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SOUTHWESTERN MINNESOTA  
FARM BUSINESS MANAGEMENT ASSOCIATION

# 2010

## ANNUAL REPORT

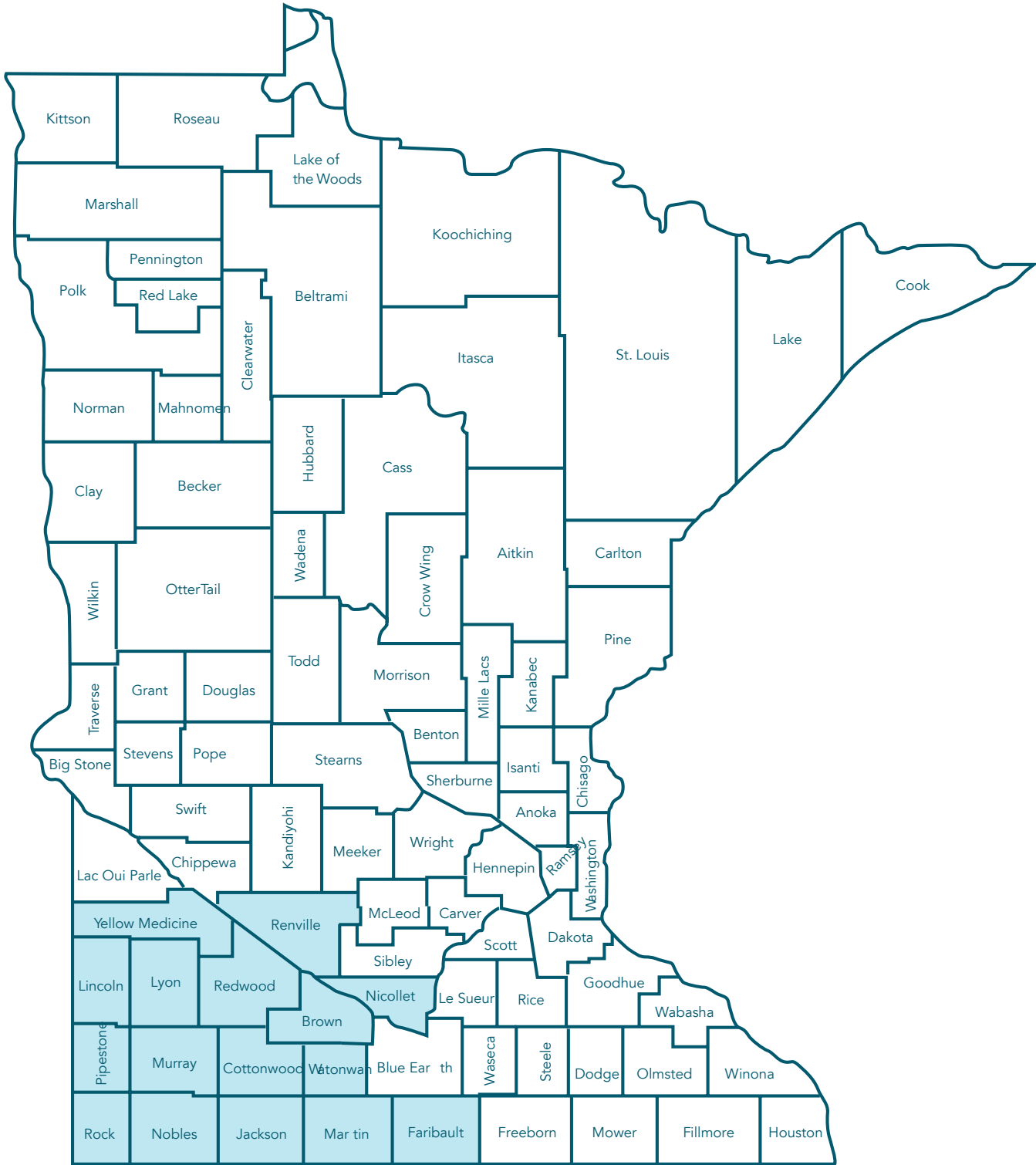


Staff Paper P11-4  
Department of Applied Economics  
University of Minnesota  
Saint Paul, MN 55108  
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In Cooperation with:

Center for Farm Financial Management · Department of Applied Economics · University of Minnesota Extension  
College of Food, Agricultural and Natural Resource Sciences · University of Minnesota

# SOUTHWEST MINNESOTA FARM BUSINESS MANAGEMENT ASSOCIATION

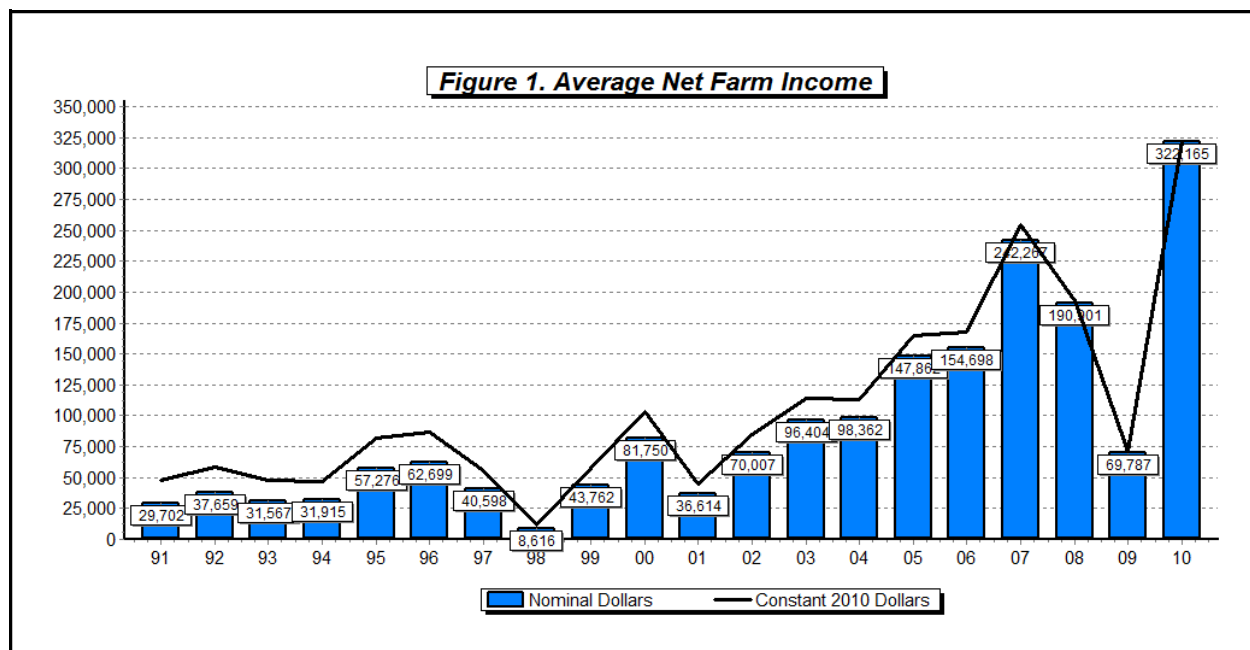


## *Executive Summary*

# **2010 Annual Report of the Southwestern Minnesota Farm Business Management Association**

by Dale W. Nordquist, James N. Kurtz, Donald L. Nitchie,  
Garen J. Paulson, Janet M. Froslan and John L. Woodford

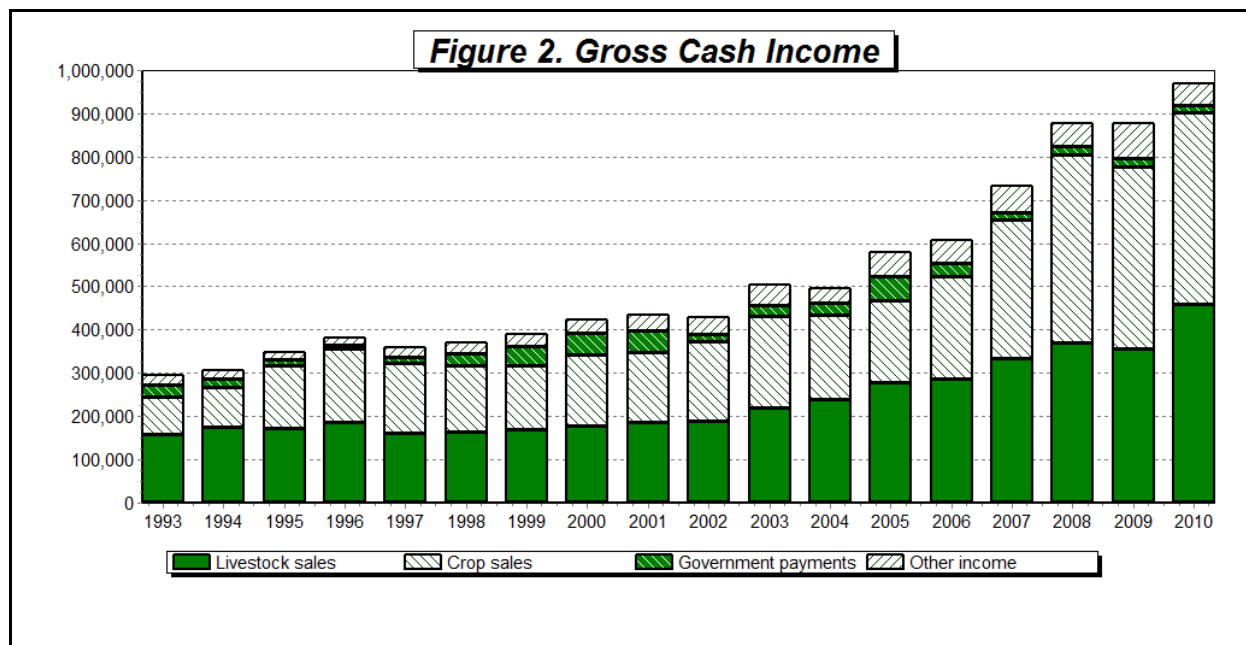
Average net farm income was \$322,165 in 2010 for the 97 farms included in this annual report of the Southwestern Minnesota Farm Business Management Association. Average earnings increased by 362% from \$69,787 in 2009 (Figure 1). Inflation-adjusted profits rebounded after a downturn in 2009 that was caused primarily by low profits in the livestock sectors. Strong yields, substantially higher crop inventory values, and rebounding profitability of the livestock sectors led the way to much higher profits in 2010.



Highlights of association financial results for 2010:

- Median net farm income, or the income earned by the middle farm, was \$234,879, substantially lower than the average, indicating that the average was skewed by high profits of the most profitable farms. In 2009, this effect was reversed due to large losses suffered by some of the large livestock farms in the association.
- As is the case every year, incomes varied widely across the entire group. The average net farm income for the most profitable 20% of the farms was \$819,795 while the least profitable 20% earned only \$62,563.

Entire report is available at: [http://www.cffm.umn.edu/Publications/Pubs/FBMA/SW\\_MN\\_FBMA\\_2010.pdf](http://www.cffm.umn.edu/Publications/Pubs/FBMA/SW_MN_FBMA_2010.pdf)



- Average gross cash income was up 11% from 2009 (Figure 2) while cash expenses increased by 5%.
- Government payments were down 5% and accounted for 2% of gross cash farm income (Figure 2). Crop sales accounted for 46% of income while livestock sales were 47%.
- Average rate of return on assets (ROA) rebounded to 17% with assets valued at adjusted cost or book value, up from 3% in 2009 (Figure 3). Rate of return on equity (ROE) averaged 24%, up from 2%. The fact that ROE was higher than ROA indicates that debt capital earned more than the average interest rate paid.
- The average farm reported net worth growth of \$291,599. Net worth growth from earnings (farm and non-farm) averaged \$254,596. The remainder resulted from changes in asset values. The average debt-to-asset ratio decreased from 40% to 38% (Figure 4).

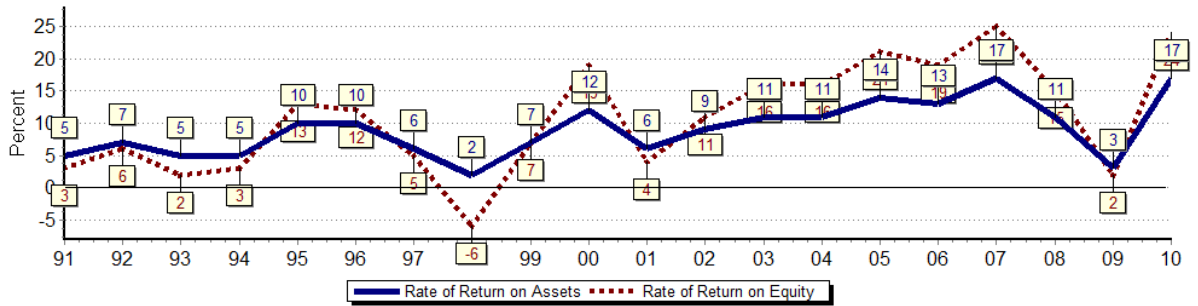
## Crops

- Corn yields were almost unchanged from 2009 but above historical averages at 184 bushels per acre. Soybeans yields averaged 51 bushels, up from 49 in 2009 (Figure 5).
- Both corn and soybean prices received decreased from 2009 levels but remained above historical averages. The average price received for corn was \$3.67 per bushel compared to \$3.83 in 2009. Soybeans average \$9.72 per bushel, down from \$10.15. Most of the increased profits for crop farms resulted from the increased value of inventories with the run-up of prices at the end of the year.
- The cost to raise an acre of corn (with land rent) decreased by 5% while soybean costs were virtually unchanged. The cost to produce a bushel of corn on cash rented land decreased from \$3.30 per bushel in 2009 to \$3.12 in 2010, while soybean costs were virtually unchanged (\$8.18 in 2009, \$8.17 in 2010). These costs include a charge for unpaid labor and management, but do not include a charge for equity capital. For corn, fertilizer costs per acre decreased by 37%. Drying and chemical costs were also down, while seed and cash rent were up.



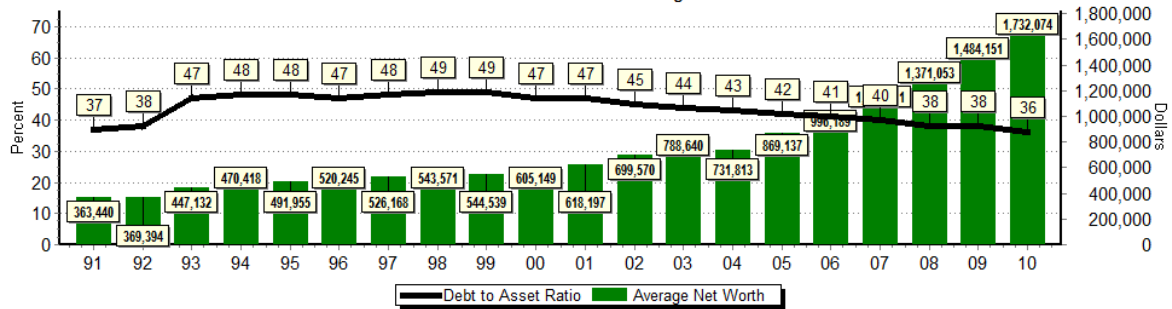
**Figure 3: Rates of Return on Assets (ROA) and Equity (ROE)**

Southwest Minnesota Farm Business Management Association

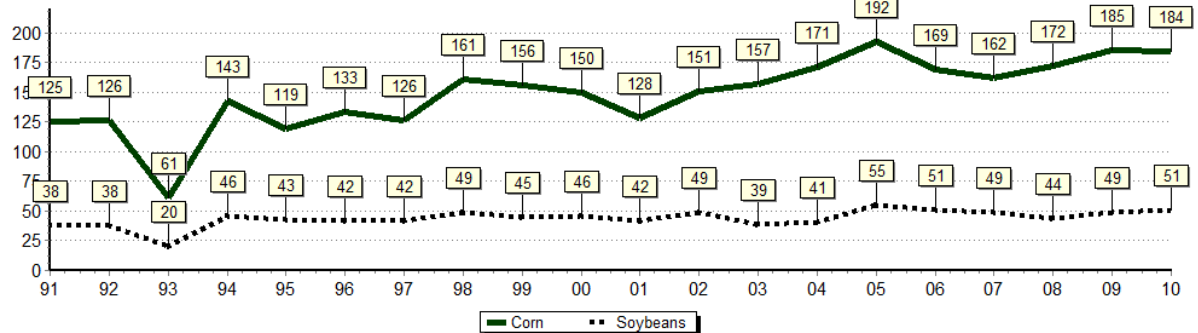


**Figure 4: Ending Equity and Ending Debt to Asset Ratio**

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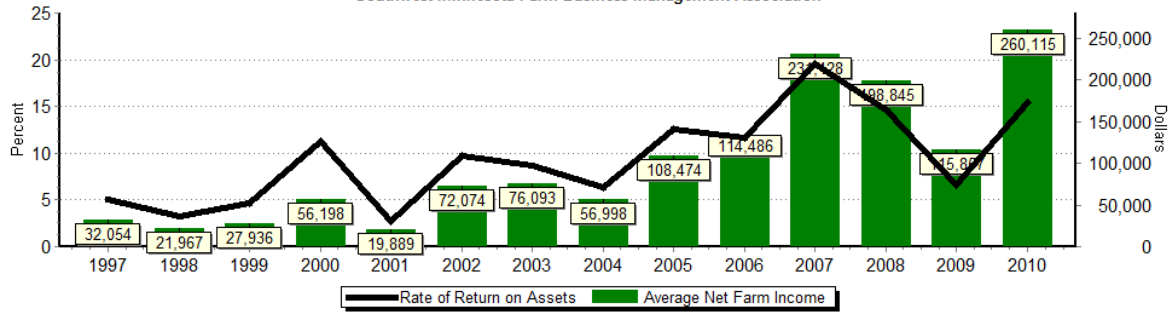


**Figure 5: Average Corn and Soybean Yields**



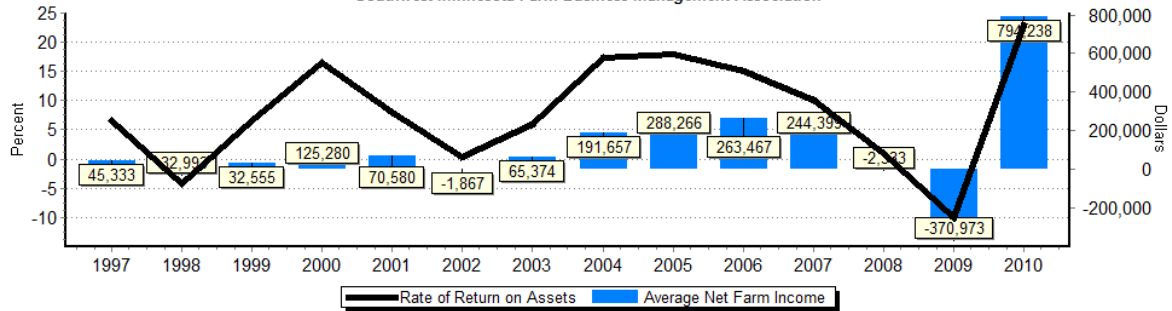
**Figure 6: Crop Farms**

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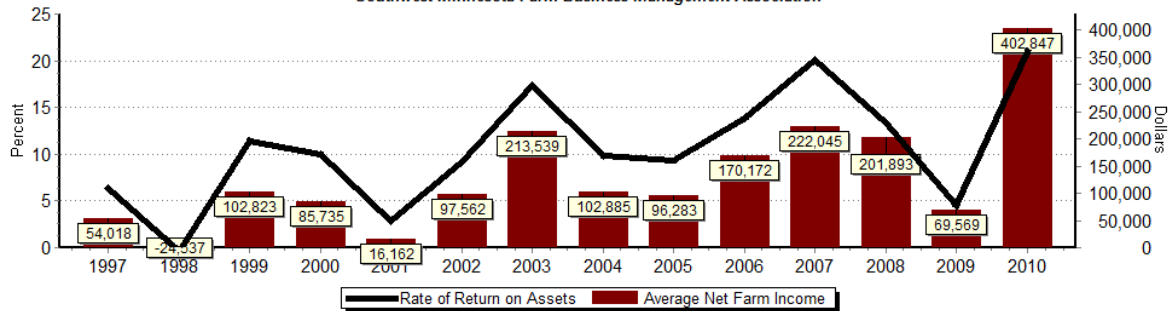
**Figure 7: Hog/Crop & Hog Farms**

Southwest Minnesota Farm Business Management Association



**Figure 8: Beef/Crop & Beef Farms**

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## **Type of Farm**

- Crop farm profits increased by over 100%, with an average net farm income of \$260,115 and an average ROA of 15.4 % (Figure 6). The increase in profitability was due primarily to increased inventory values and slightly lower costs per acre.
- The biggest change in 2010 was the return to profitability for hog farms. Specialized hog farms and hog/crop farms (those farms with over 70% of gross income from sale of hogs or a combination of hogs and crops) suffered losses averaging \$-370,973 in 2009. In 2010, the average of these farms earned profits of \$794,238 and an ROA of 23% (Figure 7).

