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# ***Staff Paper***

**2001 Business Analysis Summary  
for Swine Farms**

by

**Sherrill B. Nott**

**Staff Paper 2002-12**

**July 2002**



Department of Agricultural Economics  
MICHIGAN STATE UNIVERSITY  
East Lansing, Michigan 48824

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# 2001 BUSINESS ANALYSIS SUMMARY FOR SWINE FARMS

Michigan Data from Telfarm/MicroTel  
Staff Paper No. 2002-12, 16 pages

by

Sherrill B. Nott<sup>1</sup>

## **Introduction**

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II. **List and sequence of Tables**

A. Averages of all 12 Swine Farms

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## **Data Source**

Farm types were assigned using the 1992 Census of Agriculture's Standard Industrial Classification (SIC) definitions. Basically, any farm with 50 percent or more of value of farm sales from one item becomes a farm of that type. Swine farms have 50 percent or more of value of combined sales from fat hogs, feeder pigs and cull breeding hogs.

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<sup>1</sup>Professor and Farm Management Specialist; phone 517-353-4522 or [nott@msu.edu](mailto:nott@msu.edu) Co-workers in the Telfarm/MicroTel project were R. Betz, L. Borton, R. Clark, B. Dartt, S. Harsh, M. Kelsey, G. Kole, T. Purdy, W. Schauer, G. Schwab, D. Stein, V. Varner, and C. Wolf with the assistance of Michigan State University Extension Agents.

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This report is a summary of the financial and production records kept by swine farmers enrolled in the Telfarm/MicroTel record program through Michigan State University Extension. Farm records were included if a Finan<sup>2</sup> summary was completed on 2001 data including beginning and ending balance sheets, plus income and expenses. The summary was included if cash discrepancy was less than 10% of gross cash inflow, and if the debt discrepancy was less than \$1,000. The averages are reported in the tables below; it should be recognized that considerable variability exists in the data. Nine of the 12 farms grew crops in addition to hogs. The unweighted mean of acres cropped was 1,193 acres; the standard deviation of the mean was 1,193 acres and the median was 884 acres. The unweighted mean of the net farm income for all 12 farms was \$132,487. The standard deviation of the mean was \$166,890 and the median was \$77,408 of net farm income.

This report has three purposes: 1) to provide statistical information about the financial results on swine farms during 2001; 2) to provide production costs for comparative analysis and forward planning; and 3) to provide information on the trends in resource use, income and costs during the last few years. For swine farm averages in 1995, see Staff Paper 96-86, Michigan Farm Database, New Directions for 1995; it contains averages of 19 swine farms calculated with Finansum. Staff Paper 97-30, Business Analysis Summary for Swine Farms, contains averages of 17 swine farms for 1996. Staff Paper 98-23, 1997 Business Analysis Summary for Swine Farms, contains averages of 20 swine farms for 1997. Staff Paper 99-34, 1998 Business Analysis Summary for Swine Farms, contains averages of 14 swine farms for 1998. Staff Paper 2000-28, 1999 Business Analysis Summary for Swine Farms, contains averages of 9 swine farms for 1999. Staff Paper 2001-32, 2000 Business Analysis Summary for Swine Farms, contains averages of 14 swine farms for 2000. These staff papers are available from the author at <http://www.msu.edu/user/nott>

The 12 farms in Tables 1 to 13 include 7 farrow to finish farms plus 5 that were primarily in other types of hog enterprises. The 7 averaged 564 sows. The farm was accepted in the average regardless of whether it was a proprietorship, partnership, limited liability company, or corporation. RankEm<sup>3</sup> will produce a variety of report options; a subset is included in this publication.

The farms included in the averages below are not a random sample. Most of them kept their financial records with Michigan State University's Telfarm/MicroTel accounting project. The averages may be representative of bigger and better managed swine farms. The 12 farms were spread across the 9 counties of Allegan, Benzie, Berrien, Branch, Eaton, Hillsdale, Huron, Ingham and Kalamazoo.

This document may be found and downloaded from the following:

<http://www.msu.edu/user/nott>

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<sup>2</sup>Finan = financial analysis, one of the parts of Finpack, a financial software package from the Center for Farm Financial Management at the University of Minnesota.

