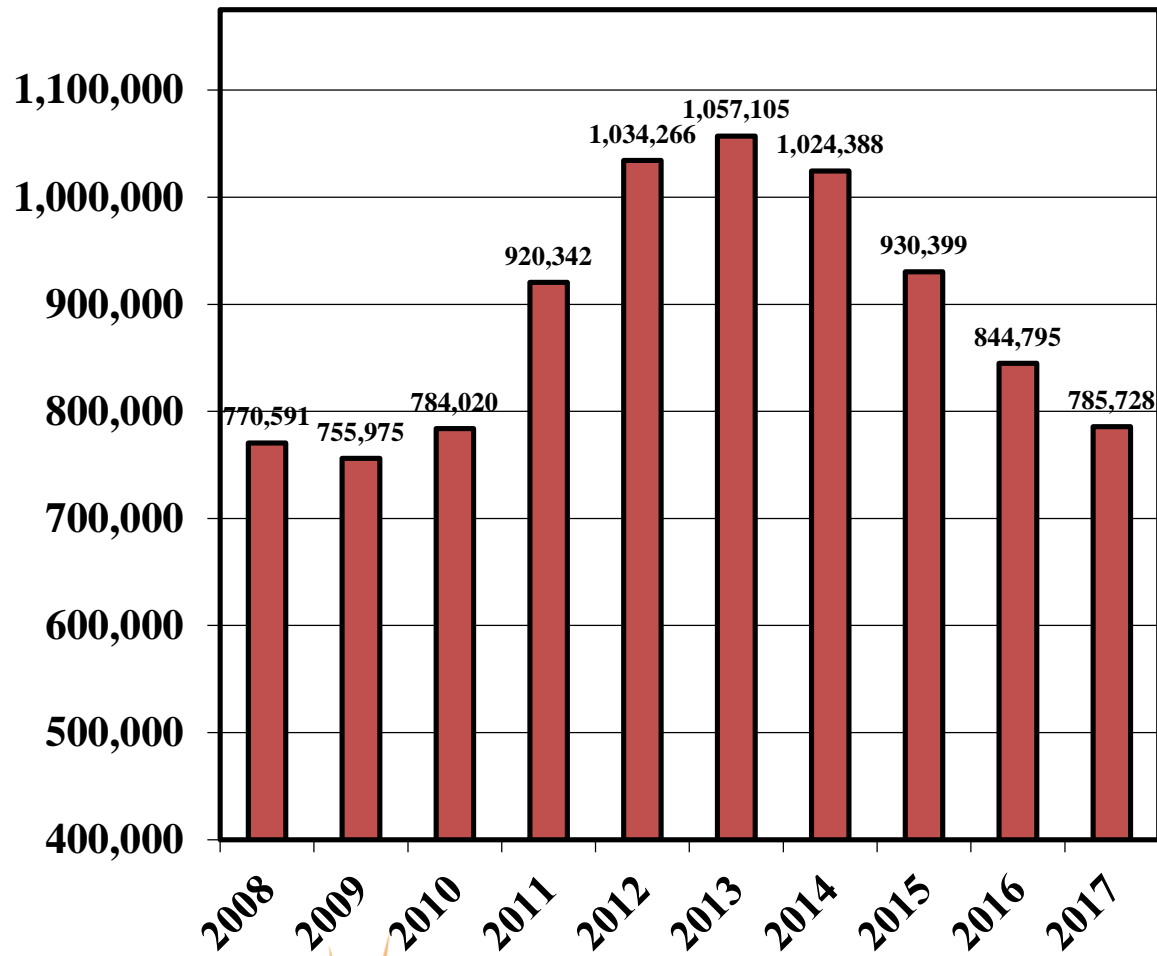


Non-Farm Income & Family Living

- Family living has stabilized over the past few years
- In many cases, the employee benefits of off-farm employment adds significant value
- Non-farm income pays for more than half of household and personal spending