## **Size of Farm**

- When sorted by gross farm income, the largest farms, those with sales over \$1,000,000, were most profitable with rates of return on assets of 21%. This was a major change from 2009, when the largest farms were least profitable. Many of these larger farms are livestock operations, which returned to profitability in 2010.
- Rates of return generally increased with farm size, although all sizes of operation were profitable, on average, in 2010.

The report provides additional information on profitability, liquidity, and solvency as well as other whole-farm information and detailed information on crop and livestock enterprises. The report also includes whole-farm financial condition and performance by business size, type of farm, debt-to-asset ratio, and age of operator.





# **2010 Annual Report**

## **Southwestern Minnesota Farm Business Management Association**

by

by Dale W. Nordquist, James N. Kurtz, Donald L. Nitchie,  
Garen J. Paulson, Janet M. Froslan and John L. Woodford <sup>1</sup>

This report summarizes the individual farm records of the members of the Southwestern Minnesota Farm Business Management Association for 2010.

Whole-farm information and enterprise costs and returns are reported. The year-end analysis of the individual farms was performed by the Association fieldmen using the FINPACK software from the Center for Farm Financial Management. The individual analyses were summarized at the Department of Applied Economics using RankEm Central. In addition to the average of all farms, the averages for the high and low income groups are also presented. The tables are divided into four major groups: whole-farm information, crop enterprises, livestock enterprises, and summary information. The summary information includes whole farm historical trends and information by county, farm size, type of farm, debt to asset ratio, and operator age.

Of the 102 farms in the Southwestern Association, the data for 97 farms are included in this report. The rest were omitted because the records were incomplete at the time that this report was prepared. In addition to this report, members receive an annual farm business analysis; on-farm instructional visits; end-of-year income tax planning and preparation; periodic meetings, tours, and seminars; a monthly newsletter; and other managerial and educational assistance. Each farmer pays an annual fee which covers the majority of the cost, with the balance defrayed by University of Minnesota Extension and research programs of the University of Minnesota.

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<sup>1</sup>Nordquist is Extension Economist—Center For Farm Financial Management, University of Minnesota, Twin Cities; Kurtz and Nitchie are Regional Extension Educators--Farm Management and Fieldmen for the Association; Paulson, Froslan and Woodford are financial analysts for the Association; Rann Loppnow, Software Developer, Center For Farm Financial Management, was the programmer for RankEm Central (the analysis package used to prepare this report).

## **Southwestern Minnesota Farm Business Management Association**

### **Distribution of Membership -- 2010**

County	Number of Farm Units	Number of Records Submitted
Cottonwood	18	11
Jackson	16	14
Martin	4	4
Murray	18	17
Nobles	19	18
Pipestone	12	12
Redwood	6	6
Watonwan	7	6
Others <sup>2</sup>	<u>10</u>	<u>9</u>
TOTAL	102	97

#### **Officers and Directors**

Mike Sandager, President  
Randy Peter, Vice President  
Francis Gervais, Secretary-Treasurer

The directors of the Southwestern Minnesota Farm Business Management Association for 2010/2011 are: Chad Diemer, Robert Hartman, Charles Leuthold, Brian Ling, Kerry Tutt and Matt Wolle.

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<sup>2</sup>Records were also submitted from members in Faribault, Lyon, Lac Qui Parle, McLeod, Mower, Rock and Wabasha counties, in addition to the counties listed individually.

# Southwestern Minnesota Farm Business Management Association

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# Whole-Farm Reports

The whole-farm reports summarize the financial performance of member farms in 2010. Each table (except for the balance sheets) includes the average of the 97 farms included in the report and the average 20 percent of the farms with the lowest and highest profits (base on Net Farm Income). In a change from previous years, the balance sheet reports include all farms, including partnerships and corporations. Appendix I provides detail on how the whole-farm measures are calculated. Below is a short summary of the whole farm reports.

## Financial Summary

The Financial Summary report provides a summary of the key financial measures and ratios included on the other detailed whole farm reports.

## Financial Standards Measures

The Farm Financial Standards Council recommends that farms use these sixteen measures as standard measures of farm financial performance. They are sometimes called the *Sweet 16*. Many are repeated from the Profitability, Liquidity, and Balance Sheet tables. For a complete description, see the Financial Guidelines for Agricultural Producers at <http://www.ffsc.org/guidelines.htm>.

## Farm Income Statement

The Income Statement calculates the accrual Net Farm Income generated by the average farm for year 2010. Net Farm Income represents the return to the operator's and family's unpaid labor, management, and equity capital (net worth). It is the amount the farm contributed to owner family living, income taxes, and net worth growth. However, it does not include any asset appreciation, debt forgiveness or asset repossessions.

## Profitability Measures

The profitability measures are calculated based on both the cost value of assets and the market value. When calculated based on the market value of assets, the profitability measures can be compared to interest rates and returns available on alternative investments. When based on cost values, the returns more closely estimate the actual returns from the actual investment. (Cost values do not reflect the tax basis of farm assets. Instead, a method of calculating depreciation is used that estimates economic depreciation over the useful life of the assets.)

The *Rate of Return on Assets* (ROA) can be thought of as the interest rate earned by all investment in farm assets. *Rate of Return on Equity* (ROE) is the rate earned on the operator's equity or net worth in the farm business. If ROE is higher than ROA, borrowed funds more than paid for their cost in interest expense. *Operating Profit Margin* measures efficiency in farm operations. The higher the margin, the more of the farm income remained in pockets of the farm operator. *Asset Turnover Rate* measures efficiency in use of capital. Again, the higher the better. Farms with high investment in fixed assets will generally have a lower turnover rate than those who lease a major share of their capital.



## **Liquidity and Repayment Capacity Measures**

Liquidity reflects the ability of the farm to meet its financial obligations on time. *Current Ratio* is current farm assets divided by current farm liabilities. *Working Capital* is current farm assets minus current farm liabilities. Businesses with more working capital are generally in a better position to overcome short-term financial downturns or production problems. *Working Capital to Gross Income* measures liquidity relative to business size.

Repayment capacity measures the ability of the business to meet debt payments and replace capital assets. *Term Debt Coverage Ratio* measures the ability of the business to meet its scheduled debt payments. A term debt coverage ratio greater than 1.0 indicates that the business produced more than enough earnings to meet its scheduled debt payments. *Replacement Coverage Ratio* adds the need for capital replacement. A replacement coverage ratio greater than 1.0 indicates that the business produced more than enough earnings to meet its payments and replace its depreciable assets.

## **Balance Sheets**

Balance sheet reports are included for both the cost and market value of assets. Current assets are identical in both tables, with crop and livestock inventories generally valued at market value. This conforms to the methodology recommended by the Farm Financial Standards Council. Intermediate and long term assets are shown at depreciated value using estimated economic depreciation, not tax, on the cost-based table. On the market table, they are valued at estimated market value.

Liabilities are the same on the cost and market tables except for the inclusion of *Deferred Liabilities* on the market statements. Deferred liabilities are the estimated taxes that would be paid if assets were liquidated at their market values.

*Net Worth Change* on the cost value table is the amount of earned net worth growth or loss for the year. Net worth change on the market value table includes both earned growth and changes in the market valuation of capital assets.

## **Statement of Cash Flows**

The Statement of Cash Flows displays the sources and uses of cash for the year. *Cash From Operating Activities* includes sources and uses of cash related to normal farm operations. *Cash From Investing Activities* reflect cash used to buy and sell capital assets. *Cash From Financing Activities* includes sources and uses of borrowed funds as well as cash from nonfarm activities.

## **Crop Production and Marketing**

This table reports farm size in acres farmed, average crop yields for major commodities, and average crop sales prices for the calendar year. Yields and prices are reported for the average of all farms for more commodities than those included in the High and Low columns because a minimum of five farms are required to report the yield or price for any group.

### **Household and Personal Expenses**

This table reports family living and other non-farm expenditures. Only sole proprietors who keep detailed family living records are included.

### **Operator and Labor Information**

All previous tables report results per farm, regardless of the number of families or operators involved in the operation. This report repeats several measures from previous tables on a *Per Operator* basis. It also summarizes estimated labor hours used and labor performance.

### **Nonfarm Summary**

This table summarizes nonfarm earnings for the average farm and details nonfarm assets and liabilities.

**Financial Summary**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Income Statement</b>			
Gross cash farm income	970,471	276,002	2,439,833
Total cash farm expense	781,053	173,603	2,098,926
Net cash farm income	189,418	102,400	340,907
Inventory change	178,977	-9,662	551,374
Depreciation	-48,085	-30,187	-77,487
Net farm income from operations	320,310	62,551	814,795
Gain or loss on capital sales	1,855	12	5,000
Average net farm income	322,165	62,563	819,795
Median net farm income	234,879	63,530	586,651
<b>Profitability (cost)</b>			
Rate of return on assets	16.9 %	7.1 %	23.0 %
Rate of return on equity	23.8 %	8.7 %	33.6 %
Operating profit margin	36.3 %	22.1 %	42.3 %
Asset turnover rate	46.6 %	32.3 %	54.3 %
<b>Liquidity &amp; Repayment (end of year)</b>			
Current assets	867,915	197,624	1,955,726
Current liabilities	299,478	128,734	649,685
Current ratio	2.90	1.54	3.01
Working capital	568,438	68,891	1,306,042
Working capital to gross inc	50.2 %	25.7 %	44.0 %
Term debt coverage ratio	5.22	1.41	8.39
Replacement coverage ratio	3.80	1.18	6.26
<b>Solvency (end of year at market)</b>			
Number of farms	97	19	20
Total farm assets	2,593,699	1,460,967	4,672,833
Total farm liabilities	1,018,383	610,687	1,859,988
Total assets	2,859,800	1,656,348	4,890,709
Total liabilities	1,075,348	642,548	1,918,088
Net worth	1,784,452	1,013,800	2,972,621
Net worth change	291,599	97,657	554,236
Farm debt to asset ratio	39 %	42 %	40 %
Total debt to asset ratio	38 %	39 %	39 %
<b>Nonfarm Information</b>			
Net nonfarm income	29,543	36,114	19,631
Farms reporting living expenses	46	8	7
Total family living expense	63,848	55,576	49,606
Total living, invest, cap. purch	108,468	80,442	81,020
<b>Crop Acres</b>			
Total acres owned	240	174	358
Total crop acres	831	334	1,443
Total crop acres owned	221	133	305
Total crop acres cash rented	550	155	1,064
Total crop acres share rented	61	45	74

**Financial Standards Measures**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Liquidity</b>			
Current ratio	2.90	1.54	3.01
Working capital	568,438	68,891	1,306,042
Working capital to gross inc	50.2 %	25.7 %	44.0 %
<b>Solvency (market)</b>			
Farm debt to asset ratio	39 %	42 %	40 %
Farm equity to asset ratio	61 %	58 %	60 %
Farm debt to equity ratio	0.65	0.72	0.66
<b>Profitability (cost)</b>			
Rate of return on farm assets	16.9 %	7.1 %	23.0 %
Rate of return on farm equity	23.8 %	8.7 %	33.6 %
Operating profit margin	36.3 %	22.1 %	42.3 %
Net farm income	322,165	62,563	819,795
EBIDTA	399,071	116,640	949,522
<b>Repayment Capacity</b>			
Capital debt repayment capacity	331,285	85,350	840,975
Capital debt repayment margin	267,875	24,746	740,688
Replacement margin	244,025	13,283	706,621
Term debt coverage ratio	5.22	1.41	8.39
Replacement coverage ratio	3.80	1.18	6.26
<b>Efficiency</b>			
Asset turnover rate (cost)	46.6 %	32.3 %	54.3 %
Operating expense ratio	64.8 %	56.5 %	68.0 %
Depreciation expense ratio	4.2 %	11.3 %	2.6 %
Interest expense ratio	3.0 %	8.5 %	2.5 %
Net farm income ratio	28.5 %	23.3 %	27.6 %

**Farm Income Statement**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Cash Farm Income</b>			
Barley	94	478	-
Beans, Navy	538	-	-
Corn	245,292	99,632	430,054
Corn Silage	967	-	-
Hay, Alfalfa	24,773	1,043	-
Hay, Mixed	123	517	-
Oats	312	527	-
Peas, Processing	241	-	1,171
Soybeans	162,107	72,929	244,231
Soybeans Seed	364	-	-
Sugar Beets	793	-	-
Sweet Corn, Processing	1,073	662	1,134
Wheat, Spring	682	737	1,214
Wheat, Winter	408	720	-
DDGS	3,483	-	16,892
Miscellaneous crop income	1,250	5,116	26
Beef Bulls	233	-	1,130
Beef Cow-Calf, Beef Calves	1,150	1,195	2,804
Beef Finishing	37,708	-	44,715
Dairy, Milk	65,069	12,225	276,682
Dairy, Dairy Calves	450	645	959
Dairy Replacement Heifers	3,823	-	1,882
Dairy Finishing	4,030	-	-
Hogs, Farrow To Finish, Raised Ho	14,394	3,109	61,064
Hogs, Finish Feeder Pigs	4,017	-	-
Sheep, Lamb Finishing	1,227	-	-
Sheep, Market Lamb Prod, Mkt Lamb	1,169	-	5,670
Sheep, Market Lamb Prod, Wool	49	-	127
Hogs, Weaning to Finish	309,288	-	1,203,426
Cull breeding livestock	4,262	1,000	17,465
Misc. livestock income	11	22	-
Direct, CCP & ACRE pymts	12,667	6,210	19,711
CRP payments	599	404	1,122
Livestock govt payments	356	450	1,070
Other government payments	2,722	653	7,636
Custom work income	30,813	16,665	61,764
Patronage dividends, cash	6,370	4,549	16,425
Insurance income	4,662	3,739	4,558
Sale of resale items	57	-	234
Contract livestock income	10,478	15,605	-
Other farm income	12,366	27,172	16,668
Gross Cash Farm Income	970,471	276,002	2,439,833

**Farm Income Statement (Continued)**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Cash Farm Expense</b>			
Seed	62,019	22,806	107,620
Fertilizer	57,800	18,377	95,936
Crop chemicals	18,067	7,453	24,757
Crop insurance	9,885	3,674	15,511
Drying expense	2,778	1,006	4,427
Storage	532	260	735
Crop hauling and trucking	269	11	765
Crop marketing	1,370	406	3,039
Crop miscellaneous	2,131	872	3,162
Feeder livestock purchase	108,199	579	316,485
Purchased feed	204,309	7,841	774,168
Breeding fees	1,217	197	5,170
Veterinary	8,179	359	30,720
Supplies	6,129	706	19,342
Contract production exp.	7,241	325	31,576
Livestock leases	676	-	3,280
Livestock hauling and trucking	1,928	280	6,727
Livestock marketing	1,032	3	4,733
Interest	34,124	22,826	73,100
CCC buyback	950	-	-
Fuel & oil	28,546	13,509	50,353
Repairs	35,829	15,595	61,703
Custom hire	9,994	2,827	19,299
Hired labor	31,446	4,427	105,695
Land rent	85,478	27,826	179,381
Machinery leases	25,279	598	97,535
Building leases	3,441	-	3,951
Real estate taxes	5,444	3,333	8,445
Farm insurance	8,799	4,295	15,478
Utilities	9,610	9,192	18,021
Dues & professional fees	1,979	1,286	3,037
Miscellaneous	6,370	2,733	14,774
Total cash expense	781,053	173,603	2,098,926
Net cash farm income	189,418	102,400	340,907
<b>Inventory Changes</b>			
Prepays and supplies	12,657	-203	21,627
Accounts receivable	10,399	-369	36,186
Hedging accounts	-1,972	-5,582	28,290
Other current assets	96	-278	800
Crops and feed	133,190	-2,789	406,838
Market livestock	18,700	827	46,507
Breeding livestock	776	-106	6,401
Other assets	684	798	1,120
Accounts payable	999	-885	-12,253
Accrued interest	3,448	-1,075	15,860
Total inventory change	178,977	-9,662	551,374
Net operating profit	368,395	92,738	892,282
<b>Depreciation</b>			
Machinery and equipment	-33,249	-16,580	-49,143
Titled vehicles	-2,111	-1,583	-3,334
Buildings and improvements	-12,725	-12,023	-25,010
Total depreciation	-48,085	-30,187	-77,487
Net farm income from operations	320,310	62,551	814,795
Gain or loss on capital sales	1,855	12	5,000
Net farm income	322,165	62,563	819,795



**Profitability Measures**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Profitability (assets valued at cost)</b>			
Net farm income from operations	320,310	62,551	814,795
Rate of return on assets	16.9 %	7.1 %	23.0 %
Rate of return on equity	23.8 %	8.7 %	33.6 %
Operating profit margin	36.3 %	22.1 %	42.3 %
Asset turnover rate	46.6 %	32.3 %	54.3 %
Farm interest expense	30,676	23,902	57,240
Value of operator lbr and mgmt.	53,473	28,955	79,524
Return on farm assets	297,513	57,497	792,511
Average farm assets	1,757,732	804,433	3,453,159
Return on farm equity	266,837	33,596	735,270
Average farm equity	1,121,990	387,839	2,189,426
Value of farm production	819,691	259,810	1,875,321