<sup>3</sup>Rankem calculates statistical summaries from Finan data. It is provided by the Center for Farm Financial Management.

Table 1

## CROP PRODUCTION AND MARKETING SUMMARY

Swine Farms in Michigan, 2001  
(Farms Sorted By Net Farm Income)

|  | Average Of       |                |                 |
|--|------------------|----------------|-----------------|
|  | <u>All Farms</u> | <u>Low 50%</u> | <u>High 50%</u> |
| Number of Farms                          | 12               | 6              | 6               |
| Acreage Summary                          |                  |                |                 |
| Total Acres Owned                        | 731              | 194            | 1,268           |
| Total Crop Acres                         | 894              | 345            | 1,444           |
| Crop Acres Owned                         | 538              | 84             | 992             |
| Crop Acres Cash Rented                   | 325              | 261            | 389             |
| Crop Acres Share Rented                  | 31               | -              | 63              |
| Average Price Received (Cash Sales Only) |                  |                |                 |
| Wheat, Winter per Bushel                 | 2.74             | -              | -               |

Table 2

**FARM INCOME STATEMENT**  
 Swine Farms in Michigan, 2001  
 (Farms Sorted By Net Farm Income)

| Number of Farms               | Average Of       |                |                  |
|-------------------------------|------------------|----------------|------------------|
|                               | All Farms        | Low 50%        | High 50%         |
|                               | 12               | 6              | 6                |
| <b>CASH FARM INCOME</b>       |                  |                |                  |
| Beans, Navy                   | 1,906            | 3,812          | -                |
| Corn                          | 79,057           | 11,430         | 146,684          |
| Soybeans                      | 49,599           | 14,175         | 85,023           |
| Straw                         | 323              | 37             | 608              |
| Sugar Beets                   | 16,898           | 33,797         | -                |
| Wheat, Winter                 | 8,360            | 4,098          | 12,622           |
| Miscellaneous Crop Income     | 33               | -              | 65               |
| Beef Bulls                    | 125              | -              | 250              |
| Beef Cow-Calf, Beef Calves    | 2,982            | -              | 5,964            |
| Hogs, Farrow-Fin, Raised Hogs | 491,928          | 90,987         | 892,869          |
| Hogs, Feeder Pigs             | 76,092           | 3,982          | 148,202          |
| Hogs, Finish Feeder Pigs      | 199,338          | 146,235        | 252,442          |
| Hogs, Weaning to Finish       | 47,433           | 94,867         | -                |
| Cull Breeding Livestock       | 24,261           | 4,947          | 43,575           |
| Misc. Livestock Income        | 267              | -              | 533              |
| CRP Payments                  | 1,667            | 3,333          | -                |
| Other Government Payments     | 62,318           | 16,432         | 108,205          |
| Custom Work Income            | 15,486           | 2,225          | 28,747           |
| Patronage Dividends, Cash     | 419              | 786            | 53               |
| Insurance Income              | 652              | 971            | 333              |
| Other Farm Income             | 5,461            | -483           | 11,405           |
| <b>Gross Cash Farm Income</b> | <b>1,084,604</b> | <b>431,631</b> | <b>1,737,578</b> |

Table 3

## FARM INCOME STATEMENT (Continued)

Swine Farms in Michigan, 2001  
(Farms Sorted By Net Farm Income)