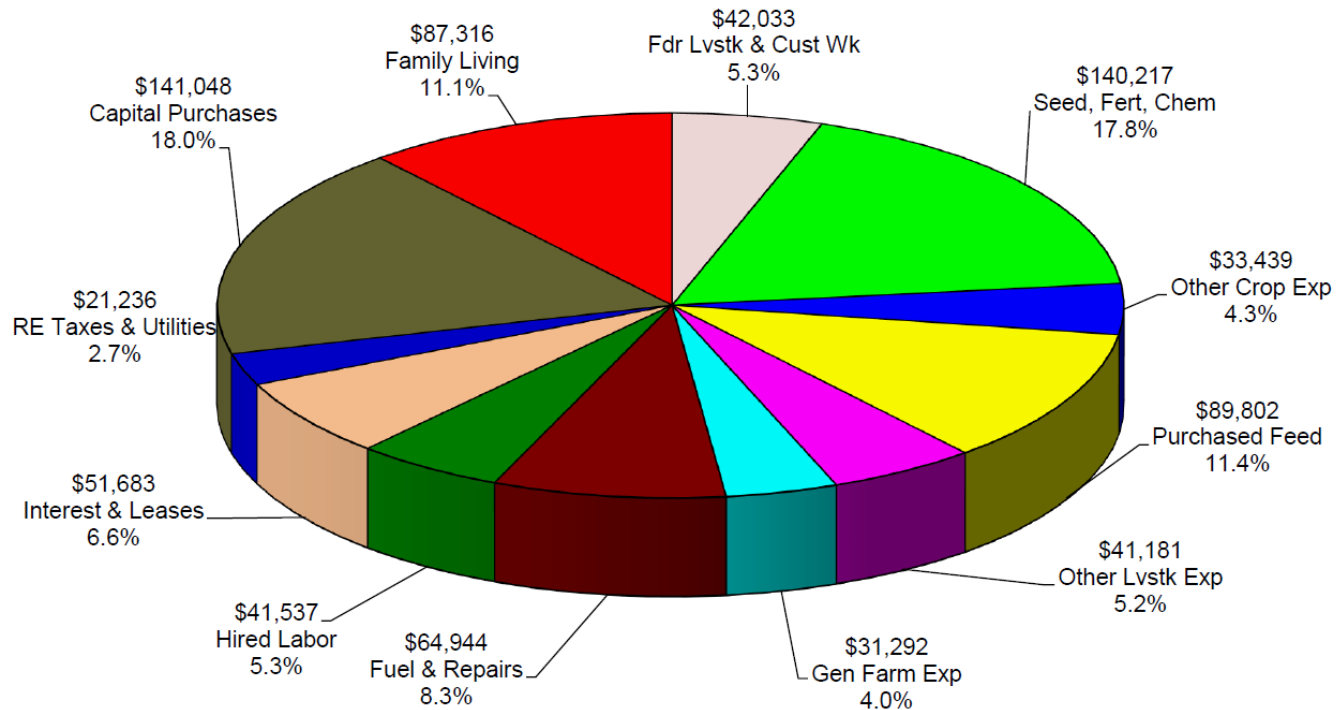


Money Spent by the Average Farmer South of I 94 in Minnesota



Farm & Family Spending

Each farmer, on average, spent \$785,728 in the Greater Community in 2017



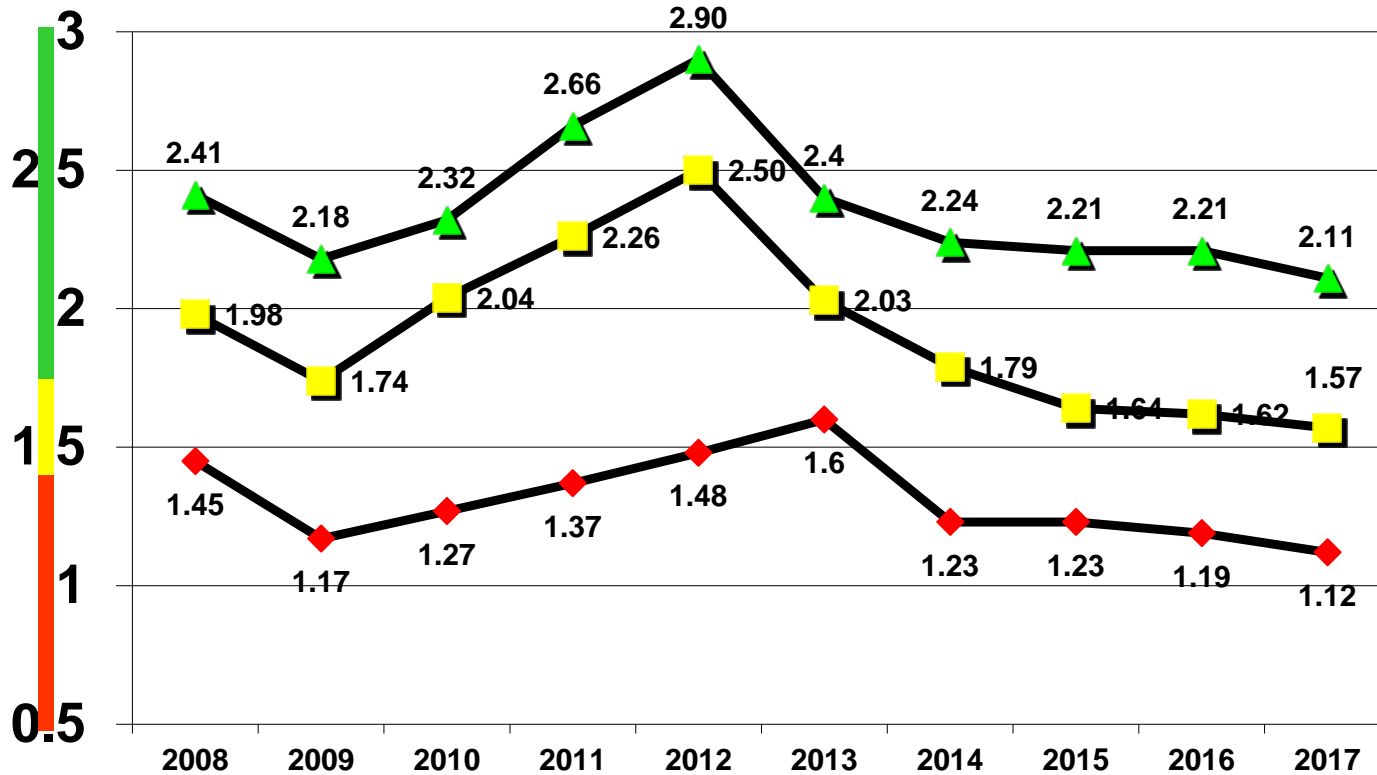
Farm Financial Standards

- The American Bankers Association has endorsed the use of sixteen “standards” to rate business performance (see page 20).
- These standards are measures of:
 - Liquidity
 - Solvency
 - Profitability
 - Repayment Capacity
 - Financial Efficiency



Current Ratio (Liquidity)

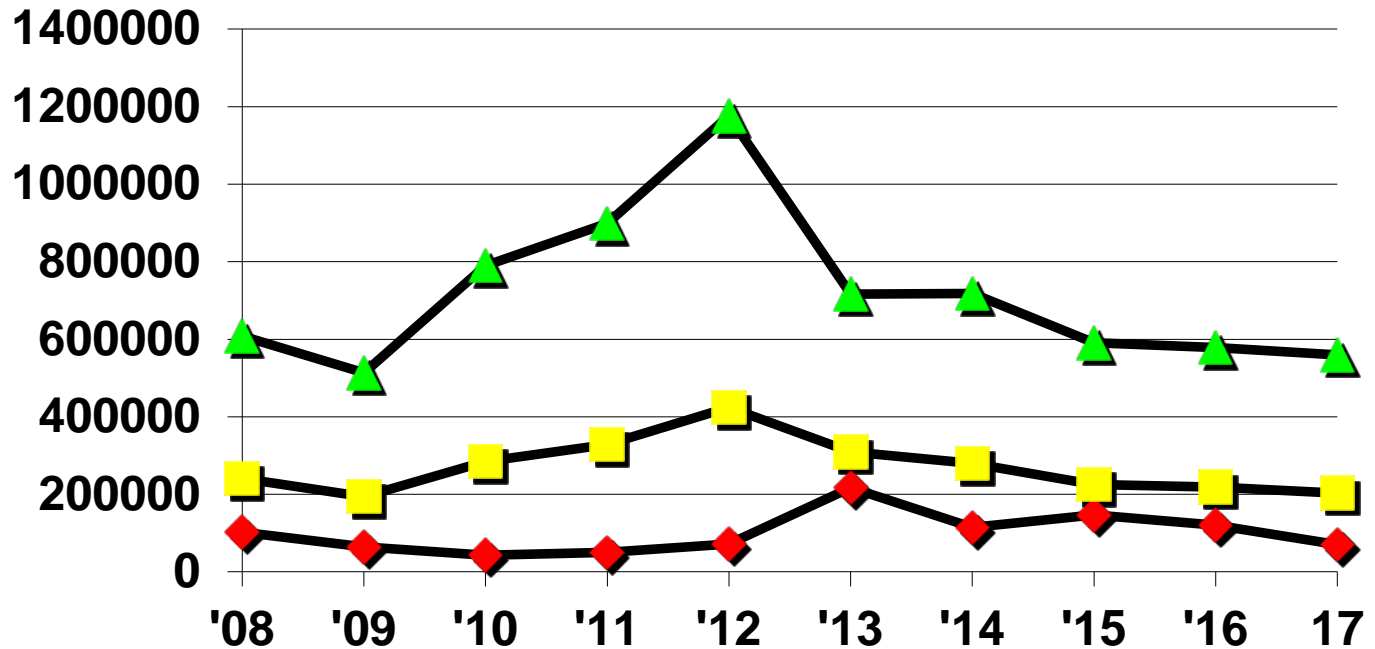
Current farm assets / current farm liabilities