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Profitability (assets valued at market)</b>			
Net farm income from operations	356,488	127,826	760,777
Rate of return on assets	13.8 %	8.7 %	17.0 %
Rate of return on equity	21.1 %	12.3 %	26.8 %
Operating profit margin	40.7 %	47.3 %	39.4 %
Asset turnover rate	34.0 %	18.5 %	43.1 %
Farm interest expense	30,676	23,902	57,240
Value of operator lbr and mgmt.	53,473	28,955	79,524
Return on farm assets	333,691	122,772	738,493
Average farm assets	2,414,106	1,405,995	4,350,947
Return on farm equity	303,015	98,870	681,253
Average farm equity	1,437,265	802,571	2,539,670
Value of farm production	819,691	259,810	1,875,321

**Liquidity & Repayment Capacity Measures**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Liquidity</b>			
Current ratio	2.90	1.54	3.01
Working capital	568,438	68,891	1,306,042
Working capital to gross inc	50.2 %	25.7 %	44.0 %
Current assets	867,915	197,624	1,955,726
Current liabilities	299,478	128,734	649,685
Gross revenues (accrual)	1,132,305	268,230	2,965,974
<b>Repayment capacity</b>			
Net farm income from operations	320,310	62,551	814,795
Depreciation	48,085	30,187	77,487
Personal income	29,543	36,114	19,631
Family living/owner withdrawals	-66,086	-49,711	-79,258
Payments on personal debt	-2,125	-1,358	-917
Income taxes paid	-20,120	-13,052	-26,432
Interest on term debt	21,679	20,619	35,669
Capital debt repayment capacity	331,285	85,350	840,975
Scheduled term debt payments	-63,411	-60,605	-100,287
Capital debt repayment margin	267,875	24,746	740,688
Cash replacement allowance	-23,849	-11,463	-34,067
Replacement margin	244,025	13,283	706,621
Term debt coverage ratio	5.22	1.41	8.39
Replacement coverage ratio	3.80	1.18	6.26

**Balance Sheet at Cost Values**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>		<u>Low 20%</u>		<u>High 20%</u>	
Number of farms	97		19		20	
	<u>Beginning</u>	<u>Ending</u>	<u>Beginning</u>	<u>Ending</u>	<u>Beginning</u>	<u>Ending</u>
<b>Assets</b>						
Current Farm Assets						
Cash and checking balance	60,348	48,544	13,591	21,438	184,738	102,415
Prepaid expenses & supplies	78,737	91,394	28,038	27,835	153,202	174,829
Growing crops	46	85	0	275	0	0
Accounts receivable	13,830	24,229	6,491	6,123	9,133	45,318
Hedging accounts	8,489	9,636	1,001	143	28,474	37,873
Crops held for sale or feed	395,150	525,761	139,083	135,381	657,320	1,056,551
Crops under government loan	8,984	12,293	0	1,915	9,962	17,569
Market livestock held for sale	136,174	154,873	2,393	3,219	470,555	517,062
Other current assets	1,044	1,101	1,847	1,295	3,310	4,110
Total current farm assets	702,801	867,915	192,445	197,624	1,516,694	1,955,726
Intermediate Farm Assets						
Breeding livestock	22,111	23,772	1,702	1,645	89,225	96,819
Machinery and equipment	268,979	307,543	136,533	154,964	420,826	465,459
Titled vehicles	11,953	13,305	8,545	8,259	16,449	21,401
Other intermediate assets	7,669	7,505	1,048	1,712	19,680	19,777
Total intermediate farm assets	310,712	352,126	147,828	166,580	546,180	603,457
Long Term Farm Assets						
Farm land	325,597	353,801	181,804	181,804	546,561	585,714
Buildings and improvements	239,969	245,160	232,365	229,501	465,655	465,625
Other long-term assets	58,284	59,828	39,676	40,241	109,280	111,425
Total long-term farm assets	623,850	658,789	453,845	451,545	1,121,496	1,162,765
Total Farm Assets	1,637,363	1,878,831	794,118	815,749	3,184,370	3,721,948
Total Nonfarm Assets	195,944	216,943	164,097	166,076	139,353	169,097
Total Assets	1,833,307	2,095,774	958,215	981,825	3,323,723	3,891,045
<b>Liabilities</b>						
Current Farm Liabilities						
Accrued interest	11,536	8,088	4,631	5,708	26,875	11,015
Accounts payable	21,032	20,033	5,417	6,303	34,847	47,100
Current notes	226,971	225,009	78,672	77,090	585,553	520,210
Government crop loans	3,766	4,002	0	1,000	4,437	5,368
Principal due on term debt	41,732	42,346	39,986	38,633	64,618	65,991
Total current farm liabilities	305,037	299,478	128,706	128,734	716,331	649,685
Total intermediate farm liabs	75,566	84,717	45,132	53,716	138,134	115,500
Total long term farm liabilities	254,731	252,684	247,513	230,389	440,662	467,154
Total farm liabilities	635,334	636,879	421,351	412,839	1,295,127	1,232,338
Total nonfarm liabilities	40,620	46,945	23,267	26,765	36,334	49,057
Total liabilities	675,954	683,825	444,619	439,603	1,331,461	1,281,395
Net worth (farm and nonfarm)	1,157,352	1,411,949	513,596	542,222	1,992,262	2,609,650
Net worth change		254,596		28,625		617,388
Percent net worth change		22 %		6 %		31 %
<b>Ratio Analysis</b>						
Current farm liabilities / assets	43 %	35 %	67 %	65 %	47 %	33 %
Intermediate farm liab. / assets	24 %	24 %	31 %	32 %	25 %	19 %
Long term farm liab. / assets	41 %	38 %	55 %	51 %	39 %	40 %
Total debt to asset ratio	37 %	33 %	46 %	45 %	40 %	33 %

**Balance Sheet at Market Values**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<b>Avg. Of All Farms</b>		<b>Low 20%</b>		<b>High 20%</b>	
Number of farms	97		19		20	
	<u>Beginning</u>	<u>Ending</u>	<u>Beginning</u>	<u>Ending</u>	<u>Beginning</u>	<u>Ending</u>
<b>Assets</b>						
Current Farm Assets						
Cash and checking balance	60,348	48,544	13,591	21,438	184,738	102,415
Prepaid expenses & supplies	78,737	91,394	28,038	27,835	153,202	174,829
Growing crops	46	85	0	275	0	0
Accounts receivable	13,830	24,229	6,491	6,123	9,133	45,318
Hedging accounts	8,489	9,636	1,001	143	28,474	37,873
Crops held for sale or feed	395,150	525,761	139,083	135,381	657,320	1,056,551
Crops under government loan	8,984	12,293	0	1,915	9,962	17,569
Market livestock held for sale	136,174	154,873	2,393	3,219	470,555	517,062
Other current assets	1,044	1,101	1,847	1,295	3,310	4,110
Total current farm assets	702,801	867,915	192,445	197,624	1,516,694	1,955,726
Intermediate Farm Assets						
Breeding livestock	32,309	34,434	6,684	7,124	125,937	134,961
Machinery and equipment	415,893	470,245	217,712	252,516	649,566	712,574
Titled vehicles	14,012	17,370	12,765	12,384	18,260	22,538
Other intermediate assets	9,259	8,711	1,048	1,712	26,532	26,027
Total intermediate farm assets	471,472	530,760	238,210	273,736	820,295	896,101
Long Term Farm Assets						
Farm land	638,035	757,597	469,031	529,564	920,572	1,022,328
Buildings and improvements	350,359	363,051	366,501	373,161	645,320	666,160
Other long-term assets	72,575	74,375	85,838	86,882	126,180	132,517
Total long-term farm assets	1,060,970	1,195,023	921,370	989,607	1,692,073	1,821,005
Total Farm Assets	2,235,243	2,593,699	1,352,025	1,460,967	4,029,061	4,672,833
Total Nonfarm Assets	244,063	266,101	188,071	195,381	200,881	217,876
Total Assets	2,479,306	2,859,800	1,540,096	1,656,348	4,229,943	4,890,709
<b>Liabilities</b>						
Current Farm Liabilities						
Accrued interest	11,536	8,088	4,631	5,708	26,875	11,015
Accounts payable	21,032	20,033	5,417	6,303	34,847	47,100
Current notes	226,971	225,009	78,672	77,090	585,553	520,210
Government crop loans	3,766	4,002	0	1,000	4,437	5,368
Principal due on term debt	41,732	42,346	39,986	38,633	64,618	65,991
Total current farm liabilities	305,037	299,478	128,706	128,734	716,331	649,685
Total intermediate farm liabs	75,566	84,717	45,132	53,716	138,134	115,500
Total long term farm liabilities	254,731	252,684	247,513	230,389	440,662	467,154
Total farm liabilities	635,334	636,879	421,351	412,839	1,295,127	1,232,338
Total nonfarm liabilities	40,620	46,945	23,267	26,765	36,334	49,057
Total liabs excluding deferreds	675,954	683,825	444,619	439,603	1,331,461	1,281,395
Total deferred liabilities	310,499	391,523	179,335	202,945	480,096	636,693
Total liabilities	986,453	1,075,348	623,953	642,548	1,811,557	1,918,088
Retained earnings	1,157,352	1,411,949	513,596	542,222	1,992,262	2,609,650
Market valuation equity	335,501	372,503	402,547	471,579	426,124	362,971
Net worth (farm and nonfarm)	1,492,853	1,784,452	916,143	1,013,800	2,418,386	2,972,621
Net worth excluding deferreds	1,803,352	2,175,975	1,095,478	1,216,745	2,898,482	3,609,314
Net worth change		291,599		97,657		554,236
Percent net worth change		20 %		11 %		23 %
<b>Ratio Analysis</b>						
Current farm liabilities / assets	43 %	35 %	67 %	65 %	47 %	33 %
Intermediate farm liab. / assets	16 %	16 %	19 %	20 %	17 %	13 %
Long term farm liab. / assets	24 %	21 %	27 %	23 %	26 %	26 %
Total debt to asset ratio	40 %	38 %	41 %	39 %	43 %	39 %
Debt to assets excl deferreds	27 %	24 %	29 %	27 %	31 %	26 %

**Statement Of Cash Flows**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
Beginning cash (farm & nonfarm)	82,683	61,094	189,665
<b>Cash Provided By Operating Activities</b>			
Gross cash farm income	970,471	276,002	2,439,833
Total cash farm expense	-781,053	-173,603	-2,098,926
Net cash from hedging transactions	-3,119	-4,724	18,891
Cash provided by operating	186,299	97,676	359,798
<b>Cash Provided By Investing Activities</b>			
Sale of breeding livestock	155	-	744
Sale of machinery & equipment	5,475	7,662	5,536
Sale of titled vehicles	91	-	88
Sale of farm land	77	-	-
Sale of farm buildings	556	11	2,108
Sale of other farm assets	1,393	79	6,164
Sale of nonfarm assets	3,870	4,568	6,641
Purchase of breeding livestock	-1,040	-49	-1,937
Purchase of machinery & equip.	-75,515	-42,661	-94,313
Purchase of titled vehicles	-3,549	-1,298	-8,374
Purchase of farm land	-19,210	-	-38,488
Purchase of farm buildings	-18,472	-9,170	-27,088
Purchase of other farm assets	-2,089	-509	-7,287
Purchase of nonfarm assets	-21,954	-10,877	-20,205
Cash provided by investing	-130,212	-52,244	-176,409
<b>Cash Provided By Financing Activities</b>			
Money borrowed	486,249	155,597	1,081,599
Principal payments	-480,521	-166,963	-1,141,479
Personal income	29,543	36,114	19,631
Family living/owner withdrawals	-66,086	-49,711	-79,258
Income and social security tax	-20,120	-13,052	-26,432
Capital contributions	5,670	-	27,500
Capital distributions	-30,928	-	-150,000
Dividends paid	-	-	-
Cash gifts and inheritances	7,933	433	2,330
Gifts given	-496	-984	-
Other cash flows	-	-	-
Cash provided by financing	-68,757	-38,566	-266,108
Net change in cash balance	-12,670	6,866	-82,719
Ending cash (farm & nonfarm)	70,013	67,960	106,946

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**Crop Production and Marketing Summary**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

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	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Acreage Summary</b>			
Total acres owned	240	174	358
Total crop acres	831	334	1,443
Crop acres owned	221	133	305
Crop acres cash rented	550	155	1,064
Crop acres share rented	61	45	74
Total pasture acres	5	3	20
Percent crop acres owned	27 %	40 %	21 %
<b>Average Price Received (Cash Sales Only)</b>			
Soybeans per bushel	9.72	9.79	9.74
Corn per bushel	3.67	3.56	3.78
Hay, Alfalfa per ton	86.77	-	-
Wheat, Spring per bushel	5.91	-	-
<b>Average Yield Per Acre</b>			
Soybeans (bushel)	51.18	49.38	50.80
Corn (bushel)	183.58	167.70	184.95
Hay, Alfalfa (ton)	5.17	-	5.18
Corn Silage (ton)	23.49	-	25.47
Hay, Grass (ton)	2.63	-	-
Wheat, Spring (bushel)	41.46	32.00	-
Oats (bushel)	112.72	-	-



**Household and Personal Expenses**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	46	8	7
Average family size	3.0	2.6	2.3
Family Living Expenses			
Food and meals expense	8,688	7,769	7,487
Medical care	4,395	5,389	2,615
Health insurance	5,070	6,503	2,743
Cash donations	6,354	5,307	4,973
Household supplies	6,084	4,032	3,923
Clothing	2,732	1,846	1,963
Personal care	2,065	1,303	3,904
Child / Dependent care	241	23	71
Alimony and child support	-	-	-
Gifts	2,837	2,039	2,429
Education	4,308	2,011	3,056
Recreation	4,464	3,270	3,567
Utilities (household share)	2,884	2,551	2,160
Personal vehicle operating exp	5,006	4,945	4,435
Household real estate taxes	305	267	205
Dwelling rent	-	-	-
Household repairs	1,310	492	1,792
Personal interest	1,095	1,367	-
Disability / Long term care ins	441	454	1,003
Life insurance payments	2,075	2,404	1,661
Personal property insurance	201	113	57
Miscellaneous	2,953	3,493	1,184
Total cash family living expense	63,508	55,576	49,229
Family living from the farm	340	-	377
Total family living	63,848	55,576	49,606
Other Nonfarm Expenditures			
Income taxes	21,707	10,887	28,536
Furnishing & appliance purchases	1,362	1,932	878
Nonfarm vehicle purchases	2,802	483	-
Nonfarm real estate purchases	6,143	1,766	-2,023
Other nonfarm capital purchases	10,381	-	-
Nonfarm savings & investments	2,565	9,798	4,401
Total other nonfarm expenditures	44,960	24,866	31,792
Total cash family living investment & nonfarm capital purch	108,468	80,442	81,020

**Operator and Labor Information**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Operator Information</b>			
Average number of operators	1.1	1.1	1.4
Average age of operators	52.8	53.2	54.9
Average number of years farming	29.0	25.4	31.5
<b>Results Per Operator</b>			
Working capital	495,626	61,596	967,438
Total assets (market)	2,493,488	1,480,970	3,622,747
Total liabilities	937,606	574,513	1,420,806
Net worth (market)	1,555,882	906,457	2,201,942
Net worth excl deferred liabs	1,897,254	1,087,913	2,673,566
Gross farm income	987,268	239,829	2,197,018
Total farm expense	707,986	183,901	1,593,466
Net farm income from operations	279,282	55,928	603,552
Net nonfarm income	25,759	32,290	14,541
Family living & tax withdrawals	75,165	56,118	78,288
Total acres owned	209.1	155.8	264.9
Total crop acres	724.3	298.3	1,069.2
Crop acres owned	192.4	119.3	226.3
Crop acres cash rented	479.1	138.5	788.4
Crop acres share rented	52.8	40.5	54.5
Total pasture acres	4.7	2.3	14.9
<b>Labor Analysis</b>			
Number of farms	97	19	20
Total unpaid labor hours	2,178	1,555	2,473
Total hired labor hours	2,042	142	6,994
Total labor hours per farm	4,220	1,697	9,467
Unpaid hours per operator	1,899	1,390	1,832
Value of farm production / hour	194.26	153.13	198.10
Net farm income / unpaid hour	147.08	40.23	329.48
Average hourly hired labor wage	16.97	23.30	16.70
<b>Partnerships &amp; LLCs</b>			
Number of farms	9	1	4
Number of operators	2.1	-	-
Owner withdrawals per farm	-	-	-
Withdrawals per operator	-	-	-
<b>Corporations</b>			
Number of farms	7	2	3
Number of operators	1.6	-	-

**Nonfarm Summary**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Farm Income)**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	97	19	20
<b>Nonfarm Income</b>			
Personal wages & salary	14,592	13,586	2,697
Net nonfarm business income	5,242	13,327	7,362
Personal rental income	1,033	691	2,251
Personal interest income	1,241	853	417
Personal cash dividends	20	47	5
Tax refunds	2,313	3,691	5,963
Other nonfarm income	5,102	3,919	935
Total nonfarm income	29,543	36,114	19,631
Gifts and inheritances	7,933	433	2,330
<b>Nonfarm Assets (market)</b>			
Checking & savings	21,469	46,522	4,531
Stocks & bonds	25,529	6,059	54,457
Other current assets	1,592	1,828	289
Furniture & appliances	11,511	9,919	9,020
Nonfarm vehicles	15,358	14,147	12,485
Cash value of life ins.	11,783	12,515	10,181
Retirement accounts	59,453	39,352	44,049
Other intermediate assets	15,581	8,561	16,497
Nonfarm real estate	66,164	44,686	48,569
Personal bus. investment	55	-	-
Other long term assets	37,605	11,793	17,799
Total nonfarm assets	266,101	195,381	217,876
<b>Nonfarm Liabilities</b>			
Accrued interest	144	4	74
Accounts payable	26,518	13,531	45,630
Current notes	675	147	-
Princ due on term debt	1,216	900	724
Total current liabilities	28,553	14,583	46,427
Intermediate liabilities	1,567	1,267	996
Long term liabilities	16,826	10,915	1,633
Total nonfarm liabilities	46,945	26,765	49,057
Nonfarm net worth	219,156	168,616	168,819
Nonfarm debt to asset ratio	18 %	14 %	23 %

## Crop Reports

The Crop Enterprise Analysis tables show the average physical production, gross return, direct costs, overhead costs, and net returns per acre. There are potentially three tables for each crop depending on the farmer's tenure on the land: owned land, cash rented land, and share rented land. Farms are classified into low 20% or high 20% on the basis of net return per acre. The classification is done separately for each table.

*Gross Return Per Acre* includes the value of the crop produced plus any other income directly associated with production of the crop, including hedging gains or losses, LDP payments, crop insurance proceeds and any disaster payments that might have been received. It does not include direct and counter-cyclical government payments (see Net Return With Government Payments).

The *Value Per Unit* is assigned by the producer. For cash crops, the value is based on the actual sales price for production sold or contracted before year-end and the inventory value for crops still in inventory at year-end. The local harvest-time price is used for forages and other feed crops.