|  | Average Of |         |           |
|--|------------|---------|-----------|
|  | All Farms  | Low 50% | High 50%  |
|  | 12         | 6       | 6         |
| Number of Farms                            |            |         |           |
| CASH FARM EXPENSE                          |            |         |           |
| Seed                                       | 38,957     | 9,558   | 68,356    |
| Fertilizer                                 | 24,968     | 11,411  | 38,525    |
| Crop chemicals                             | 22,990     | 8,899   | 37,082    |
| Crop insurance                             | 1,444      | 830     | 2,058     |
| Drying fuel                                | 7,633      | 1,442   | 13,825    |
| Irrigation energy                          | 65         | -       | 131       |
| Crop marketing                             | 715        | -       | 1,430     |
| Crop miscellaneous                         | 1,274      | 1,731   | 816       |
| Feeder livestock purchase                  | 148,859    | 112,618 | 185,101   |
| Purchased feed                             | 298,049    | 121,049 | 475,048   |
| Breeding fees                              | 9,816      | 2,040   | 17,591    |
| Veterinary                                 | 13,686     | 4,232   | 23,140    |
| Livestock supplies                         | 2,748      | 2,249   | 3,247     |
| Livestock marketing                        | 5,011      | 1,489   | 8,533     |
| Interest                                   | 59,457     | 32,081  | 86,833    |
| Fuel & oil                                 | 13,467     | 7,337   | 19,597    |
| Repairs                                    | 33,714     | 11,120  | 56,308    |
| Custom hire                                | 50,270     | 10,908  | 89,632    |
| Hired labor                                | 57,304     | 5,447   | 109,160   |
| Land rent                                  | 40,597     | 27,823  | 53,371    |
| Machinery & bldg leases                    | 18,993     | 5,465   | 32,522    |
| Real estate taxes                          | 7,353      | 5,068   | 9,638     |
| Personal property taxes                    | 66         | 131     | -         |
| Farm insurance                             | 10,962     | 4,285   | 17,640    |
| Utilities                                  | 25,195     | 11,019  | 39,372    |
| Dues & professional fees                   | 4,347      | 1,115   | 7,579     |
| Hedging account deposits                   | 2,421      | -       | 4,842     |
| Miscellaneous                              | 22,022     | 11,218  | 32,827    |
| Total cash expense                         | 922,382    | 410,563 | 1,434,202 |
| Net cash farm income                       | 162,222    | 21,068  | 303,377   |
| INVENTORY CHANGES                          |            |         |           |
| Crops and feed                             | -3,286     | -11,340 | 4,768     |
| Market livestock                           | 18,509     | 494     | 36,525    |
| Accounts receivable                        | 10,661     | 11,510  | 9,812     |
| Prepaid expenses and supplies              | 17,891     | 1,523   | 34,260    |
| Accounts payable                           | 13,353     | 9,612   | 17,093    |
| Total inventory change                     | 57,128     | 11,799  | 102,457   |
| Net operating profit                       | 219,350    | 32,867  | 405,834   |
| DEPRECIATION AND OTHER CAPITAL ADJUSTMENTS |            |         |           |
| Breeding livestock                         | -4,630     | -1,063  | -8,196    |
| Machinery and equipment                    | -52,718    | -18,862 | -86,573   |
| Buildings and improvements                 | -34,372    | -15,159 | -53,585   |
| Other farm capital                         | 2,902      | 5,356   | 449       |
| Total depr. and other capital adj          | -88,817    | -29,729 | -147,905  |
| Net farm income                            | \$130,533  | 3,138   | 257,929   |

Table 4

**INVENTORY CHANGES**  
**Swine Farms in Michigan, 2001**  
**(Farms Sorted By Net Farm Income)**

|  | Average Of       |                |                 |
|--|------------------|----------------|-----------------|
|  | <u>All Farms</u> | <u>Low 50%</u> | <u>High 50%</u> |
| Number of Farms                                    | 12               | 6              | 6               |
| Net cash farm income                               | 162,222          | 21,068         | 303,377         |
| <b>CROPS AND FEED</b>                              |                  |                |                 |
| Ending inventory                                   | 176,372          | 38,602         | 314,142         |
| Beginning inventory                                | 179,658          | 49,942         | 309,374         |
| Inventory change                                   | -3,286           | -11,340        | 4,768           |
| <b>MARKET LIVESTOCK</b>                            |                  |                |                 |
| Ending inventory                                   | 284,345          | 100,886        | 467,805         |
| Beginning inventory                                | 265,836          | 100,392        | 431,280         |
| Inventory change                                   | 18,509           | 494            | 36,525          |
| <b>ACCTS RECEIVABLE &amp; OTHER CURRENT ASSETS</b> |                  |                |                 |
| Ending inventory                                   | 94,009           | 16,299         | 171,719         |
| Beginning inventory                                | 83,348           | 4,789          | 161,908         |
| Inventory change                                   | 10,661           | 11,510         | 9,812           |
| <b>PREPAID EXPENSES AND SUPPLIES</b>               |                  |                |                 |
| Ending inventory                                   | 104,114          | 9,456          | 198,771         |
| Beginning inventory                                | 86,222           | 7,933          | 164,512         |
| Inventory change                                   | 17,891           | 1,523          | 34,260          |
| <b>ACCOUNTS PAYABLE</b>                            |                  |                |                 |
| Beginning inventory                                | 103,682          | 31,936         | 175,429         |
| Ending inventory                                   | 90,330           | 22,324         | 158,335         |
| Inventory change                                   | 13,353           | 9,612          | 17,093          |
| Total inventory change                             | 57,128           | 11,799         | 102,457         |
| Net operating profit                               | 219,350          | 32,867         | 405,834         |