◆ Low 20% ■ Average ▲ High 20%

Working Capital (Liquidity)

Current farm assets minus current farm liabilities

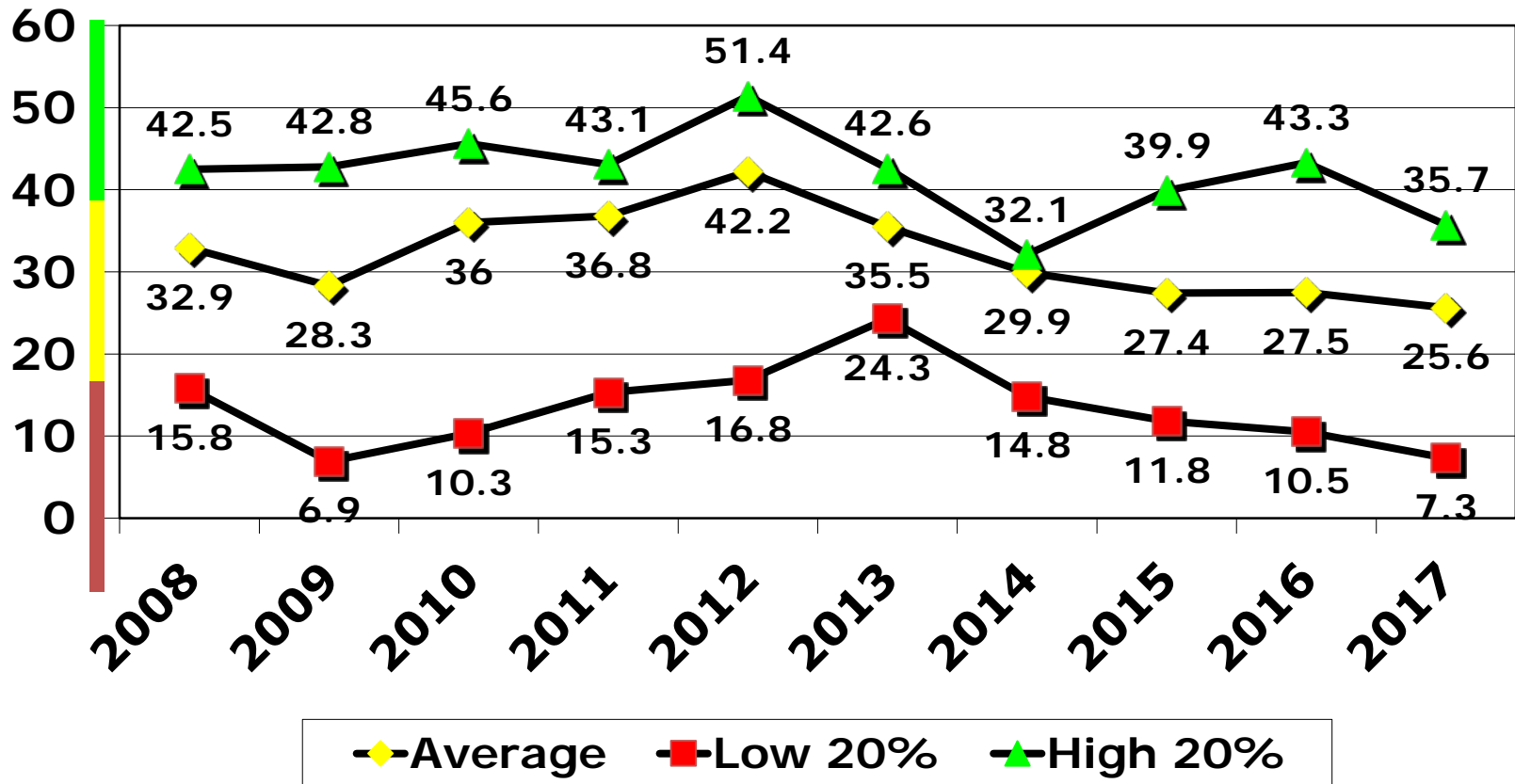