*Net Return Per Acre* is the amount contributed toward operator labor, management, and equity capital. Any wages and benefits paid to the operator are removed from labor costs (and added to *Labor and Management Charge*) so that all farms are on equal footing. Land costs include land rent on the rented land pages but only actual interest paid and real estate taxes on owned land. For this reason, net returns from owned and rented land should not be compared.

*Net Return With Government Payments* is the net return per acre after decoupled government payments such as direct and counter-cyclical government payments have been added. These payments are generally allocated evenly per acre across all crops except vegetables and pasture.

*Net Return Over Labor and Management* is the return, including government payments, remaining after compensating the operator for unpaid labor and management. This is the per acre return to equity capital.

*Cost of Production* shows the average cost per unit produced in each cost category. *Total Direct and Overhead Expense per Unit* is the breakeven price needed to cover cash costs and depreciation. *Less Government and Other Income* is the breakeven price if government payments and any miscellaneous income are used to offset some expenses. *With Labor and Management* is the breakeven price to provide a labor and management return for the operator(s).

*Machinery Cost Per Acre* includes fuel and oil, repairs, custom hire, machinery lease payments, machinery depreciation, and interest on intermediate debt.

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Corn on Owned Land**

	<u>Avg. Of All Farms</u>	<u>Low20%</u>	<u>High 20%</u>
Number of fields	97	15	16
Number of farms	63	12	13
Acres	100.52	69.48	131.79
Yield per acre (bu.)	185.44	177.84	192.57
Operators share of yield %	100.00	100.00	100.00
Value per bu.	4.88	4.13	5.26
Other product return per acre	0.25	1.99	-
Total product return per acre	905.67	735.89	1,011.99
Hedging gains/losses per acre	-4.19	-23.16	-
Crop insurance per acre	0.42	-	0.62
Other crop income per acre	2.51	1.24	10.98
Gross return per acre	904.40	713.97	1,023.59
<b>Direct Expenses</b>			
Seed	96.94	96.75	95.71
Fertilizer	97.20	97.37	102.81
Crop chemicals	23.63	26.10	24.87
Crop insurance	11.07	11.28	11.17
Drying expense	4.31	5.14	6.04
Storage	0.69	0.03	0.35
Fuel & oil	24.20	26.11	20.70
Repairs	38.43	47.15	27.05
Custom hire	7.78	12.15	13.06
Hired labor	1.00	-	0.16
Machinery leases	3.10	0.00	0.38
Utilities	0.44	0.36	0.70
Hauling and trucking	0.47	0.65	0.56
Marketing	0.91	2.91	0.04
Operating interest	5.26	13.56	1.92
Miscellaneous	1.12	1.17	1.38
Total direct expenses per acre	316.56	340.72	306.90
Return over direct exp per acre	587.85	373.25	716.69
<b>Overhead Expenses</b>			
Hired labor	9.60	16.20	8.09
Machinery leases	0.62	0.38	2.08
Building leases	1.29	1.39	1.40
RE & pers. property taxes	19.89	14.78	19.36
Farm insurance	7.00	9.19	5.25
Utilities	4.24	4.66	3.20
Dues & professional fees	2.13	1.85	2.05
Interest	41.05	38.81	25.34
Mach & bldg depreciation	44.12	46.67	40.00
Miscellaneous	3.29	2.51	2.96
Total overhead expenses per acre	133.23	136.46	109.75
Total dir & ovhd expenses per acre	449.79	477.18	416.65
Net return per acre	454.62	236.79	606.94
Government payments	18.03	20.39	17.59
Net return with govt pmts	472.65	257.18	624.53
Labor & management charge	51.25	61.36	54.18
Net return over lbr & mgt	421.40	195.81	570.36
<b>Cost of Production</b>			
Total direct expense per bu.	1.71	1.92	1.59
Total dir & ovhd exp per bu.	2.43	2.68	2.16
Less govt & other income	2.33	2.68	2.01
With labor & management	2.61	3.03	2.29
Net value per unit	4.86	4.00	5.26
Machinery cost per acre	116.44	133.74	100.74
Est. labor hours per acre	2.98	3.38	2.37

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

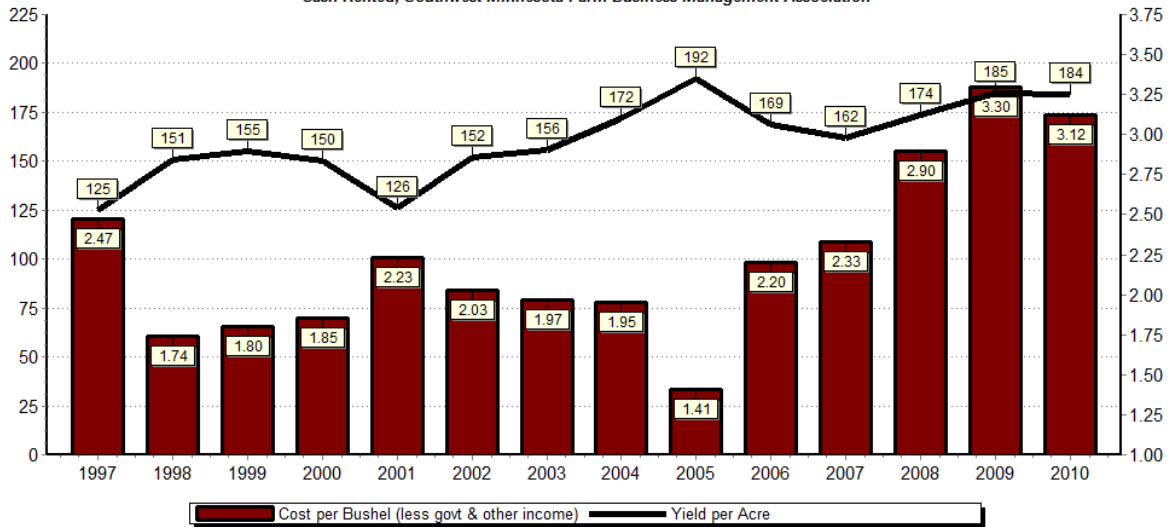
**Corn on Cash Rent**

	<u>Avg. Of All Farms</u>	<u>Low20%</u>	<u>High 20%</u>
Number of fields	184	36	28
Number of farms	79	15	16
Acres	130.67	83.90	164.58
Yield per acre (bu.)	183.30	166.28	194.29
Operators share of yield %	100.00	100.00	100.00
Value per bu.	4.93	3.94	5.56
Total product return per acre	903.58	654.51	1,079.31
Hedging gains/losses per acre	-4.38	-11.25	-
Crop insurance per acre	4.56	7.15	-
Other crop income per acre	1.45	-	2.64
Gross return per acre	905.22	650.42	1,081.95
<b>Direct Expenses</b>			
Seed	99.71	94.28	105.38
Fertilizer	86.50	95.19	82.20
Crop chemicals	21.87	22.23	23.20
Crop insurance	11.72	14.63	9.50
Drying expense	3.68	1.06	5.26
Storage	0.92	0.05	0.46
Fuel & oil	23.48	24.14	24.25
Repairs	32.68	27.88	30.08
Custom hire	5.45	14.78	3.31
Hired labor	0.94	-	0.34
Land rent	159.72	139.70	166.92
Machinery leases	2.31	-	0.86
Utilities	0.91	0.28	1.59
Hauling and trucking	0.60	2.40	0.10
Marketing	1.95	1.30	1.02
Operating interest	6.64	13.37	5.35
Miscellaneous	1.56	1.20	0.70
Total direct expenses per acre	460.64	452.47	460.52
Return over direct exp per acre	444.58	197.95	621.43
<b>Overhead Expenses</b>			
Hired labor	8.14	12.13	2.82
Machinery leases	4.19	1.11	0.00
Building leases	1.53	2.04	0.35
Farm insurance	6.98	5.62	5.23
Utilities	3.69	4.55	3.02
Dues & professional fees	1.96	2.22	1.65
Interest	5.36	7.40	2.62
Mach & bldg depreciation	42.03	41.27	42.91
Miscellaneous	4.73	3.01	3.83
Total overhead expenses per acre	78.60	79.34	62.44
Total dir & ovhd expenses per acre	539.25	531.81	522.96
Net return per acre	365.97	118.61	558.99
Government payments	17.66	16.70	18.23
Net return with govt pmts	383.63	135.31	577.22
Labor & management charge	51.90	48.52	43.57
Net return over lbr & mgt	331.73	86.79	533.65
<b>Cost of Production</b>			
Total direct expense per bu.	2.51	2.72	2.37
Total dir & ovhd exp per bu.	2.94	3.20	2.69
Less govt & other income	2.84	3.12	2.58
With labor & management	3.12	3.41	2.81
Net value per unit	4.91	3.87	5.56
Machinery cost per acre	110.69	112.09	98.85
Est. labor hours per acre	2.58	2.49	2.22



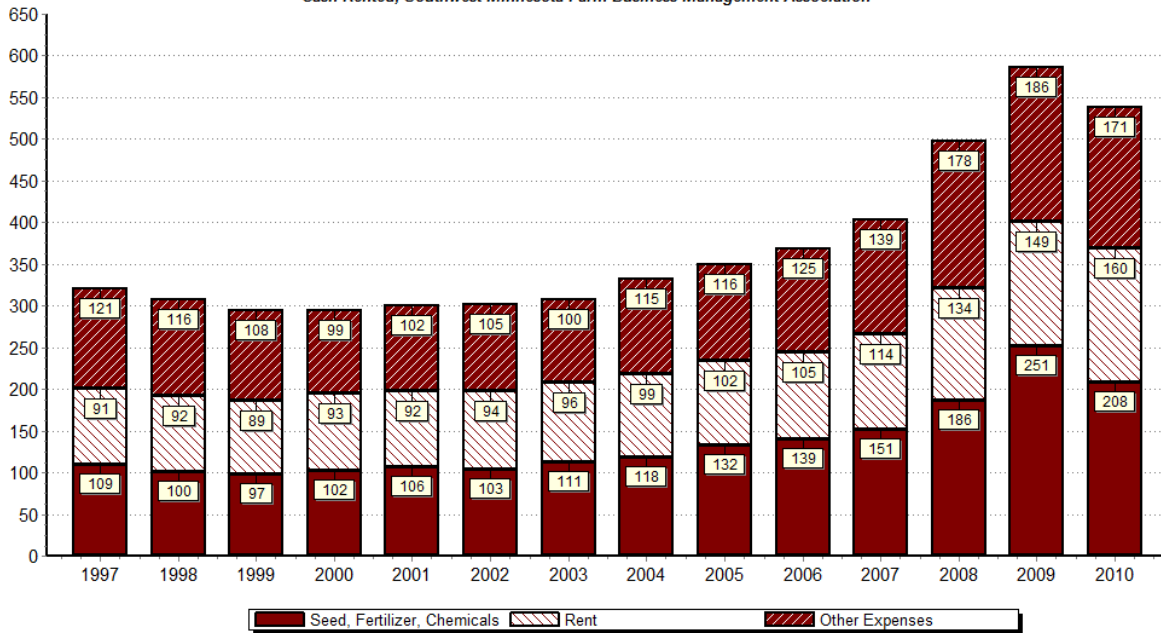
**Figure 9: Corn Yield & Cost of Production**

Cash Rented, Southwest Minnesota Farm Business Management Association



**Figure 10: Corn Cost Per Acre**

Cash Rented, Southwest Minnesota Farm Business Management Association



**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Corn on Share Rent**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	28
Number of farms	15
Acres	84.87
Yield per acre (bu.)	176.64
Operators share of yield %	52.33
Value per bu.	4.86
Total product return per acre	449.36
Hedging gains/losses per acre	-13.01
Crop insurance per acre	0.04
Other crop income per acre	-0.47
Gross return per acre	435.93
<b>Direct Expenses</b>	
Seed	68.42
Fertilizer	67.78
Crop chemicals	15.55
Crop insurance	5.37
Drying expense	1.23
Fuel & oil	24.72
Repairs	31.74
Custom hire	4.80
Machinery leases	0.58
Utilities	0.22
Marketing	0.89
Operating interest	5.73
Miscellaneous	1.41
Total direct expenses per acre	228.44
Return over direct exp per acre	207.49
<b>Overhead Expenses</b>	
Hired labor	5.58
Building leases	0.15
Farm insurance	4.27
Utilities	3.90
Dues & professional fees	1.92
Interest	4.50
Mach & bldg depreciation	34.34
Miscellaneous	2.96
Total overhead expenses per acre	57.61
Total dir & ovhd expenses per acre	286.05
Net return per acre	149.88
Government payments	10.65
Net return with govt pmts	160.52
Labor & management charge	48.25
Net return over lbr & mgt	112.27
<b>Cost of Production</b>	
Total direct expense per bu.	2.47
Total dir & ovhd exp per bu.	3.09
Less govt & other income	3.12
With labor & management	3.65
Net value per unit	4.72
Machinery cost per acre	97.09
Est. labor hours per acre	2.64

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Soybeans on Owned Land**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of fields	97	18	26
Number of farms	66	13	14
Acres	88.65	118.58	69.74
Yield per acre (bu.)	52.81	50.32	56.02
Operators share of yield %	100.00	100.00	100.00
Value per bu.	11.19	10.63	12.05
Total product return per acre	590.79	535.03	674.94
Hedging gains/losses per acre	-5.08	-17.03	-
Crop insurance per acre	3.41	-	4.50
Other crop income per acre	2.31	-	0.50
Gross return per acre	591.43	518.00	679.94
<b>Direct Expenses</b>			
Seed	49.85	51.25	51.15
Fertilizer	28.35	39.88	19.46
Crop chemicals	25.29	29.57	20.99
Crop insurance	11.90	9.83	9.53
Fuel & oil	18.59	19.26	18.66
Repairs	32.70	44.21	22.09
Custom hire	6.59	2.93	5.25
Hired labor	0.78	0.09	1.06
Machinery leases	2.08	1.18	0.42
Marketing	1.14	0.48	0.16
Operating interest	4.28	6.08	1.69
Miscellaneous	1.65	0.48	2.11
Total direct expenses per acre	183.18	205.24	152.57
Return over direct exp per acre	408.25	312.76	527.37
<b>Overhead Expenses</b>			
Hired labor	9.03	16.32	5.01
Machinery leases	0.35	0.30	0.97
Building leases	0.75	0.88	0.32
RE & pers. property taxes	18.34	19.02	16.39
Farm insurance	6.08	8.34	5.17
Utilities	3.81	5.03	2.98
Dues & professional fees	1.97	1.47	1.07
Interest	43.62	64.92	27.21
Mach & bldg depreciation	35.06	36.73	36.02
Miscellaneous	3.06	4.80	3.15
Total overhead expenses per acre	122.06	157.81	98.30
Total dir & ovhd expenses per acre	305.24	363.06	250.87
Net return per acre	286.19	154.95	429.07
Government payments	17.70	19.54	17.23
Net return with govt pmts	303.89	174.49	446.30
Labor & management charge	45.65	49.20	48.91
Net return over lbr & mgt	258.24	125.29	397.40
<b>Cost of Production</b>			
Total direct expense per bu.	3.47	4.08	2.72
Total dir & ovhd exp per bu.	5.78	7.22	4.48
Less govt & other income	5.43	7.17	4.08
With labor & management	6.30	8.14	4.95
Net value per unit	11.09	10.29	12.05
Machinery cost per acre	94.28	109.02	83.08
Est. labor hours per acre	2.53	2.75	2.63

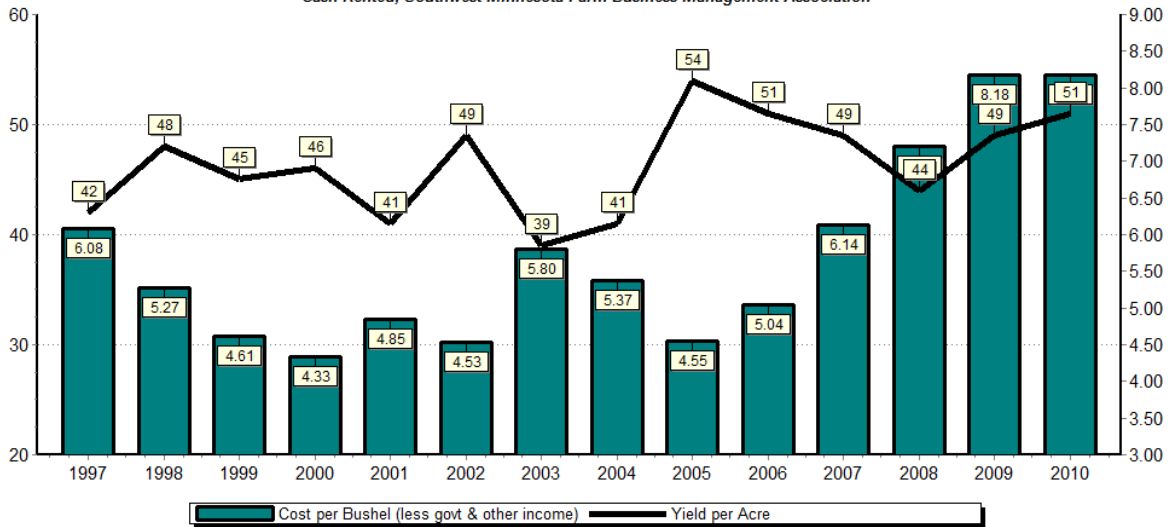
**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Soybeans on Cash Rent**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of fields	198	41	33
Number of farms	83	16	17
Acres	126.25	131.00	118.32
Yield per acre (bu.)	50.62	47.79	52.21
Operators share of yield %	100.00	100.00	100.00
Value per bu.	11.40	10.35	12.16
Total product return per acre	577.05	494.84	634.95
Hedging gains/losses per acre	-3.36	-3.59	-0.40
Crop insurance per acre	9.32	11.11	11.93
Other crop income per acre	2.13	-	3.38
Gross return per acre	585.14	502.36	649.86
<b>Direct Expenses</b>			
Seed	48.28	51.85	42.92
Fertilizer	25.56	26.36	18.64
Crop chemicals	22.77	20.42	20.58
Crop insurance	13.47	17.96	7.07
Storage	0.77	0.95	0.12
Fuel & oil	18.71	18.11	17.17
Repairs	26.83	32.79	18.91
Custom hire	5.88	7.36	3.34
Hired labor	0.81	0.42	0.15
Land rent	160.38	181.81	153.23
Machinery leases	2.00	4.18	0.25
Utilities	0.67	0.69	1.07
Hauling and trucking	0.20	0.84	-
Marketing	1.12	1.84	0.78
Operating interest	5.36	7.31	3.14
Miscellaneous	1.41	1.65	0.58
Total direct expenses per acre	334.22	374.53	287.96
Return over direct exp per acre	250.92	127.83	361.91
<b>Overhead Expenses</b>			
Hired labor	6.37	13.35	3.78
Machinery leases	3.12	2.29	2.30
Building leases	1.68	1.52	-
Farm insurance	5.40	6.24	4.24
Utilities	2.96	3.15	1.76
Dues & professional fees	1.67	2.46	0.83
Interest	4.09	3.33	1.68
Mach & bldg depreciation	33.72	32.77	28.04
Miscellaneous	3.47	3.14	2.77
Total overhead expenses per acre	62.50	68.25	45.41
Total dir & ovhd expenses per acre	396.71	442.78	333.36
Net return per acre	188.42	59.58	316.50
Government payments	16.85	15.76	16.78
Net return with govt pmts	205.27	75.33	333.28
Labor & management charge	41.69	38.50	31.92
Net return over lbr & mgt	163.58	36.84	301.36
<b>Cost of Production</b>			
Total direct expense per bu.	6.60	7.84	5.51
Total dir & ovhd exp per bu.	7.84	9.27	6.38
Less govt & other income	7.34	8.78	5.78
With labor & management	8.17	9.58	6.39
Net value per unit	11.33	10.28	12.15
Machinery cost per acre	90.08	96.94	68.65
Est. labor hours per acre	2.04	2.47	1.83

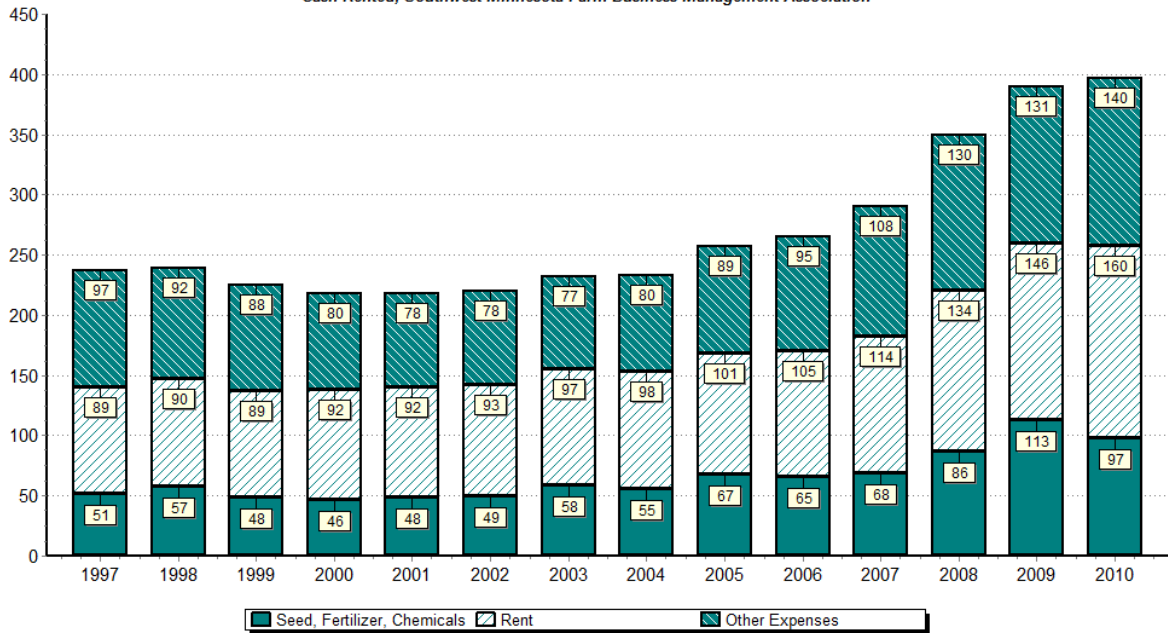
**Figure 11: Soybean Yield & Cost of Production**

Cash Rented, Southwest Minnesota Farm Business Management Association



**Figure 12: Soybean Cost Per Acre**

Cash Rented, Southwest Minnesota Farm Business Management Association



**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Soybeans on Share Rent**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	28
Number of farms	18
Acres	86.13
Yield per acre (bu.)	51.10
Operators share of yield %	52.96
Value per bu.	11.32
Total product return per acre	306.31
Hedging gains/losses per acre	-3.23
Other crop income per acre	0.96
Gross return per acre	304.05
<b>Direct Expenses</b>	
Seed	32.95
Fertilizer	15.56
Crop chemicals	13.78
Crop insurance	6.96
Fuel & oil	21.35
Repairs	24.78
Custom hire	6.48
Marketing	0.53
Operating interest	5.40
Miscellaneous	1.82
Total direct expenses per acre	129.60
Return over direct exp per acre	174.44
<b>Overhead Expenses</b>	
Hired labor	4.68
Machinery leases	2.18
Building leases	1.30
Farm insurance	4.64
Utilities	2.98
Dues & professional fees	1.58
Interest	4.57
Mach & bldg depreciation	27.87
Miscellaneous	2.24
Total overhead expenses per acre	52.04
Total dir & ovhd expenses per acre	181.65
Net return per acre	122.40
Government payments	10.04
Net return with govt pmts	132.44
Labor & management charge	34.72
Net return over lbr & mgt	97.72
<b>Cost of Production</b>	
Total direct expense per bu.	4.79
Total dir & ovhd exp per bu.	6.71
Less govt & other income	6.42
With labor & management	7.71
Net value per unit	11.20
Machinery cost per acre	84.31
Est. labor hours per acre	1.95

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Corn Silage on Owned Land**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	11
Number of farms	9
Acres	82.84
Yield per acre (ton)	20.99
Operators share of yield %	100.00
Value per ton	34.74
Total product return per acre	729.15
Crop insurance per acre	71.46
Gross return per acre	800.61
<b>Direct Expenses</b>	
Seed	88.78
Fertilizer	38.62
Crop chemicals	19.52
Crop insurance	6.60
Fuel & oil	38.26
Repairs	37.21
Custom hire	7.15
Hired labor	4.51
Machinery leases	11.22
Operating interest	3.09
Miscellaneous	8.38
Total direct expenses per acre	263.35
Return over direct exp per acre	537.26
<b>Overhead Expenses</b>	
Hired labor	13.17
Building leases	0.05
RE & pers. property taxes	18.79
Farm insurance	4.52
Utilities	3.91
Dues & professional fees	1.10
Interest	46.90
Mach & bldg depreciation	30.95
Miscellaneous	3.02
Total overhead expenses per acre	122.41
Total dir & ovhd expenses per acre	385.76
Net return per acre	414.85
Government payments	16.78
Net return with govt pmts	431.63
Labor & management charge	27.74
Net return over lbr & mgt	403.89
<b>Cost of Production</b>	
Total direct expense per ton	12.55
Total dir & ovhd exp per ton	18.38
Less govt & other income	14.18
With labor & management	15.50
Net value per unit	34.74
Machinery cost per acre	125.40
Est. labor hours per acre	2.83

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Corn Silage on Cash Rent**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	8
Number of farms	8
Acres	53.60
Yield per acre (ton)	24.12
Operators share of yield %	100.00
Value per ton	39.52
Total product return per acre	953.12
Crop insurance per acre	19.81
Other crop income per acre	12.85
Gross return per acre	985.77
<b>Direct Expenses</b>	
Seed	101.00
Fertilizer	78.57
Crop chemicals	20.69
Crop insurance	6.42
Fuel & oil	34.80
Repairs	29.87
Custom hire	2.50
Hired labor	0.77
Land rent	155.35
Utilities	0.38
Marketing	3.68
Operating interest	6.31
Miscellaneous	6.72
Total direct expenses per acre	447.06
Return over direct exp per acre	538.71
<b>Overhead Expenses</b>	
Hired labor	14.70
Farm insurance	4.61
Utilities	2.27
Dues & professional fees	1.28
Interest	0.72
Mach & bldg depreciation	32.91
Miscellaneous	1.00
Total overhead expenses per acre	57.49
Total dir & ovhd expenses per acre	504.55
Net return per acre	481.22
Government payments	16.85
Net return with govt pmts	498.07
Labor & management charge	30.89
Net return over lbr & mgt	467.17
<b>Cost of Production</b>	
Total direct expense per ton	18.54
Total dir & ovhd exp per ton	20.92
Less govt & other income	18.87
With labor & management	20.15
Net value per unit	39.52
Machinery cost per acre	98.45
Est. labor hours per acre	2.86



**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Hay, Alfalfa on Owned Land**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	13
Number of farms	10
Acres	37.82
Yield per acre (ton)	5.23
Operators share of yield %	100.00
Value per ton	90.00
Total product return per acre	471.10
Other crop income per acre	1.22
Gross return per acre	472.32
<b>Direct Expenses</b>	
Fertilizer	67.43
Crop chemicals	5.36
Crop insurance	2.78
Fuel & oil	34.24
Repairs	32.85
Custom hire	31.47
Hired labor	6.16
Machinery leases	9.76
Operating interest	1.33
Miscellaneous	6.02
Total direct expenses per acre	197.40
Return over direct exp per acre	274.92
<b>Overhead Expenses</b>	
Hired labor	13.55
RE & pers. property taxes	22.19
Farm insurance	6.37
Utilities	4.81
Dues & professional fees	1.30
Interest	33.08
Mach & bldg depreciation	47.83
Miscellaneous	4.74
Total overhead expenses per acre	133.88
Total dir & ovhd expenses per acre	331.28
Net return per acre	141.04
Government payments	15.80
Net return with govt pmts	156.84
Labor & management charge	42.85
Net return over lbr & mgt	113.99
<b>Cost of Production</b>	
Total direct expense per ton	37.71
Total dir & ovhd exp per ton	63.29
Less govt & other income	60.04
With labor & management	68.22
Net value per unit	90.00
Machinery cost per acre	155.25
Est. labor hours per acre	4.40

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Hay, Alfalfa on Cash Rent**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	14
Number of farms	10
Acres	84.06
Yield per acre (ton)	5.26
Operators share of yield %	100.00
Value per ton	91.66
Total product return per acre	482.48
Other crop income per acre	10.22
Gross return per acre	492.70
<b>Direct Expenses</b>	
Seed	6.16
Fertilizer	38.73
Crop chemicals	7.47
Crop insurance	2.43
Fuel & oil	31.57
Repairs	23.45
Custom hire	12.22
Land rent	118.87
Machinery leases	2.33
Marketing	2.93
Operating interest	3.61
Miscellaneous	9.07
Total direct expenses per acre	258.83
Return over direct exp per acre	233.87
<b>Overhead Expenses</b>	
Hired labor	11.40
Farm insurance	3.74
Utilities	2.26
Dues & professional fees	0.63
Interest	1.76
Mach & bldg depreciation	23.56
Miscellaneous	1.49
Total overhead expenses per acre	44.85
Total dir & ovhd expenses per acre	303.68
Net return per acre	189.02
Government payments	11.70
Net return with govt pmts	200.72
Labor & management charge	21.83
Net return over lbr & mgt	178.89
<b>Cost of Production</b>	
Total direct expense per ton	49.17
Total dir & ovhd exp per ton	57.69
Less govt & other income	53.53
With labor & management	57.68
Net value per unit	91.66
Machinery cost per acre	93.47
Est. labor hours per acre	2.39

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**Wheat, Spring on Cash Rent**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	6
Number of farms	5
Acres	29.17
Yield per acre (bu.)	42.41
Operators share of yield %	100.00
Value per bu.	6.97
Total product return per acre	295.70
Other crop income per acre	34.46
Gross return per acre	330.16
<b>Direct Expenses</b>	
Seed	25.26
Fertilizer	52.77
Crop chemicals	7.68
Crop insurance	9.56
Storage	1.71
Fuel & oil	12.79
Repairs	11.69
Custom hire	14.09
Land rent	148.46
Machinery leases	2.39
Hauling and trucking	1.38
Operating interest	1.84
Miscellaneous	2.16
Total direct expenses per acre	291.79
Return over direct exp per acre	38.38
<b>Overhead Expenses</b>	
Machinery leases	0.58
Building leases	1.26
Farm insurance	2.10
Utilities	3.32
Interest	0.69
Mach & bldg depreciation	35.18
Miscellaneous	3.22
Total overhead expenses per acre	46.35
Total dir & ovhd expenses per acre	338.14
Net return per acre	-7.97
Government payments	15.63
Net return with govt pmts	7.65
Labor & management charge	27.95
Net return over lbr & mgt	-20.29
<b>Cost of Production</b>	
Total direct expense per bu.	6.88
Total dir & ovhd exp per bu.	7.97
Less govt & other income	6.79
With labor & management	7.45
Net value per unit	6.97
Machinery cost per acre	72.78
Est. labor hours per acre	1.58

**Crop Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

**CRP on Owned Land**

	<u><b>Avg. Of All Farms</b></u>
Number of fields	15
Number of farms	15
Acres	38.42
Yield per acre (\$)	86.38
Operators share of yield %	100.00
Value per \$	1.00
Total product return per acre	86.38
Gross return per acre	86.38
<b>Direct Expenses</b>	
Fuel & oil	2.25
Repairs	3.25
Operating interest	0.39
Miscellaneous	0.59
Total direct expenses per acre	6.48
Return over direct exp per acre	79.90
<b>Overhead Expenses</b>	
Hired labor	1.16
RE & pers. property taxes	21.11
Farm insurance	0.82
Utilities	2.00
Interest	14.64
Mach & bldg depreciation	19.17
Miscellaneous	1.00
Total overhead expenses per acre	59.90
Total dir & ovhd expenses per acre	66.38
Net return per acre	20.00
Government payments	-
Net return with govt pmts	20.00
Labor & management charge	7.48
Net return over lbr & mgt	12.52
<b>Cost of Production</b>	
Total direct expense per \$	0.08
Total dir & ovhd exp per \$	0.77
Less govt & other income	0.77
With labor & management	0.86
Net value per unit	1.00
Machinery cost per acre	23.42
Est. labor hours per acre	0.37



## Livestock Reports

The Livestock Enterprise Analysis tables show the average physical production, gross margin over purchase costs, direct costs, overhead costs, and net returns per budget unit.

The “Dairy” table contains the information for only the milking herd (which includes dry cows). “Dairy Replacement Heifers” are those heifers kept for replacement into the milking herd. The “Dairy and Replacement Heifers” table is for the whole herd and includes those farms in the “Dairy” and “Dairy Replacement Heifers” tables; it does not include “Dairy Steers.”

*Gross Margin* is the accrual gross value added by the enterprise. It includes income from sale of offspring and livestock products, cull income, non-cash transfers to other enterprises, and the value of production used in the home or for feed. It also includes the value of inventory change from beginning to the end of the year. The cost of livestock purchased and the value of animals transferred in are deducted.

*Net Return* is the amount contributed by a unit of the enterprise toward operator labor, management, and equity capital. Any wages and benefits paid to the operator are removed from labor costs (and added to *Labor and Management Charge*) so that all farms are on equal footing.

*Net Return Over Labor and Management* is the return remaining after compensating the operator for unpaid labor and management. This is the per unit return to equity capital.

*Cost of Production* section shows the average cost per unit sold in each cost category. *Total direct and overhead expense per unit* is the breakeven price needed to cover cash costs and depreciation. For grow/finish enterprises, this includes the purchase cost or transfer in value of the animal. *With other revenue adjustments* is the breakeven price adjusted for cull sales, other offspring sales, the cost of replacement stock, and any other miscellaneous income. This assumes that some costs can be covered by these other income sources. *With labor and management* is the final breakeven price to provide a labor and management return for the operator(s).

*Other Information* contains both economic and technical efficiency measures for each enterprise.

Rounding of individual items for the report may have caused minor discrepancies with the calculated totals. If fewer than 5 farms have a certain livestock enterprise, that information is not reported. If there are fewer than 25 farms, the high and low groups are not reported.

**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Hogs, Weaning to Finish -- Average Per Head**

	<u>Avg. Of All Farms</u>	
Number of farms	6	
	Quantity	Value
Wean-Fin Pig sold (lb)	266.2	142.31
Cull sales (lb)	0.4	0.12
Other income		3.57
Purchased (lb)	-13.5	-36.42
Inventory change (lb)	-2.0	4.45
Gross margin		114.03
<b>Direct Expenses</b>		
Protein Vit Minerals (lb.)	57.0	10.10
Complete Ration (lb.)	33.2	6.84
Corn (bu.)	7.8	28.86
DDGS (lb.)	133.2	7.28
Other feed stuffs (lb)	0.0	10.57
Veterinary		2.01
Supplies		0.87
Contract production exp.		2.28
Fuel & oil		1.30
Repairs		1.47
Hired labor		4.81
Machinery leases		8.85
Utilities		0.54
Operating interest		1.63
Total direct expenses		87.42
Return over direct expense		26.62
<b>Overhead Expenses</b>		
Hired labor		0.55
Building leases		0.55
Farm insurance		0.74
Utilities		0.27
Interest		1.19
Mach & bldg depreciation		1.91
Miscellaneous		0.78
Total overhead expenses		5.98
Total dir & ovhd expenses		93.40
Net return		20.64
Labor & management charge		1.23
Net return over lbr & mgt		19.40
<b>Cost of Production/Cwt. Carcass Sold</b>		
Total direct expense per unit		60.16
Total dir & ovhd expense per unit		63.18
With other revenue adjustments		61.38
With labor and management		62.01
Est. labor hours per unit		0.31
<b>Other Information</b>		
No. purchased or trans in		36,916
Number sold or trans out		34,496
Percentage death loss		4.0
Percent substandard hogs		0
Avg. daily gain (lb.)		1.69
Lb. of feed / lb. of gain		2.91
Feed cost per cwt. of gain		25.35
Feed cost per head		63.65
Average purchase weight		13
Avg wgt / Wean-Fin Pig sold		268
Avg purch price / head		34.28
Avg sales price / cwt.		53.46
Average carcass weight		200
Average price / cwt. carcass		71.73

**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Hogs, Weaning to Finish -- Average Per Cwt. Carcass Sold**

	<u>Avg. Of All Farms</u>	
Number of farms	6	
	Quantity	Value
Wean-Fin Pig sold (lb)	134.30	71.79
Cull sales (lb)	0.20	0.06
Other income		1.80
Purchased (lb)	-6.82	-18.37
Inventory change (lb)	-1.03	2.25
Gross margin		57.53
<b>Direct Expenses</b>		
Protein Vit Minerals (lb.)	28.75	5.09
Complete Ration (lb.)	16.75	3.45
Corn (bu.)	3.94	14.56
DDGS (lb.)	67.18	3.67
Other feed stuffs (lb)	0.02	5.33
Veterinary		1.01
Supplies		0.27
Contract production exp.		1.15
Fuel & oil		0.66
Repairs		0.74
Custom hire		0.17
Hired labor		2.43
Machinery leases		4.46
Utilities		0.27
Operating interest		0.82
Total direct expenses		44.10
Return over direct expense		13.43
<b>Overhead Expenses</b>		
Hired labor		0.28
Building leases		0.28
Farm insurance		0.38
Utilities		0.13
Interest		0.60
Mach & bldg depreciation		0.96
Miscellaneous		0.39
Total overhead expenses		3.02
Total dir & ovhd expenses		47.12
Net return		10.41
Labor & management charge		0.62
Net return over lbr & mgt		9.79
<b>Cost of Production/Cwt. Carcass Sold</b>		
Total direct expense per unit		60.16
Total dir & ovhd expense per unit		63.18
With other revenue adjustments		61.38
With labor and management		62.01
Est. labor hours per unit		0.15
<b>Other Information</b>		
No. purchased or trans in		36,916
Number sold or trans out		34,496
Percentage death loss		4.0
Percent substandard hogs		0
Avg. daily gain (lb.)		1.69
Lb. of feed / lb. of gain		2.91
Feed cost per cwt. of gain		25.35
Feed cost per head		63.65
Average purchase weight		13
Avg wgt / Wean-Fin Pig sold		268
Avg purch price / head		34.28
Avg sales price / cwt.		53.46
Average carcass weight		200
Average price / cwt. carcass		71.73