◆ Low 20 %

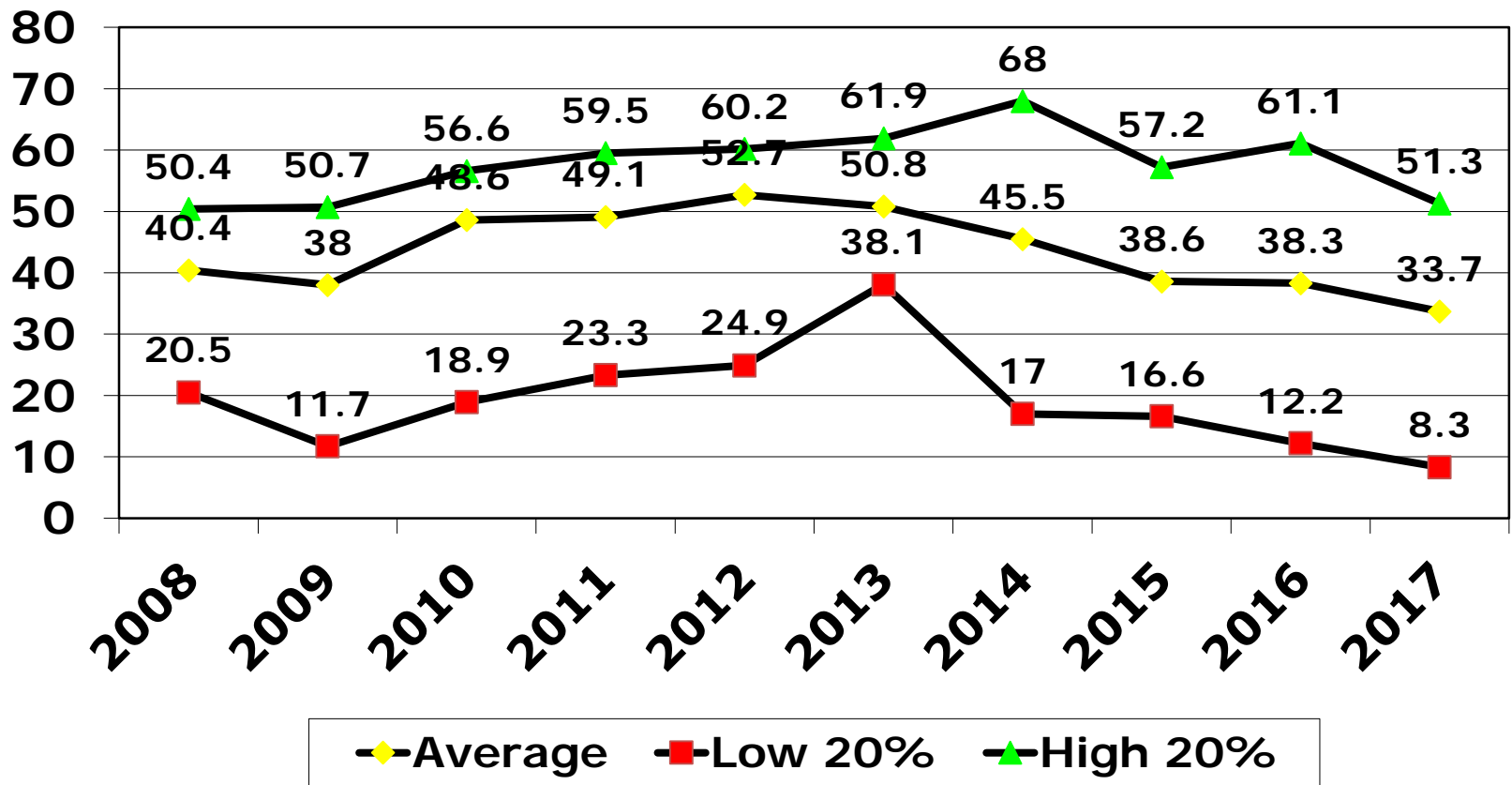
■ Average

▲ High 20 %

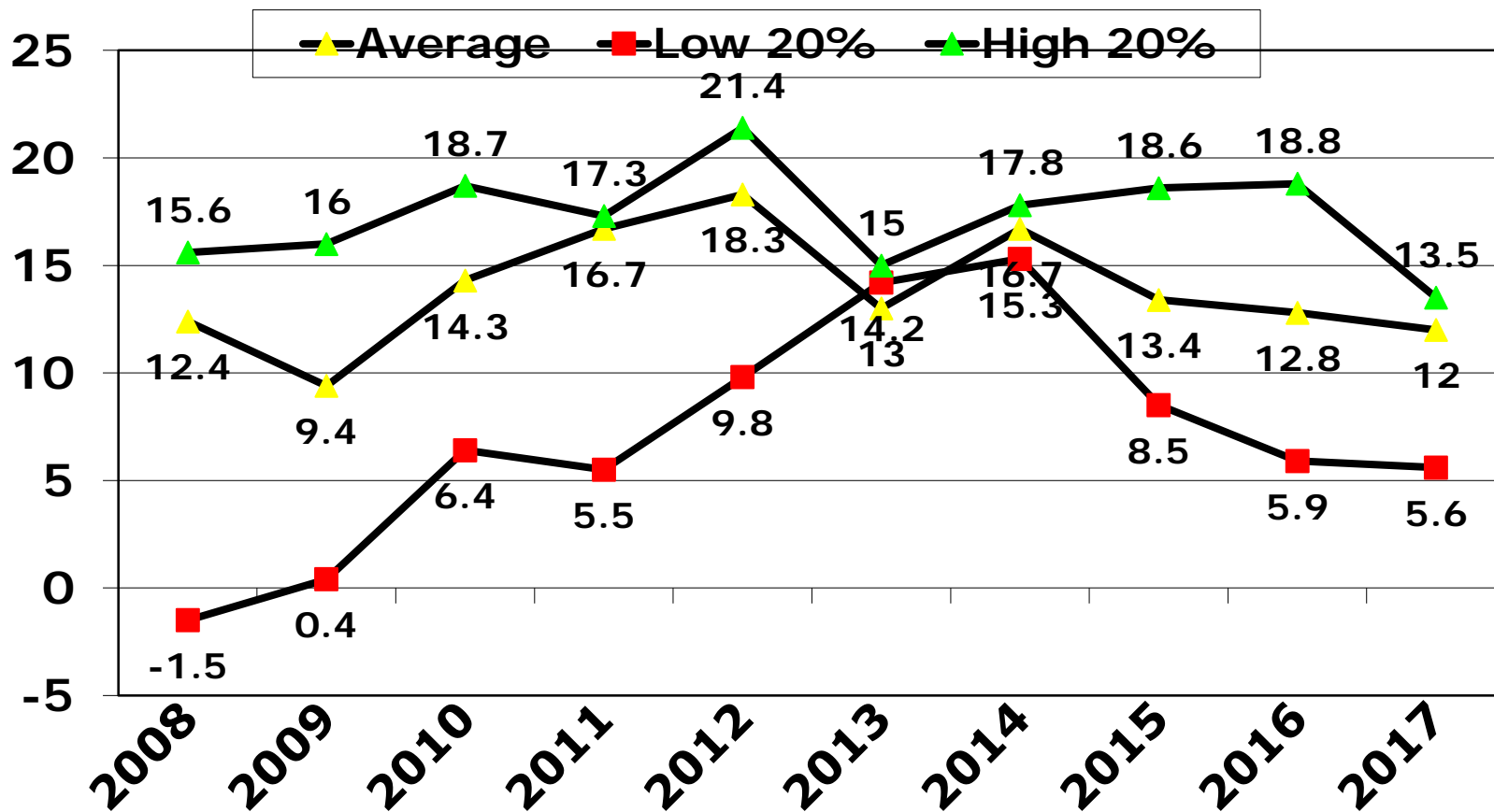
Working Capital to Gross Income All Farms