**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Hogs, Weaning to Finish (Contract Grower) -- Average Per Pig Space**

	<u>Avg. Of All Farms</u>
Number of farms	12
	Quantity      Value
Other income	36.88
Gross margin	36.88
<b>Direct Expenses</b>	
Supplies	1.37
Contract production exp.	0.96
Fuel & oil	2.54
Repairs	2.97
Custom hire	1.68
Hired labor	0.99
Utilities	0.96
Operating interest	0.33
Total direct expenses	11.80
Return over direct expense	25.08
<b>Overhead Expenses</b>	
Hired labor	1.84
Building leases	2.32
RE & pers. property taxes	0.52
Farm insurance	1.17
Utilities	1.78
Interest	5.54
Mach & bldg depreciation	8.57
Miscellaneous	0.84
Total overhead expenses	22.59
Total dir & ovhd expenses	34.39
Net return	2.49
Labor & management charge	5.35
Net return over lbr & mgt	-2.87
<b>Cost of Production Per Pig Space</b>	
Total direct expense per unit	-
Total dir& ovhd expense per unit	-
With other revenue adjustments	-
With labor and management	-
Est. labor hours per unit	0.38
<b>Other Information</b>	
Number of pigs	5,010
Pigs per pig space (per year)	2.00
Net return per 100 sq. ft.	30.21
Net return per labor hour	6.51
Square feet per pig space	8.23

**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Beef Cow-Calf -- Average Per Cow**

	<u>Avg. Of All Farms</u>	
Number of farms	7	
	Quantity	Value
Beef Calves sold (lb)	39.7	44.17
Transferred out (lb)	468.1	621.83
Cull sales (lb)	118.2	122.27
Other income		3.35
Purchased (lb)	-76.3	-169.70
Transferred in (lb)	-79.3	-76.59
Inventory change (lb)	18.3	238.22
Gross margin		783.54
<b>Direct Expenses</b>		
Protein Vit Minerals (lb.)	24.7	9.26
Complete Ration (lb.)	-	41.85
Corn (bu.)	1.1	4.38
Corn Silage (lb.)	5,782.5	74.91
Hay, Alfalfa (lb.)	3,859.0	187.43
Hay, Grass (lb.)	1,800.4	58.79
Pasture (aum)	2.4	59.47
Stover (lb.)	801.0	11.30
Other feed stuffs (lb)	797.5	14.10
Breeding fees		21.15
Veterinary		31.16
Supplies		17.02
Fuel & oil		29.78
Repairs		19.80
Custom hire		27.37
Bedding		13.82
Operating interest		7.25
Total direct expenses		628.84
Return over direct expense		154.71
<b>Overhead Expenses</b>		
RE & pers. property taxes		2.11
Utilities		4.70
Interest		8.93
Mach & bldg depreciation		24.84
Miscellaneous		19.43
Total overhead expenses		60.00
Total dir & ovhd expenses		688.84
Net return		94.71
Labor & management charge		95.53
Net return over lbr & mgt		-0.83
<b>Cost of Production Per Cwt. Produced</b>		
Total direct expense per unit		127.80
Total dir & ovhd expense per unit		139.99
With other revenue adjustments		121.78
With labor and management		141.20
Est. labor hours per unit		7.11
<b>Other Information</b>		
Number of cows		51.1
Pregnancy percentage		96.6
Pregnancy loss percentage		3.2
Culling percentage		14.8
Calving percentage		93.5
Weaning percentage		86.4
Calves sold per cow		0.92
Calf death loss percent		7.6
Cow death loss percent		2.0
Cows per FTE		394.0
Average weaning weight		521
Lb. weaned/exposed female		450
Feed cost per cow		461.48
Avg wgt/ Beef Calves sold		790
Avg price / cwt.		111.18

**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Beef Finishing -- Average Per Head**

	<b>Avg. Of All Farms</b>	
Number of farms	11	
	Quantity	Value
Finish Beef sold (lb)	1,338.2	1,266.41
Transferred out (lb)	10.9	9.69
Other income		6.00
Purchased (lb)	-731.8	-855.49
Transferred in (lb)	-48.4	-64.96
Inventory change (lb)	114.2	285.29
Gross margin		646.94
<b>Direct Expenses</b>		
Corn Gluten (lb.)	409.7	19.74
Corn Distillers Grn (dry) (lb.)	129.1	9.07
Protein Vit Minerals (lb.)	327.8	58.85
Complete Ration (lb.)	-	5.39
Corn (bu.)	53.1	187.45
Corn Silage (lb.)	4,362.5	56.96
Hay, Alfalfa (lb.)	469.5	20.50
Hay, Grass (lb.)	89.1	2.68
Stover (lb.)	129.6	4.27
Other feed stuffs (lb)	387.2	8.52
Veterinary		14.44
Supplies		8.59
Fuel & oil		10.78
Repairs		13.39
Custom hire		2.81
Hauling and trucking		16.10
Marketing		6.87
Bedding		5.06
Operating interest		14.37
Total direct expenses		465.83
Return over direct expense		181.11
<b>Overhead Expenses</b>		
Interest		16.75
Mach & bldg depreciation		31.63
Miscellaneous		11.36
Total overhead expenses		59.73
Total dir & ovhd expenses		525.56
Net return		121.38
Labor & management charge		42.40
Net return over lbr & mgt		78.98
<b>Cost of Production Per Cwt. Produced</b>		
Total direct expense per unit		81.16
Total dir & ovhd expense per unit		85.59
With other revenue adjustments		85.59
With labor and management		88.73
Est. labor hours per unit		2.50
<b>Other Information</b>		
No. purchased or trans in		310
Number sold or trans out		267
Percentage death loss		0.6
Avg. daily gain (lb.)		2.13
Lb. of conc / lb. of gain		6.13
Lb. of feed / lb. of gain		9.19
Feed cost per cwt. of gain		54.14
Feed cost per head		373.44
Average purchase weight		654
Avg wgt / Finish Beef sold		1,304
Avg purch price / cwt.		116.90
Avg sales price / cwt.		94.63

**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Beef Finishing -- Average Per Cwt. Produced**

	<u>Avg. Of All Farms</u>	
Number of farms	11	
	Quantity	Value
Finish Beef sold (lb)	194.02	183.61
Transferred out (lb)	1.58	1.40
Other income		0.87
Purchased (lb)	-106.10	-124.03
Transferred in (lb)	-7.01	-9.42
Inventory change (lb)	16.56	41.36
Gross margin		93.80
<b>Direct Expenses</b>		
Corn Gluten (lb.)	59.40	2.86
Corn Distillers Grn (dry) (lb.)	18.71	1.32
Protein Vit Minerals (lb.)	47.52	8.53
Complete Ration (lb.)	-	0.78
Corn (bu.)	7.70	27.18
Corn Silage (lb.)	632.49	8.26
Hay, Alfalfa (lb.)	68.07	2.97
Hay, Grass (lb.)	12.91	0.39
Stover (lb.)	18.79	0.62
Other feed stuffs (lb)	56.14	1.23
Veterinary		2.09
Supplies		1.24
Fuel & oil		1.56
Repairs		1.94
Custom hire		0.41
Hauling and trucking		2.33
Marketing		1.00
Bedding		0.73
Operating interest		2.08
Total direct expenses		67.54
Return over direct expense		26.26
<b>Overhead Expenses</b>		
Interest		2.43
Mach & bldg depreciation		4.59
Miscellaneous		1.65
Total overhead expenses		8.66
Total dir & ovhd expenses		76.20
Net return		17.60
Labor & management charge		6.15
Net return over lbr & mgt		11.45
<b>Cost of Production Per Cwt. Produced</b>		
Total direct expense per unit		81.16
Total dir & ovhd expense per unit		85.59
With other revenue adjustments		85.59
With labor and management		88.73
Est. labor hours per unit		0.36
<b>Other Information</b>		
No. purchased or trans in		310
Number sold or trans out		267
Percentage death loss		0.6
Avg. daily gain (lb.)		2.13
Lb. of conc / lb. of gain		6.13
Lb. of feed / lb. of gain		9.19
Feed cost per cwt. of gain		54.14
Feed cost per head		373.44
Average purchase weight		654
Avg wgt / Finish Beef sold		1,304
Avg purch price / cwt.		116.90
Avg sales price / cwt.		94.63

**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Dairy -- Average Per Cow**

	<b>Avg. Of All Farms</b>	
Number of farms	5	
	Quantity	Value
Milk sold (hd)	25,238.9	4,069.06
Dairy Calves sold (hd)	0.4	51.09
Transferred out (hd)	0.6	12.11
Cull sales (hd)	0.2	158.53
Other income		10.42
Purchased (hd)	0.0	-0.73
Transferred in (hd)	0.4	-
Inventory change (hd)	0.0	15.60
Dairy repl net cost		-598.34
Gross margin		3,717.74
<b>Direct Expenses</b>		
Cottonseed (lb.)	306.7	42.02
Protein Vit Minerals (lb.)	817.8	749.00
Corn (bu.)	85.1	325.25
Corn Silage (lb.)	20,005.9	298.62
Hay, Alfalfa (lb.)	5,408.4	275.24
Haylage, Alfalfa (lb.)	162.0	3.24
Other feed stuffs (lb)	1,234.3	66.94
Breeding fees		30.29
Veterinary		79.04
BST		26.16
Supplies		120.12
Fuel & oil		51.01
Repairs		90.28
Custom hire		88.38
Hired labor		225.02
Utilities		45.11
Hauling and trucking		60.60
Marketing		38.22
Total direct expenses		2,614.54
Return over direct expense		1,103.20
<b>Overhead Expenses</b>		
Hired labor		153.81
Farm insurance		29.84
Utilities		23.06
Dues & professional fees		3.82
Interest		89.91
Mach & bldg depreciation		172.73
Miscellaneous		22.14
Total overhead expenses		495.30
Total dir & ovhd expenses		3,109.84
Net return		607.90
Labor & management charge		110.81
Net return over lbr & mgt		497.09
<b>Cost of Production Per Cwt. Of Milk</b>		
Total direct expense per unit		10.33
Total dir & ovhd expense per unit		12.28
With other revenue adjustments		13.69
With labor and management		14.12
Est. labor hours per unit		35.61
<b>Other Information</b>		
Number of cows		330.8
Milk produced per cow		25,319
Total milk sold		8,350,089
Lb. of milk sold per FTE		1,984,385
Culling percentage		23.8
Turnover rate		26.8
Cow death loss percent		3.0
Percent of barn capacity		102.8
Feed cost per day		4.82
Feed cost per cwt. of milk		6.95
Feed cost per cow		1,760.31
Avg. milk price per cwt.		16.12

**Livestock Enterprise Analysis**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Dairy Replacement Heifers -- Average Per Head**

	<u>Avg. Of All Farms</u>	
Number of farms	5	
	Quantity	Value
Transferred out (hd)	0.4	411.05
Other income		-
Transferred in (hd)	0.5	-123.03
Inventory change (hd)	0.1	35.27
Gross margin		323.29
<b>Direct Expenses</b>		
Protein Vit Minerals (lb.)	74.3	73.30
Complete Ration (lb.)	-	10.11
Corn (bu.)	9.4	35.68
Corn Silage (lb.)	6,338.2	96.83
Hay, Alfalfa (lb.)	2,707.4	119.11
Hay, Grass (lb.)	44.1	1.65
Oats (bu.)	0.7	2.10
Pasture (aum)	0.2	3.70
Other feed stuffs (lb)	19.8	2.50
Breeding fees		11.78
Veterinary		21.12
Supplies		16.94
Contract production exp.		119.45
Fuel & oil		16.27
Repairs		10.98
Custom hire		13.30
Hired labor		7.44
Machinery leases		8.89
Total direct expenses		571.15
Return over direct expense		-247.87
<b>Overhead Expenses</b>		
Hired labor		19.35
RE & pers. property taxes		0.57
Farm insurance		2.81
Utilities		3.02
Interest		0.95
Mach & bldg depreciation		23.20
Miscellaneous		1.72
Total overhead expenses		51.62
Total dir & ovhd expenses		622.78
Net return		-299.49
Labor & management charge		25.98
Net return over lbr & mgt		-325.47
<b>Cost of Production Per Head Per Day</b>		
Total direct expense per unit		1.81
Total dir & ovhd expense per unit		1.95
With other revenue adjustments		1.95
With labor and management		2.02
Est. labor hours per unit		2.81
<b>Other Information</b>		
No. purchased or trans in		170
Number sold or trans out		121
Average number of head		323
Percentage death loss		7.2
Feed cost per average head		344.98
Feed cost/head sold/trans		921.50
Total cost/head sold/trans		1,967.36
Feed cost per head per day		0.95



## Summary Tables

### Financial Summary by Years

A better picture of the current financial performance can be seen by comparing this year to previous years in the *Summary by Years* table. All items are taken from the annual report for that year. Monetary values are left in nominal terms unadjusted for inflation. The one exception is the *Net Farm Income (Constant \$)* using the Consumer Price Index (CPI-U) from the U.S. Department of Commerce. This shows the changes in “buying power” for the farmers, compared to the current year. The CPI used is reported below.

<u>Year</u>	<u>CPI-U</u> <u>1982-84=100</u>	<u>Year</u>	<u>CPI-U</u> <u>1982-84=100</u>
1991	136.2	2001	177.0
1992	140.3	2002	179.9
1993	144.5	2003	184.0
1994	148.2	2004	188.9
1995	152.4	2005	195.3
1996	156.9	2006	201.6
1997	160.5	2007	207.3
1998	163.0	2008	215.2
1999	166.6	2009	214.5
2000	172.2	2010	218.1

### Financial Summary by Farm Size (Gross Farm Income)

This table summarizes whole-farm financial performance by size of farm. Farms are categorized based on gross farm income.

### Financial Summary by Farm Type

This table summarizes whole-farm financial performance by type of farm. Farm type is assigned based on greater than 70 percent of sales from that commodity or combination of commodities.

### Financial Summary by Debt To Asset Ratio

This table summarizes whole-farm financial performance by debt level. Farms are categorized based on total farm and nonfarm Debt To Asset Ratio.

### Financial Summary by Age of Operator

This table summarizes whole-farm financial performance based on age of the primary operator.



SUMMARY OF THE WHOLE FARM ANALYSIS BY YEARS  
Southwestern Minnesota Farm Business Management Association  
(Overall averages for all farms reporting)

Row	Items	1991	1992	1993	1994	1995	1996	1997	1998	1999
		----	----	----	----	----	----	----	----	----
1	Number of Farms	207	201	202	202	216	203	208	210	216
	Farm Income Statement									
2	Gross Cash Farm Income	288,031	301,907	296,705	306,175	346,838	382,502	359,710	369,573	388,731
3	Total Cash Farm Expense	221,385	236,768	242,616	256,246	277,214	299,610	303,241	305,344	324,802
4	Inventory Change	-10,822	-429	4,474	9,254	16,939	12,231	19,769	-21,057	15,633
5	Depr. & Cap. Adj.	-26,122	-27,051	-26,997	-27,268	-29,288	-32,424	-35,640	-34,557	-35,800
6	Net Farm Income from Operations	29,702	37,659	31,567	31,915	57,276	62,699	40,598	8,616	43,762
7	Gain of Loss on Capital Sales	0	0	0	0	0	0	0	0	0
8	Net Farm Income	29,702	37,659	31,567	31,915	57,276	62,699	40,598	8,616	43,762
9	Net Farm Income (Constant \$)	47,562	58,542	47,645	46,968	81,968	87,155	55,168	11,529	57,290
	Profitability*									
10	Rate of Return on Assets (%)	5	7	5	5	10	10	6	2	7
11	Rate of Return on Equity (%)	3	6	2	3	13	12	5	-6	7
12	Operating Profit Margin (%)	12	14	12	12	22	21	14	4	16
13	Asset Turnover Rate (%)	43	46	40	41	46	48	44	39	43
14	Value of Farm Production	225,829	244,243	191,194	207,729	247,690	277,026	262,396	250,717	274,411
15	Farm Interest Paid	17,061	17,943	15,667	17,837	22,084	22,337	22,282	25,358	27,488
	Liquidity, Repayment and Efficiency									
16	Current Ratio	n/a	n/a	1.9	1.8	1.9	2.0	1.6	1.5	1.6
17	Working Capital	n/a	n/a	99,295	91,719	106,941	118,955	91,023	76,325	95,737
18	Working Capital to Gross Revenue (%)	n/a	n/a	33	28	29	30	25	21	24
19	Term Debt Coverage Ratio	n/a	n/a	n/a	n/a	n/a	n/a	2.2	1.6	1.9
20	Operating Expense Ratio (%)	73.9	72.8	75.1	75.9	70.0	69.6	73.3	80.5	73.1
21	Interest Expense Ratio (%)	6.1	5.9	5.4	5.7	6.1	5.8	6.2	7.5	6.7
	Solvency (Year-end, Sole Proprietors Only)*									
22	No. of Sole Proprietors	187	180	178	179	184	173	180	183	185
23	Total Assets	579,629	596,525	844,030	901,807	944,208	982,750	1,016,308	1,066,565	1,061,579
24	Total Liabilities	216,189	227,131	396,899	431,390	452,253	462,505	490,140	522,994	517,040
25	Net Worth	363,440	369,394	447,132	470,418	491,955	520,245	526,168	543,571	544,539
26	Debt to Asset Ratio (%)	37	38	47	48	48	47	48	49	49
	Acreage Information									
27	Total Acres Owned	241	251	252	267	256	249	233	250	241
28	Total Crop Acres Farmed	570	586	600	612	625	658	648	697	709
29	Crop Acres Owned	200	203	204	204	211	204	200	219	204
30	Crop Acres Cash Rented	274	286	299	323	340	384	381	402	430
31	Crop Acres Share Rented	96	96	97	86	74	70	67	76	75
	Crop Yields									
32	Corn per acre (bu.)	125	126	61	143	119	133	126	161	156
33	Soybeans per acre (bu.)	38	38	20	46	43	42	42	49	45
	Crop Prices Received (cash sales)									
34	Corn per Bushel	2.26	2.20	2.11	2.24	2.30	3.04	2.39	1.97	1.66
35	Soybeans per Bushel	5.41	5.39	5.84	5.94	5.56	6.84	7.13	5.72	4.59
	Household Information									
36	No. Farms Reporting HseHld Info	145	136	131	134	151	131	123	122	125
37	Average Family Size	4.0	4.1	3.9	3.8	3.7	3.7	3.7	3.6	3.6
38	Family living expense	26,607	27,428	28,999	29,438	30,439	32,509	34,284	34,097	35,186
39	Total Family Use of Cash	48,911	45,638	45,897	42,179	43,315	47,584	58,051	48,197	50,326
40	Net Nonfarm Income	10,803	12,329	12,387	12,381	14,279	13,506	13,596	15,580	18,430

\* Beginning in 1993, profitability is analyzed using assets valued at adjusted cost basis while solvency is at estimated fair market value. Prior to 1993, profitability and solvency were analyzed using land valued with a conservative market value and all other assets valued at cost basis.