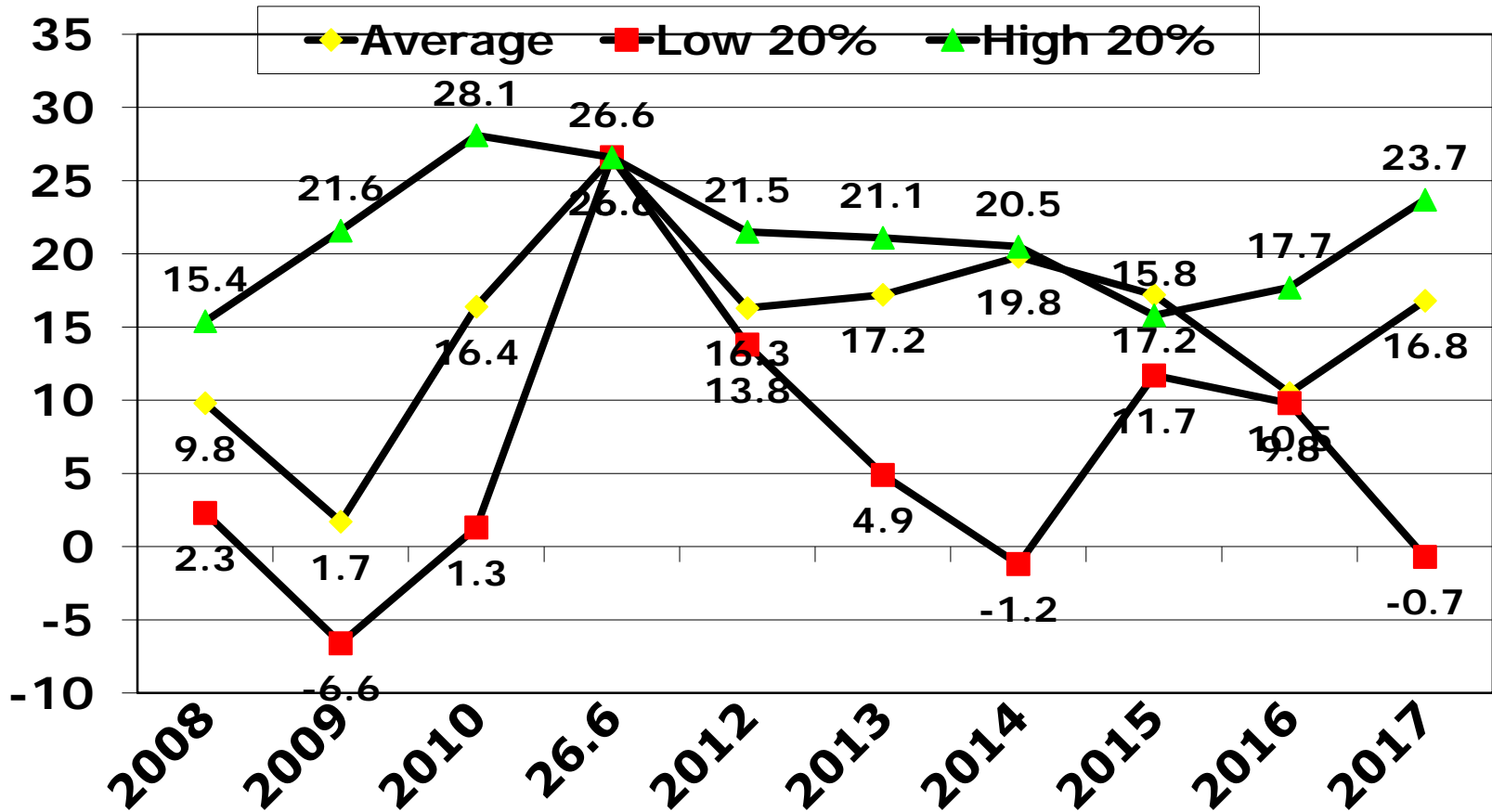
Working Capital to Gross Income Crop Farms