SUMMARY OF THE WHOLE FARM ANALYSIS BY YEARS (continued)  
Southwestern Minnesota Farm Business Management Association  
(Overall averages for all farms reporting)

2000 ----	2001 ----	2002 ----	2003 ----	2004 ----	2005 ----	2006 ----	2007 ----	2008 ----	2009 ----	2010 ----	Row ----
212	207	188	175	125	107	110	107	99	95	97	1
422,897	433,698	428,084	504,022	496,771	579,201	609,886	731,897	876,375	878,404	970,471	2
348,711	358,506	352,995	400,605	404,743	477,476	494,409	592,841	720,364	743,487	781,053	3
25,296	-17,297	19,571	18,977	31,076	74,307	66,397	135,843	70,051	-21,159	178,977	4
-17,731	-21,280	-24,654	-25,990	-24,741	-28,170	-27,176	-32,631	-39,437	-43,972	-48,085	5
81,750	36,614	70,007	96,404	98,362	147,862	154,698	242,267	186,625	69,787	320,310	6
0	0	0	0	0	0	0	0	4,276	0	1,855	7
81,750	36,614	70,007	96,404	98,362	147,862	154,698	242,267	190,901	69,787	322,165	8
103,541	45,116	84,872	114,270	113,567	165,124	167,359	254,889	193,474	70,958	322,165	9
12	6	9	11	11	14	13	17	11	3	17	10
19	4	11	16	16	21	19	25	15	2	24	11
27	14	20	24	23	28	28	35	26	9	36	12
45	39	44	44	46	51	48	50	43	37	47	13
313,232	282,583	345,743	379,505	378,450	478,073	512,081	648,768	658,576	608,181	819,691	14
27,002	27,203	26,739	25,262	21,824	22,210	27,677	30,714	30,232	29,727	34,124	15
1.7	1.5	1.6	1.7	1.9	2.1	2.2	2.5	2.6	2.3	2.9	16
112,896	83,500	117,135	143,632	155,804	218,745	268,567	393,911	446,350	404,104	568,438	17
25	20	25	28	30	34	40	46	49	45	50	18
2.3	1.0	1.6	2.2	2.1	3.0	3.1	4.1	2.9	1.1	5.2	19
71.4	79.5	73.6	71.5	72.1	69.2	68.7	64.1	71.6	83.6	64.8	20
6.2	6.6	5.8	4.8	4.2	3.5	4.3	3.7	3.3	3.3	3.0	21
181	178	161	149	109	91	93	91	85	80	80	22
1,150,838	1,158,071	1,277,823	1,407,919	1,286,775	1,487,232	1,694,428	2,034,365	2,208,883	2,376,886	2,719,826	23
545,689	539,918	578,253	619,279	554,962	618,105	698,239	810,184	837,830	892,734	987,753	24
605,149	618,197	699,570	788,640	731,813	869,127	996,189	1,224,181	1,371,053	1,484,151	1,732,074	25
47	47	45	44	43	42	41	40	38	38	36	26
250	252	265	263	236	241	243	241	249	250	240	27
730	759	784	794	766	792	797	825	822	831	831	28
214	214	226	239	193	199	197	208	222	224	221	29
445	468	490	489	494	532	526	546	536	555	550	30
70	77	68	67	79	61	74	71	64	52	61	31
150	128	151	157	171	192	169	162	172	185	184	32
46	42	49	39	41	55	51	49	44	49	51	33
1.68	1.72	1.95	2.07	2.28	1.89	2.04	3.00	4.51	3.83	3.67	34
4.57	4.32	4.57	5.73	7.17	5.88	5.57	7.14	10.83	10.15	9.72	35
120	124	108	102	73	67	66	60	62	52	46	36
3.5	3.5	3.6	3.4	3.4	3.4	3.3	3.1	3.0	3.3	3.0	37
38,932	39,793	41,882	43,383	48,371	50,608	51,569	56,229	59,939	62,182	63,848	38
62,349	63,980	51,826	68,470	68,029	74,513	82,670	98,388	100,933	123,590	108,468	39
21,436	20,082	20,846	22,480	23,733	24,774	31,059	25,164	28,456	29,369	29,543	40

**Financial Summary**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Gross Farm Income)**

	<u>Avg. Of All Farms</u>	<u>100,001 - 250,000</u>	<u>250,001 - 500,000</u>	<u>500,001 - 1,000,000</u>	<u>Over 1,000,000</u>
Number of farms	97	12	33	34	18
<b>Income Statement</b>					
Gross cash farm income	970,471	179,323	374,334	693,364	3,114,246
Total cash farm expense	781,053	95,918	243,134	504,037	2,747,248
Net cash farm income	189,418	83,406	131,200	189,327	366,999
Inventory change	178,977	7,968	66,173	174,714	507,844
Depreciation	-48,085	-21,398	-30,295	-50,029	-94,820
Net farm income from operations	320,310	69,976	167,078	314,012	780,023
Gain or loss on capital sales	1,855	-	1,241	3,657	814
Average net farm income	322,165	69,976	168,319	317,669	780,837
Median net farm income	234,879	62,722	147,936	291,936	511,725
<b>Profitability (cost)</b>					
Rate of return on assets	16.9 %	8.4 %	13.7 %	15.2 %	21.3 %
Rate of return on equity	23.8 %	10.1 %	18.1 %	19.9 %	33.7 %
Operating profit margin	36.3 %	29.2 %	34.5 %	34.6 %	38.7 %
Asset turnover rate	46.6 %	28.9 %	39.6 %	43.9 %	55.0 %
<b>Liquidity &amp; Repayment (end of year)</b>					
Current assets	867,915	158,984	443,277	912,770	2,034,315
Current liabilities	299,478	53,332	132,270	262,446	840,072
Current ratio	2.90	2.98	3.35	3.48	2.42
Working capital	568,438	105,652	311,007	650,324	1,194,242
Working capital to gross inc	50.2 %	57.2 %	71.8 %	76.2 %	33.4 %
Term debt coverage ratio	5.22	2.99	3.62	5.23	6.56
Replacement coverage ratio	3.80	2.09	2.49	3.53	5.35
<b>Solvency (end of year at market)</b>					
Number of farms	97	12	33	34	18
Total farm assets	2,593,699	1,098,035	1,816,410	2,756,197	4,708,895
Total farm liabilities	1,018,383	324,405	650,466	1,069,160	2,059,639
Total assets	2,859,800	1,278,069	2,121,869	3,075,711	4,859,327
Total liabilities	1,075,348	343,645	715,184	1,131,187	2,117,976
Net worth	1,784,452	934,424	1,406,685	1,944,525	2,741,351
Net worth change	291,599	109,305	196,673	308,247	555,713
Farm debt to asset ratio	39 %	30 %	36 %	39 %	44 %
Total debt to asset ratio	38 %	27 %	34 %	37 %	44 %
<b>Nonfarm Information</b>					
Net nonfarm income	29,543	45,744	26,205	29,744	24,483
Farms reporting living expenses	46	4	22	16	4
Total family living expense	63,848	-	68,399	67,360	-
Total living, invest, cap. purch	108,468	-	111,045	119,033	-
<b>Crop Acres</b>					
Total acres owned	240	157	198	299	261
Total crop acres	831	218	541	984	1,482
Total crop acres owned	221	114	189	283	233
Total crop acres cash rented	550	91	272	668	1,141
Total crop acres share rented	61	13	80	33	108

**Financial Summary**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Farm Type)**

	<u>Avg. Of All Farms</u>	<u>Crop</u>	<u>Hog</u>	<u>Crop and Hog</u>	<u>Other</u>
Number of farms	97	62	5	5	15
<b>Income Statement</b>					
Gross cash farm income	970,471	579,554	6,512,243	1,194,903	388,756
Total cash farm expense	781,053	412,300	6,264,682	987,637	260,018
Net cash farm income	189,418	167,254	247,561	207,267	128,738
Inventory change	178,977	130,176	1,094,775	206,145	29,169
Depreciation	-48,085	-39,955	-111,818	-55,452	-36,457
Net farm income from operations	320,310	257,475	1,230,517	357,960	121,450
Gain or loss on capital sales	1,855	2,640	-	-	1,083
Average net farm income	322,165	260,115	1,230,517	357,960	122,534
Median net farm income	234,879	224,913	806,943	345,279	122,885
<b>Profitability (cost)</b>					
Rate of return on assets	16.9 %	15.4 %	25.6 %	17.1 %	11.4 %
Rate of return on equity	23.8 %	19.7 %	54.3 %	26.3 %	17.8 %
Operating profit margin	36.3 %	33.3 %	44.0 %	33.9 %	28.9 %
Asset turnover rate	46.6 %	46.1 %	58.1 %	50.4 %	39.5 %
<b>Liquidity &amp; Repayment (end of year)</b>					
Current assets	867,915	751,431	3,365,084	907,840	232,944
Current liabilities	299,478	189,751	1,933,865	366,857	173,154
Current ratio	2.90	3.96	1.74	2.47	1.35
Working capital	568,438	561,680	1,431,220	540,982	59,790
Working capital to gross inc	50.2 %	80.8 %	19.1 %	40.1 %	14.2 %
Term debt coverage ratio	5.22	5.63	5.89	3.73	1.65
Replacement coverage ratio	3.80	3.60	5.27	3.32	1.40
<b>Solvency (end of year at market)</b>					
Number of farms	97	62	5	5	15
Total farm assets	2,593,699	2,258,793	6,736,613	2,811,482	1,525,032
Total farm liabilities	1,018,383	809,412	3,580,705	1,195,764	667,606
Total assets	2,859,800	2,534,961	7,014,014	3,020,891	1,764,947
Total liabilities	1,075,348	863,832	3,601,568	1,223,497	730,855
Net worth	1,784,452	1,671,130	3,412,446	1,797,394	1,034,093
Net worth change	291,599	252,146	1,202,813	349,248	110,287
Farm debt to asset ratio	39 %	36 %	53 %	43 %	44 %
Total debt to asset ratio	38 %	34 %	51 %	41 %	41 %
<b>Nonfarm Information</b>					
Net nonfarm income	29,543	28,759	62,730	33,832	22,332
Farms reporting living expenses	46	34	1	2	6
Total family living expense	63,848	65,987	-	-	61,429
Total living, invest, cap. purch	108,468	113,277	-	-	81,462
<b>Crop Acres</b>					
Total acres owned	240	247	215	243	111
Total crop acres	831	880	962	1,170	345
Total crop acres owned	221	232	246	306	70
Total crop acres cash rented	550	579	686	864	247
Total crop acres share rented	61	69	31	-	28

**Financial Summary**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Debt To Asset Ratio)**

	<u>Avg. Of All Farms</u>	<u>Less than 20%</u>	<u>20% - 40%</u>	<u>40% - 60%</u>	<u>60% - 80%</u>
Number of farms	97	13	39	33	10
<b>Income Statement</b>					
Gross cash farm income	970,471	607,316	545,796	1,117,840	963,363
Total cash farm expense	781,053	331,603	379,355	918,074	849,856
Net cash farm income	189,418	275,712	166,441	199,766	113,508
Inventory change	178,977	85,208	110,755	245,265	94,381
Depreciation	-48,085	-41,524	-37,525	-61,138	-49,357
Net farm income from operations	320,310	319,397	239,671	383,893	158,531
Gain or loss on capital sales	1,855	7,692	774	1,508	-
Average net farm income	322,165	327,089	240,445	385,401	158,531
Median net farm income	234,879	236,709	216,074	298,799	130,221
<b>Profitability (cost)</b>					
Rate of return on assets	16.9 %	13.7 %	15.1 %	17.9 %	12.0 %
Rate of return on equity	23.8 %	14.0 %	18.6 %	28.2 %	33.6 %
Operating profit margin	36.3 %	38.5 %	35.3 %	36.6 %	23.6 %
Asset turnover rate	46.6 %	35.7 %	42.9 %	48.9 %	50.8 %
<b>Liquidity &amp; Repayment (end of year)</b>					
Current assets	867,915	879,598	694,008	940,637	613,991
Current liabilities	299,478	31,228	152,719	383,021	439,708
Current ratio	2.90	28.17	4.54	2.46	1.40
Working capital	568,438	848,370	541,289	557,616	174,283
Working capital to gross inc	50.2 %	118.9 %	85.1 %	41.8 %	16.8 %
Term debt coverage ratio	5.22	41.00	6.56	4.65	1.46
Replacement coverage ratio	3.80	5.77	3.76	3.88	1.36
<b>Solvency (end of year at market)</b>					
Number of farms	97	13	39	33	10
Total farm assets	2,593,699	3,266,830	2,132,626	2,829,191	1,987,221
Total farm liabilities	1,018,383	590,311	686,369	1,332,711	1,326,403
Total assets	2,859,800	3,662,513	2,426,017	3,080,323	2,080,191
Total liabilities	1,075,348	678,917	736,233	1,400,510	1,345,560
Net worth	1,784,452	2,983,596	1,689,784	1,679,813	734,631
Net worth change	291,599	204,688	268,946	299,272	159,083
Farm debt to asset ratio	39 %	18 %	32 %	47 %	67 %
Total debt to asset ratio	38 %	19 %	30 %	45 %	65 %
<b>Nonfarm Information</b>					
Net nonfarm income	29,543	34,210	33,611	27,003	14,993
Farms reporting living expenses	46	6	24	13	3
Total family living expense	63,848	54,367	62,694	70,877	-
Total living, invest, cap. purch	108,468	111,564	104,888	120,056	-
<b>Crop Acres</b>					
Total acres owned	240	454	226	221	126
Total crop acres	831	719	717	1,074	784
Total crop acres owned	221	307	217	232	130
Total crop acres cash rented	550	395	439	763	587
Total crop acres share rented	61	17	61	79	67

**Financial Summary**  
**Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Age Of Operator)**

	<u>Avg. Of All Farms</u>	<u>31 - 40</u>	<u>41 - 50</u>	<u>51 - 60</u>	<u>Over 60</u>
Number of farms	97	16	14	47	19
<b>Income Statement</b>					
Gross cash farm income	970,471	648,682	588,110	1,303,124	743,192
Total cash farm expense	781,053	518,781	414,913	1,106,812	504,007
Net cash farm income	189,418	129,902	173,197	196,313	239,185
Inventory change	178,977	154,766	102,260	235,398	123,400
Depreciation	-48,085	-39,382	-40,227	-56,772	-41,150
Net farm income from operations	320,310	245,286	235,231	374,938	321,436
Gain or loss on capital sales	1,855	1,432	666	3,027	287
Average net farm income	322,165	246,718	235,897	377,965	321,723
Median net farm income	234,879	256,543	230,675	221,373	253,465
<b>Profitability (cost)</b>					
Rate of return on assets	16.9 %	16.6 %	14.3 %	18.0 %	15.7 %
Rate of return on equity	23.8 %	25.4 %	18.4 %	27.6 %	18.3 %
Operating profit margin	36.3 %	32.8 %	32.1 %	37.7 %	36.8 %
Asset turnover rate	46.6 %	50.5 %	44.5 %	47.7 %	42.7 %
<b>Liquidity &amp; Repayment (end of year)</b>					
Current assets	867,915	680,066	666,389	992,188	906,913
Current liabilities	299,478	213,073	168,579	428,326	164,560
Current ratio	2.90	3.19	3.95	2.32	5.51
Working capital	568,438	466,993	497,809	563,862	742,353
Working capital to gross inc	50.2 %	59.5 %	73.5 %	37.3 %	85.2 %
Term debt coverage ratio	5.22	4.63	4.31	5.04	7.47
Replacement coverage ratio	3.80	3.79	2.73	3.86	4.45
<b>Solvency (end of year at market)</b>					
Number of farms	97	16	14	47	19
Total farm assets	2,593,699	1,703,619	2,117,275	2,920,414	2,982,609
Total farm liabilities	1,018,383	835,230	781,704	1,257,200	792,406
Total assets	2,859,800	1,878,168	2,349,001	3,205,430	3,312,805
Total liabilities	1,075,348	858,096	849,012	1,323,593	848,273
Net worth	1,784,452	1,020,072	1,499,989	1,881,837	2,464,531
Net worth change	291,599	257,637	179,220	368,139	223,703
Farm debt to asset ratio	39 %	49 %	37 %	43 %	27 %
Total debt to asset ratio	38 %	46 %	36 %	41 %	26 %
<b>Nonfarm Information</b>					
Net nonfarm income	29,543	16,152	20,226	34,796	34,338
Farms reporting living expenses	46	7	6	23	10
Total family living expense	63,848	47,328	75,156	69,513	55,596
Total living, invest, cap. purch	108,468	99,729	112,094	111,516	105,401
<b>Crop Acres</b>					
Total acres owned	240	91	215	256	356
Total crop acres	831	800	791	858	851
Total crop acres owned	221	121	173	247	282
Total crop acres cash rented	550	617	593	542	508
Total crop acres share rented	61	62	24	69	61

## **Appendix I**

### **Whole Farm Analysis Procedures and Measures**

The whole-farm reports include summary financial statements and measures for all farms included in this report. Rounding of individual items may have caused minor discrepancies between those items and the printed totals which are calculated before rounding.

#### **Financial Summary**

This table summarizes key measures reported in several of the following tables.

##### ***Income Statement***

This section summarizes key totals from the Income Statement table. *Average Net Farm Income* is the mean or average farm earnings of the group calculated on an accrual adjusted basis. *Median Net Farm Income* is the farm earnings of the median or middle farm in the group. If it is lower than the average, the average earnings are skewed because some farms had much higher earnings than the rest of the group. If it is higher than the average, the average earnings are skewed because some farms had much lower earnings than the rest of the group.

##### ***Profitability***

See the Profitability Measures section below for an explanation of these measures.

##### ***Liquidity and Repayment***

See the Financial Standards Measures and Liquidity Measures sections below for an explanation of these measures.

##### ***Solvency***

This section summarizes key measures from the Balance Sheet reports.

##### ***Nonfarm Information***

This section summarizes non-farm earnings for all farms and family living withdrawals for those sole proprietors who kept accurate family living records. More detail is included on the Household and Personal Expenses and Nonfarm Summary pages.

##### ***Crop Acres***

This section summarizes acres used for cropping from the Crop Production and Marketing table.

#### **Financial Standards Measures**

This table contains the Farm Financial Standards Council's 21 financial measures for evaluating a farm's financial position and performance.



## ***Liquidity***

*Current Ratio* is calculated by dividing the total current farm assets by the total current farm liabilities.

*Working Capital* is calculated by subtracting current farm liabilities from current farm assets.

*Working Capital to Gross Income* is *Working Capital* divided by *Gross Revenues (accrual)*.

## ***Solvency***

*Farm Debt to Asset Ratio* is calculated by dividing the total farm liabilities by the total farm assets. It measures the proportion of farm assets financed by debt capital.

*Farm Equity to Asset Ratio* is calculated by dividing farm equity or net worth by the total farm assets. It measures the proportion of the farm assets financed by the owner's equity as opposed to debt. This is the opposite of the debt to asset ratio. These two measures always add up to 100% because they describe how total farm assets are financed.