Working Capital to Gross Income Dairy

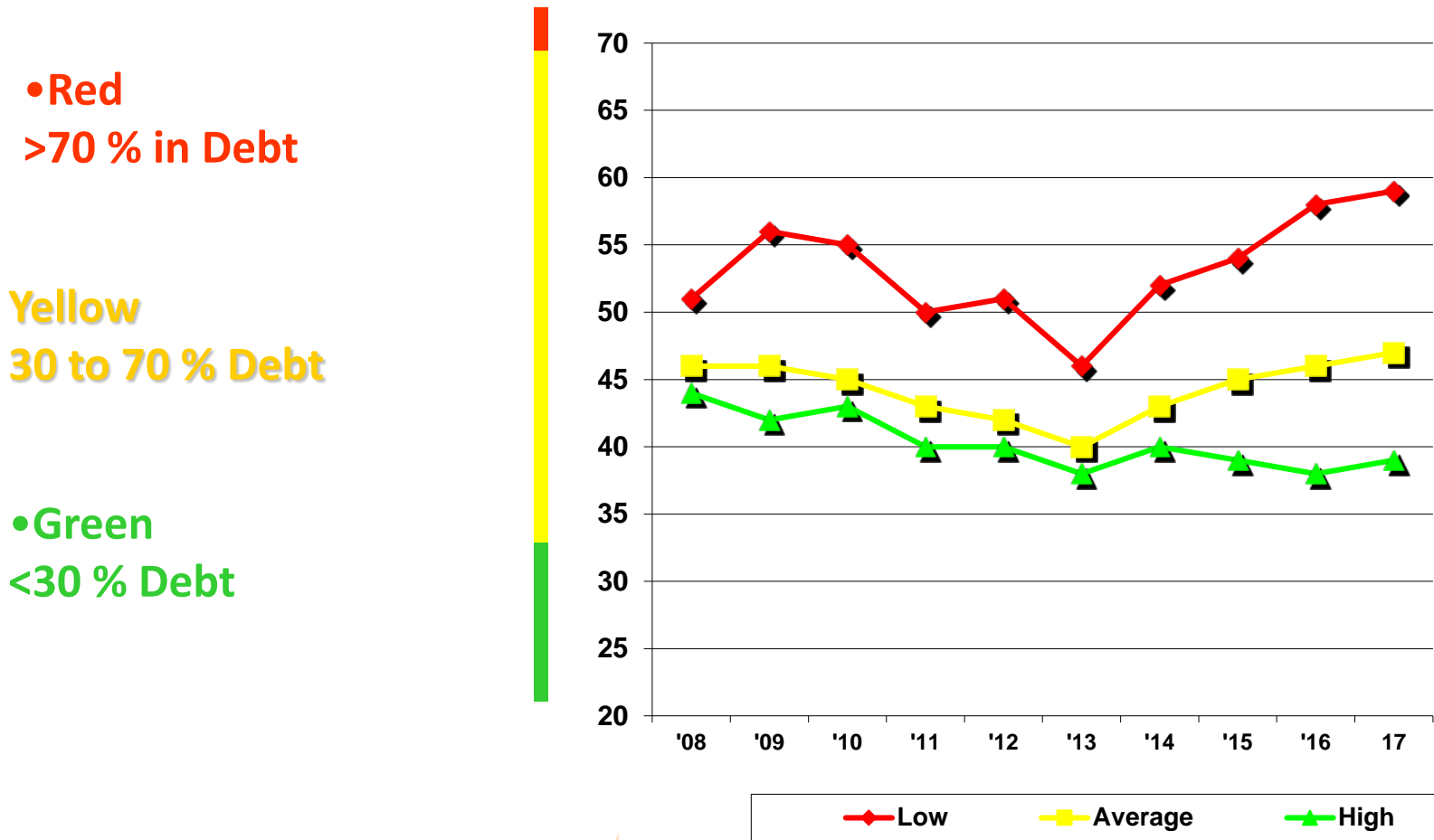


Working Capital to Gross Income Hog Farms



Debt to Asset Ratio (Solvency)

Total farm liabilities / total farm assets



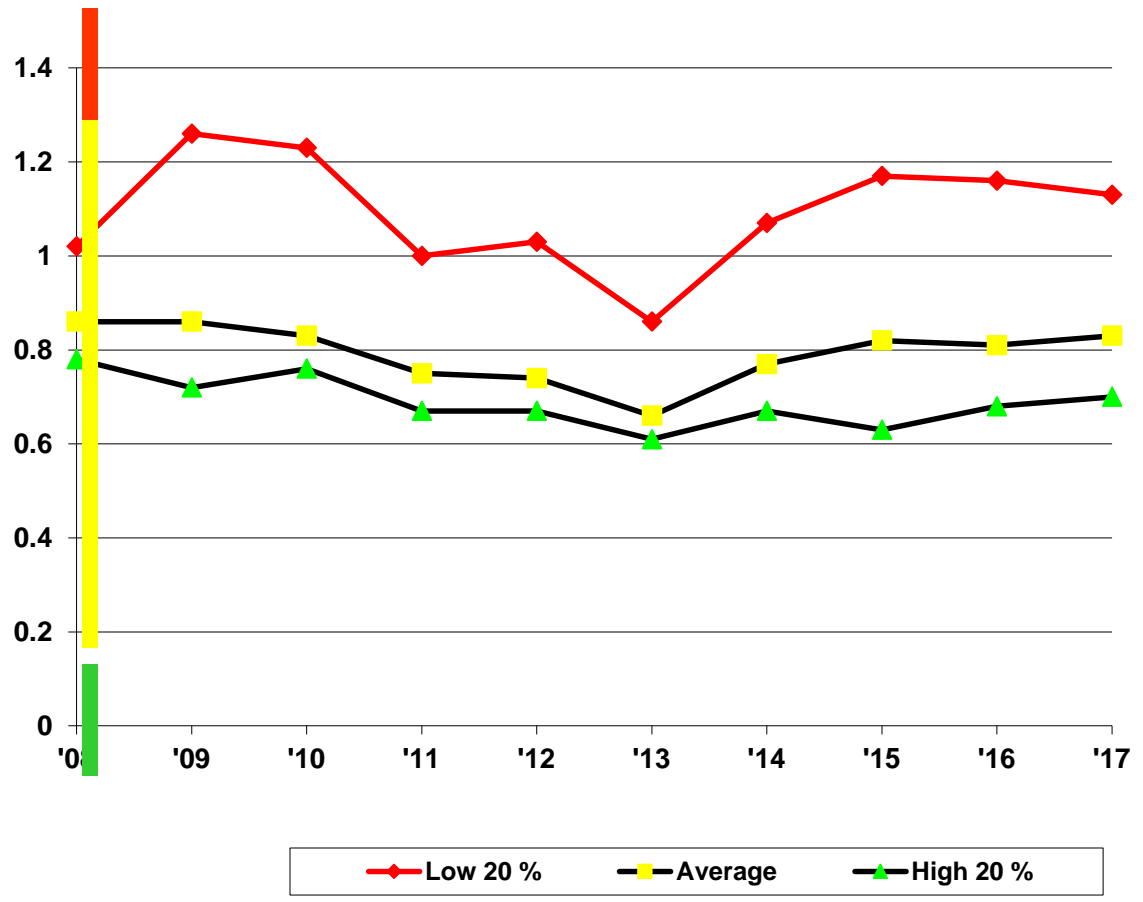
Debt to Equity Ratio (Solvency)

Total farm liabilities / total farm equity

Red
 >230 % Liabilities

Yellow
 <42—230 % Liabilities

Green
 <42 % Liabilities

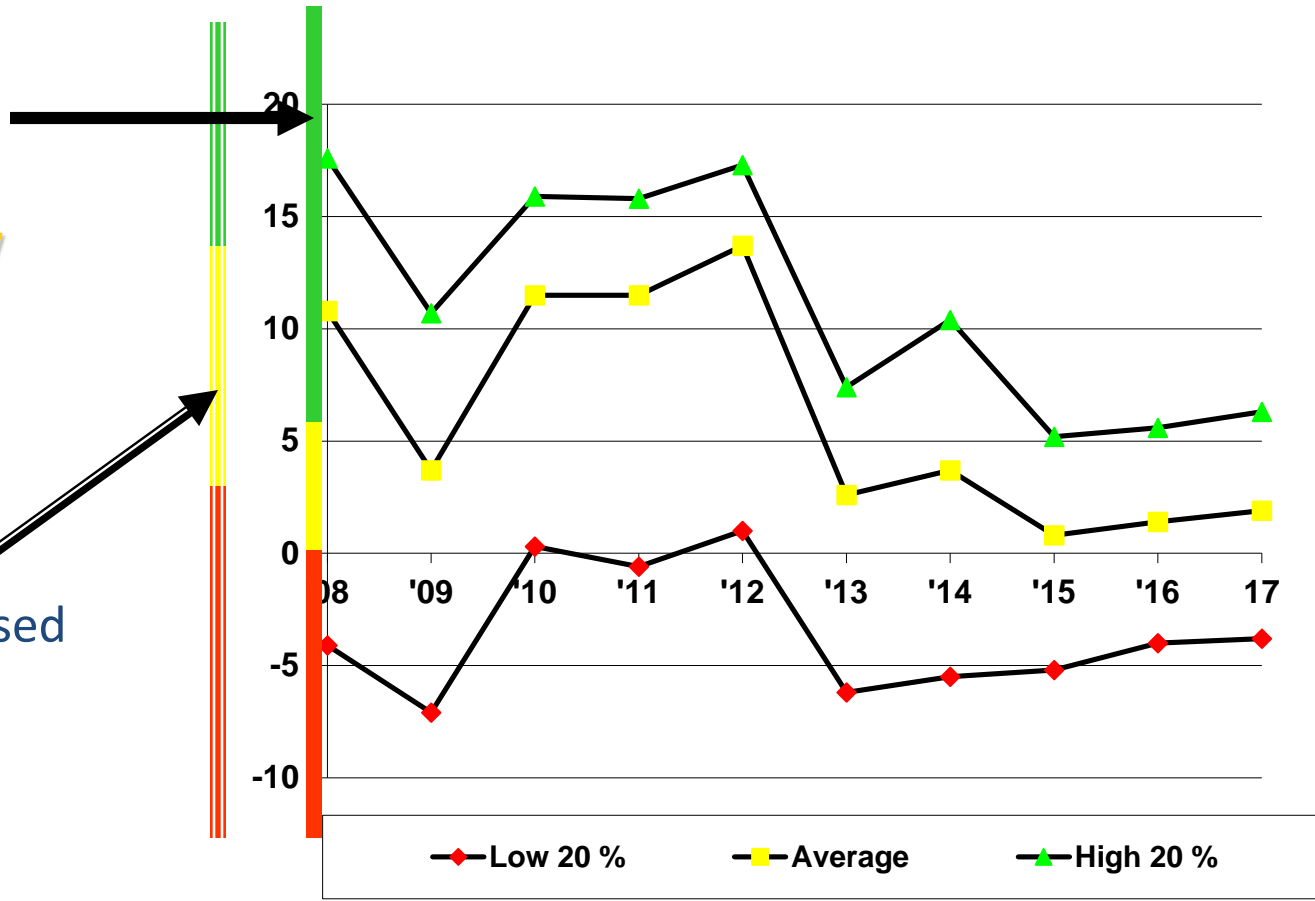


Rate of Return on Farm Assets (Profitability)

[Net farm income from operations + farm interest expense minus value of unpaid labor & mgmt] / avg. farm assets

Mostly owned
 >5 % Green
 1 % to 5 % Yellow
 <1 % Red

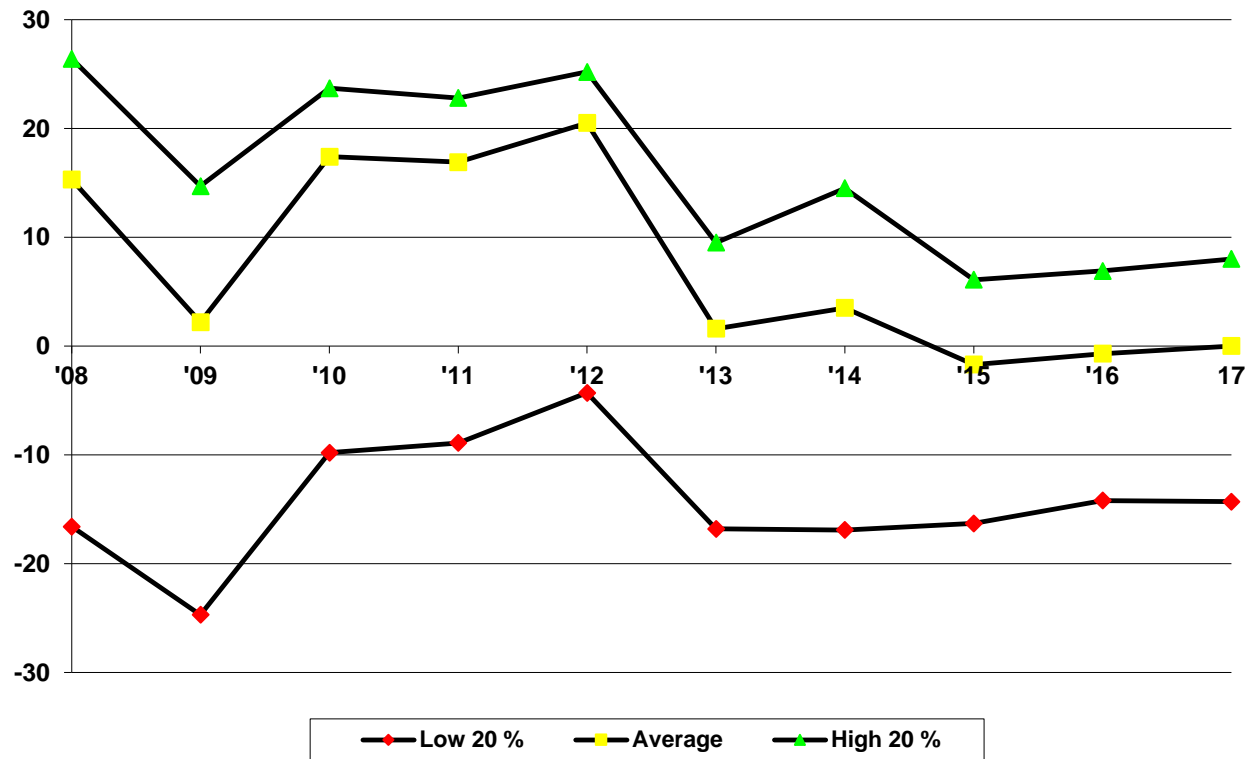
Mostly Rented/Leased
 >12 % Green
 3 % to 12 % Yellow
 <3 % Red