*Farm Debt to Equity Ratio* measures farm debt relative to farm equity. It is calculated by dividing the total farm liabilities by the total farm net worth. The debt to equity ratio measures the amount of borrowed capital being employed for every dollar of equity capital.

## ***Profitability***

*Rate of Return on Farm Assets* can be thought of as the average interest rate being earned on all investments in the farm or ranch business. If assets are valued at market value, the rate of return on assets can be looked at as the “opportunity cost” of farming versus alternate investments. If assets are valued at cost value, the rate of return on assets more closely represents the actual return on the average dollar invested in the farm. The rate of return on farm assets is calculated as follows:  $\text{Rate of Return on Assets} = \text{Return on Farm Assets} \div \text{Average Farm Investment}$ , where:  $\text{Return on Farm Assets} = \text{Net Farm Income} + \text{Farm Interest} - \text{Value of Operator's Labor \& Management}$ , and  $\text{Average Farm Investment} = (\text{Beginning Total Farm Assets} + \text{Ending Total Farm Assets}) \div 2$ .

*Rate of Return on Farm Equity* represents the interest rate being earned on farm net worth. If assets are valued at market value, this return can be compared to returns available if the assets were liquidated and invested in alternate investments. If assets are valued at cost value, this more closely represents the actual return on the funds that have been invested or retained in the business. The rate of return on farm equity is calculated as follows:  $\text{Rate of Return on Equity} = \text{Return on Farm Equity} \div \text{Average Farm Net Worth}$ , where:  $\text{Return on Farm Equity} = \text{Net Farm Income} - \text{Value of Operator's Labor \& Management}$ , and  $\text{Average Farm Net Worth} = (\text{Beginning Farm Net Worth} + \text{Ending Farm Net Worth}) \div 2$ .

*Operating Profit Margin* is a measure of the operating efficiency of the business. It is calculated as follows:  $\text{Operating Profit Margin} = \text{Return to Farm Assets} \div \text{Value of Farm Production}$ . If expenses are held in line relative to the value of output produced, the farm will have a healthy operating profit margin. A low net profit margin may be caused by low prices, high operating expenses, or inefficient production.



*Net Farm Income* represents the returns to unpaid labor, management, and equity capital invested in the business.

EBITDA is Earnings Before Interest, Taxes, Depreciation and Amortization. It is Net Farm Income from Operations from the income statement plus interest expense and depreciation expense. This measure is common in commercial financial analysis but is not commonly used in agriculture.

### ***Repayment Capacity***

*Capital Debt Repayment Capacity* is *Net Farm Income From Operations* plus *Depreciation, Personal Income*, and *Interest on Term Debt* minus *Family Living/Owner Withdrawals, Payments on Personal Debt* and *Income Taxes Paid*. This represents total earnings available for debt repayment and cash capital replacement.

*Capital Debt Repayment Margin* is *Capital Debt Repayment Capacity* minus *Scheduled Term Debt Payments*. This is the amount by which earnings available for debt repayment exceeded payments due.

*Replacement Margin* is *Capital Debt Repayment Margin* minus *Cash Replacement Allowance*. This is the amount by which earnings available for debt repayment and replacement exceed payments due and cash replacement needs.

*Term Debt Coverage Ratio* measures whether the business generated enough income to cover term debt payments. It is calculated by dividing the funds generated by the business for debt repayment (net cash farm income + nonfarm income + interest expense - family living expense - income taxes) by total term debt payments (annual scheduled principal and interest payments on intermediate and long term debt). A ratio less than 1.0 indicates that the business did not generate sufficient cash to meet scheduled payments in the past year. A ratio greater than 1.0 indicates the business generated enough cash to pay all term debt payments.

*Replacement Coverage Ratio* measures whether the business generated enough income to cover scheduled term debt payments plus estimated cash capital replacement needs. A ratio less than 1.0 indicates that the business did not generate sufficient income to meet replacement needs. A ratio greater than 1.0 indicates the business generated enough income to pay all term debt payments and cover an allowance for capital replacement.

### ***Efficiency***

*Asset Turnover Rate* is a measure of efficiency in using capital. It is calculated as follows:  
$$\text{Asset Turnover Rate} = \text{Value of Farm Production} \div \text{Total Farm Assets}.$$

The last four ratios reflect the distribution of gross income to cover operating expenses and generate farm income. The sum of the operating expense ratio, the depreciation expense ratio, and the interest expense ratio equals the percent of gross income used to pay business expenses. The amount remaining is net farm income. The gross farm income used to calculate these ratios is the accrual gross farm income.

*Operating Expense Ratio* is calculated as (Total Farm Operating Expense - Farm Interest Expense) ÷ Gross Farm Income. This ratio indicates the percent of the gross farm income that

was used to pay operating expenses. Total farm operating expense is the accrual total operating expense.

*Depreciation Expense Ratio* is calculated as  $\text{Depreciation} \div \text{Gross Farm Income}$ . This ratio indicates the percent of the gross farm income that was used to cover depreciation and other capital adjustments.

*Interest Expense Ratio* is calculated as  $\text{Farm Interest Expense} \div \text{Gross Farm Income}$ . This ratio indicates the percent of the gross farm income used for farm interest expenses. This is the same ratio as the accrual interest as a percent of income from the Liquidity table.

*Net Farm Income Ratio* is calculated as  $\text{Net Farm Income} \div \text{Gross Farm Income}$ . This ratio indicates the percent of the gross farm income that remained after all expenses.

## **Farm Income Statement**

The Farm Income Statement is a summary of income, expenses, and resultant profit or loss from farming operations during the calendar year. The first section lists cash farm income from all sources. The second section lists *cash* expenses. “Interest” includes only interest actually paid. No opportunity charges on farm equity capital or unpaid labor are included. The difference between *Gross Cash Farm Income* and *Total Cash Expense* is the *Net Cash Farm Income*. This is net farm income on a *cash* basis.

The third and fourth sections deal with noncash changes in the farm business. The *Inventory Changes* and *Depreciation* sections are used to convert the cash income statement (Net Cash Farm Income) derived from the first two sections into an accrual income statement. The resulting “Net Farm Income” represents the return to the operator's and family's unpaid labor, management, and equity capital (net worth). In other words, it represents the return to all of the resources which are owned by the farm family and, hence, not purchased or paid a wage. However, it does not include any asset appreciation, debt forgiveness or asset repossessions.

## **Profitability Measures**

Profitability is measured using assets valued first at cost and then at market. The reports include five measures of profit followed by the values used to calculate the measures.

*Net Farm Income* is repeated from the Farm Income Statement report. When assets are valued at market, it includes the change in market valuation of capital for the year.

*Rate of Return on Assets* is the *Return to Farm Assets* divided by *Average Farm Assets*.

*Rate of Return on Equity* is the *Return to Farm Equity* divided by *Average Farm Equity*.

*Operating Profit Margin* is the *Return to Farm Assets* divided by *Value of Farm Production*.

*Asset Turnover Rate* is the *Value of Farm Production* divided by *Average Farm Assets*.

*Farm Interest Expense* is the accrued interest cost so it will be different from the cash interest paid shown in the Farm Income Statement.

*Value of Operator's Labor and Management* is its opportunity cost. It is assigned by farm within suggested guidelines.

*Return on Farm Assets* is calculated by adding *Farm Interest Expense* and *Net Farm Income* and then subtracting the *Value of Operator's Labor and Management*.

*Average Farm Assets* is the average of beginning and ending total farm assets for all farms, not just those included in the Balance Sheet report.

*Return to Farm Equity* is calculated by subtracting the *Value of Operator's Labor and Management* from *Net Farm Income*.

*Average Farm Equity* is the average of beginning and ending farm net worth.

*Value of Farm Production* is gross farm income minus feeder livestock and feed purchased and adjusted for inventory changes in crops, market livestock and breeding livestock.

## **Liquidity and Repayment Capacity Measures**

*Current Ratio* is total *Current Assets* divided by total *Current Liabilities*.

*Working Capital* is total *Current Assets* minus total *Current Liabilities*.

*Working Capital to Gross Income* is *Working Capital* divided by *Gross Revenues (accrual)*.

*Current Assets* are taken from the ending balance sheet and include all assets that will be sold or used up in production within one business year.

*Current Liabilities* are taken from the ending balance sheet and include all loans and other debt due to be repaid within one business year. Principal due within a twelve months on intermediate and long term loans is included.

*Gross Revenues (accrual)* is gross cash farm income from the income statement adjusted for inventory changes in crops and feed, market livestock, accounts receivable, hedging accounts, breeding livestock and other income related inventories.

*Net Farm Income from Operations* is from the Income Statement.

*Depreciation* is the total depreciation from the Income Statement. It is added as a source of repayment because it is a non-cash expense that was subtracted to arrive at *Net Farm Income From Operations*.

*Personal Income* is the average for all farms, not including *Gifts and Inheritances*.

*Family Living/Owner Withdrawals* is the amount of owner withdrawals for family living, partnership withdrawals, and corporate dividends. Reported withdrawals are adjusted to include any discrepancy with actual cash disappearance.

*Payments on personal debt* is the total principal payments made during the year on all non-farm loans.

*Income Taxes Paid* are total federal, state, and social security taxes paid during the year on farm and personal earnings.

*Interest on Term Debt* is the amount of interest paid on intermediate and long term loans during the year. Interest is added as a source of repayment because it was previously subtracted to arrive at *Net Farm Income from Operations*.

*Capital Debt Repayment Capacity* is *Net Farm Income From Operations* plus *Depreciation, Personal Income*, and *Interest on Term Debt* minus *Family Living/Owner Withdrawals, Payments on Personal Debt* and *Income Taxes Paid*. This represents total earnings available for debt repayment and cash capital replacement.

*Scheduled Term Debt Payments* is the scheduled amount of principal and interest payments due on farm intermediate and long term loans from the beginning balance sheet.

*Capital Debt Repayment Margin* is *Capital Debt Repayment Capacity* minus *Scheduled Term Debt Payments*. This is the amount by which earnings available for debt repayment exceeded payments due.

*Cash Replacement Allowance* is the estimated amount of cash needed to cover the portion of capital replacement needs that normally come from cash flow. It is estimated for each operator based on their financial structure.

*Replacement Margin* is *Capital Debt Repayment Margin* minus *Cash Replacement Allowance*. This is the amount by which earnings available for debt repayment and replacement exceed payments due and cash replacement needs.

*Term Debt Coverage Ratio* is *Capital Debt Repayment Capacity* divided by *Scheduled Term Debt Payments*. This is how many times scheduled payments are covered by repayment capacity.

*Replacement Coverage Ratio* is *Capital Debt Repayment Capacity* divided by the total of *Scheduled Term Debt Payments* and the *Cash Replacement Allowance*. This represents how many times scheduled payments and cash replacement needs are covered by repayment capacity.

## **Balance Sheets at Cost and Market Values**

These tables include all farm and personal assets and liabilities reported by these farms on their beginning and ending balance sheets. Government crop loans are treated consistently as loans

on these tables, meaning that the full asset value is included as an asset and total accrued interest and outstanding principal balances are included as liabilities. Capital assets are valued at original purchase price minus economic depreciation on the Cost Value table. Assets are valued at a conservative market value on the Market Value table. Deferred liabilities are included on the Market Value table. Deferred liabilities are an estimate of the taxes that would be due if the business was liquidated on the date of the balance sheet.

## **Statement of Cash Flows**

This table reports the sources from which cash was available or obtained and where that cash was used or remains at the end of the year.

## **Crop Production and Marketing Summary**

This table contains three sections. The first section reports average acreage by tenure and general use. The next two sections show average price received from cash sales and average yields for major crops.

## **Household and Personal Expenses**

For those farms that kept records, the household and personal expenses are summarized in this table. Since not all farms keep these records, the number of farms may be different for each group. Averages are determined by the number of farms keeping these records.

## **Operator and Labor Information**

This table has four sections. The first reports the averages for the number of operators per farm, the operator's age, and the number of years farming. The second section reports various measures and results per operator compared to per farm in other reports.

The third section reports the amount of labor used and the returns to that labor. *Total Unpaid Labor Hours* and *Total Hired Labor Hours* are based on farmers' estimates of labor use. No labor records are kept for unpaid labor. *Value of Farm Production/Hour* is the Value of Farm Production divided by Total Labor Hours per Farm. *Net Farm Income/Unpaid Hour* is Net Farm Income divided by Total Unpaid Labor Hours.

The fourth section reports the number of partnerships and withdrawals in each grouping.

## **Nonfarm Summary**

This table reports the income from nonfarm sources which is included in a farmer's total net income. Not all farms have nonfarm income, but the figure reported is the average over all farms not just those reporting nonfarm income. Also reported are the beginning and ending values for nonfarm assets for all farms (not just sole proprietors).

## Appendix II

# Crop Enterprise Analysis Procedures and Measures

The Crop Enterprise Analysis tables show the profitability of each crop enterprise produced by five or more farms.

*Gross Return* is the average Yield multiplied by the Value Per Unit plus any other production or income related to the crop. Value Per Unit for cash crops is the average sales price for crops sold before the end of the year and the average ending inventory value for crops remaining unsold. For feed crops, it is the estimated harvest-time value. LDP payments and other commodity-specific income are added to estimate the total value received for crop production.

*Direct Expenses* include expenses that are directly related to the production of the specific crop. Most direct expenses are directly assigned to production of the crop and simply divided by acres. Some, such as Fuel and Oil and Repairs, which are difficult to assign directly to specific fields or crops, are determined by allocating the total annual expense across all enterprises using allocation factors entered for each crop.

*Overhead Expenses* are also determined by allocating the total annual expense across all enterprises using allocation factors entered for each crop.

*Net Return per Acre* is the Gross Return per Acre minus Total Direct and Overhead Expenses.

*Net return with government payments* is Net Return per Acre plus Government Payments. Government Payments includes only direct payments and counter-cyclical payments. Payments that are directly attached to production of the crop, such as LDP and disaster payments are included in Gross Return. Because direct government payments have been decoupled from actual production, these payments are generally allocated to all crops excluding vegetables and pasture. This is done for each farm by allocating the direct payments from the whole farm to these crops.

*Net Return over Labor and Management* is calculated by allocating the farmer's charge for unpaid labor and management across all enterprises and subtracting it from Net Return With Government Payments.

*Cost of Production* is calculated by dividing the total expense for each category by the yield per acre. *Total Expense Less Government and Other Income* is total expense minus government payments, income from secondary products, and other income, divided by yield per acre.

*Machinery Cost Per Acre* is the sum of fuel and oil, repairs, custom hire expense, machinery lease payments, machinery depreciation, and interest on intermediate debt divided by acres.

*Estimated Labor Hours Per Acre* is calculated by allocating the farmer's estimate of total operator and hired labor hours for the year across all enterprises.

Rounding of individual items for the report may have caused minor discrepancies with the calculated totals. If fewer than 5 farms have a certain crop enterprise, that information is not reported. If there are fewer than 25 farms, the high and low groups are not reported.

## Appendix III

# Livestock Enterprise Analysis Procedures and Measures

The Livestock Enterprise Analysis tables show the profitability of each livestock enterprise produced by five or more farms.

*Gross Margin* includes product and livestock sales, cull sales, the value of offspring transferred out of the enterprise, the value of inventory change from beginning to end of year, and any other income assigned to the enterprise. Livestock purchases and the value of animals transferred in from other enterprises are subtracted.

*Direct Expenses* include expenses that are directly related to the specific livestock enterprise. Feed and most other direct expenses are directly assigned based on farm records. Some, such as Fuel and Oil and Repairs, which are difficult to assign directly to enterprises, are determined by allocating the total annual expense across all enterprises using allocation factors entered for each farm.

*Overhead Expenses* are also determined by allocating the total annual expense across all enterprises using allocation factors entered for each farm.

*Net Return* is the Gross Return minus Total Direct and Overhead Expenses.

*Net Return over Labor and Management* is calculated by allocating the farmer's charge for unpaid labor and management across all enterprises and subtracting it from Net Return.

*Estimated Labor Hours* is calculated by allocating the farmer's estimate of total operator and hired labor hours for the year across all enterprises.

*Cost of Production* is calculated by dividing the total expense for each category by Total Production. For grow/finish enterprises, the Purchases and Transfers In are included in direct expense. Cull sales, other offspring sales, and any other miscellaneous income are subtracted and replacement purchases and transfers in are added to arrive at the cost *With other revenue adjustments*. *With Labor and Management* is the cost with other revenue adjustments plus the producer's charge for operator's labor and management. This is the breakeven price for the primary product to provide a return for operator labor and management.

The last section of each livestock table contains both economic and technical efficiency measures. *Lbs. feed per lb. of gain* is the pounds of total feed divided by Total production. For grains, these pounds per bushel are used: corn, 56; oats, 32; barley, 48; grain sorghum, 56; wheat, 60; and millet, 48. For these forages, the units are converted to pounds and then adjusted by these factors: alfalfa haylage, 0.5; corn silage, 0.33; oatlage, 0.5; sorghum silage, 0.33; and small grain silage, 0.33.



The calving and weaning percentages are calculated as the number of calves which are calved and weaned, respectively, divided by the number of cows which are supposed to bear young.

Rounding of individual items for the report may have caused minor discrepancies with the calculated totals. If fewer than 5 farms have a certain livestock enterprise, that information is not reported. If there are fewer than 25 farms, the high and low groups are not reported.

## Appendix IV

### Prices Used In the Analysis Report

Item	Beginning Inventory	Feed	Crop Enterprise Production	Ending Inventory
All Corn/bu.	3.73	3.85	Actual	5.89
Oats/bu.	2.53	2.75	Actual	3.00
All Wheat/bu.	5.14	5.09	Actual	7.25
Soybeans/bu.	9.88	9.95	Actual	13.38
Alfalfa hay/t. (avg quality)	100.00	100.00	90.00	90.00
Alfalfa hay/t. (dairy qual)	120.00	110.00	100.00	100.00
Alfalfa haylage/t	45.00	45.00	40.00	40.00
Grass/Mixed hay/r	80.00	80.00	80.00	80.00
Corn silage/t.	23.00	24.00	35.00	35.00
Oatlage/t.	14.00	14.00	14.00	14.00
Oats straw/bale	3.00/70	3.00/70	3.00/70	3.00/70
Cornstalks/t.	25.00	25.00	25.00	25.00

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Actual prices estimated at actual selling price if sold or contracted, inventory price for balance. All feeds are valued on an as fed moisture basis. To correct for low-test weights on corn use: Bu. x test weight/56 lbs.

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#### Other Prices Used:

Pasture:	\$15.00/AUM
Value of milk used in home	\$ 2.00/gallon
Value of milk fed calves	\$ 1.50/gallon

Starting in 2000, depreciation is calculated by using an 5% rate for buildings, 10% for machinery, 20% for beef cattle and sheep and 33% for breeding hogs and dairy cows. The economic depreciation is calculated by taking the beginning basis, plus new purchases (boot), less basis of sold items multiplied by the appropriate percentage rate.

Value of operator's labor is calculated by using this formula: For sole proprietors and partnerships, labor and management is valued at \$20,000 per operator plus 5% of the value of farm production, with a minimum of \$30,000 for a full-time farm operator.



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