Rate of Return on Farm Equity (Profitability)

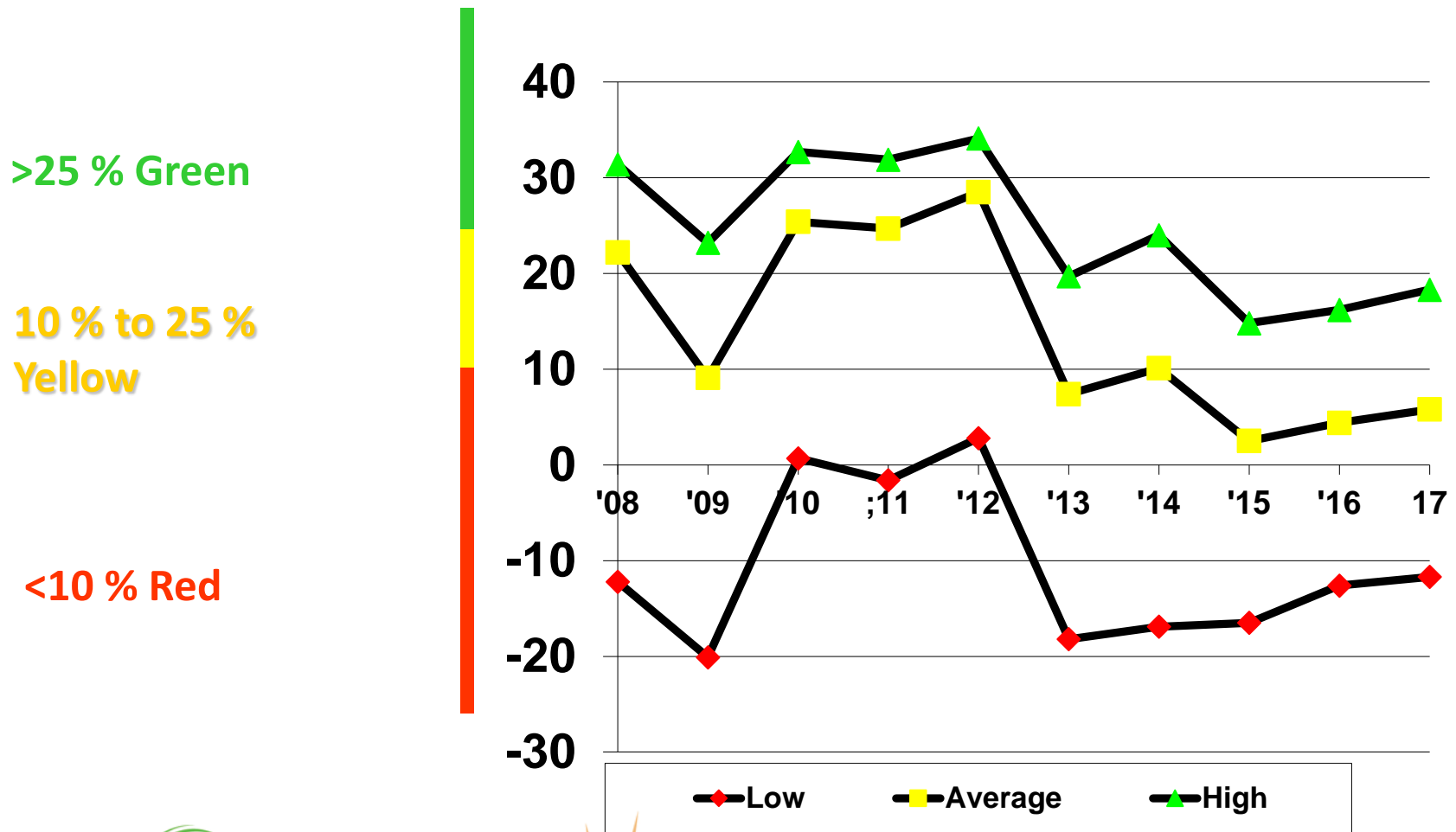
[Net farm income from operations minus value of unpaid labor & mgmt] / average farm equity

Watch your trend information to be sure you are heading in the desired direction.



Operating Profit Margin Ratio (Profitability)

[Net farm income from operations + farm interest expense minus value of unpaid labor & mgmt] / gross revenue



FARM FINANCIAL COUNSELING

—REP IN THE ROOM/FLYER IN FOLDER

- Farmers meet one-on-one with Extension farm financial analysts (retired lenders, farm business management educators, etc.)
- Receive help understanding financial situation, exploring options, and identifying alternatives
- Services available statewide
- Free and confidential
- To enroll, call:

FARM INFORMATION LINE

1-800-232-9077

Farmer Lender Mediation

1:30-1:45 Representative in Room



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Focus Group Discussion

(2:00 – 3:00)

Questions to ponder:

1. What are the customer/student expectations of us?
2. What do we do/done that irritates the "heck" out of them?
3. How can we improve to meet their expectations?
4. What are "benchmarks" that they need to achieve? Do we have a list (production and financial)? Do we (lending and FBM) share it with them?

Goal:

- Break into groups that are blended.
- Review cash flow contents
- Offer how each would approach the situation
- How can you work with others in the group?