Table 5

## DEPRECIATION AND OTHER CAPITAL ADJUSTMENTS

Swine Farms in Michigan, 2001  
(Farms Sorted By Net Farm Income)

|                                  | Average Of |         |          |
|----------------------------------|------------|---------|----------|
|                                  | All Farms  | Low 50% | High 50% |
| Number of Farms                  | 12         | 6       | 6        |
| Net operating profit             | 219,350    | 32,867  | 405,834  |
| BREEDING LIVESTOCK               |            |         |          |
| Ending inventory                 | 72,960     | 19,648  | 126,272  |
| Capital sales                    | 1,223      | -       | 2,446    |
| Beginning inventory              | 73,679     | 19,753  | 127,605  |
| Capital purchases                | 5,133      | 958     | 9,308    |
| Depreciation, capital adj.       | -4,630     | -1,063  | -8,196   |
| MACHINERY AND EQUIPMENT          |            |         |          |
| Ending inventory                 | 164,658    | 49,136  | 280,181  |
| Capital sales                    | 2,914      | 417     | 5,411    |
| Beginning inventory              | 146,141    | 57,444  | 234,839  |
| Capital purchases                | 74,149     | 10,971  | 137,327  |
| Depreciation, capital adj.       | -52,718    | -18,862 | -86,573  |
| BUILDINGS AND IMPROVEMENTS       |            |         |          |
| Ending inventory                 | 175,031    | 69,878  | 280,184  |
| Capital sales                    | -          | -       | -        |
| Beginning inventory              | 201,219    | 80,485  | 321,953  |
| Capital purchases                | 8,184      | 4,552   | 11,817   |
| Depreciation, capital adj.       | -34,372    | -15,159 | -53,585  |
| OTHER CAPITAL ASSETS             |            |         |          |
| Ending inventory                 | 30,041     | 11,614  | 48,468   |
| Capital sales                    | 6,682      | 333     | 13,030   |
| Beginning inventory              | 31,042     | 6,591   | 55,493   |
| Capital purchases                | 2,778      | -       | 5,556    |
| Depreciation, capital adj.       | 2,902      | 5,356   | 449      |
| Total depreciation, capital adj. | -88,817    | -29,729 | -147,905 |
| Net farm income                  | 130,533    | 3,138   | 257,929  |

Table 6

**PROFITABILITY MEASURES**  
 Swine Farms in Michigan, 2001  
 (Farms Sorted By Net Farm Income)

|                                       | Average Of |         |           |
|---------------------------------------|------------|---------|-----------|
|                                       | All Farms  | Low 50% | High 50%  |
| Number of Farms                       | 12         | 6       | 6         |
| PROFITABILITY (assets valued at cost) |            |         |           |
| Net farm income                       | 130,533    | 3,138   | 257,929   |
| Labor & management earnings           | 111,920    | -1,365  | 225,204   |
| Rate of return on assets              | 9.5 %      | -0.5 %  | 11.6 %    |
| Rate of return on equity              | 23.8 %     | N/A     | 30.6 %    |
| Operating profit margin               | 18.9 %     | -1.1 %  | 22.4 %    |
| Asset turnover rate                   | 50.3 %     | 42.6 %  | 52.0 %    |
| Interest on farm net worth            | 18,614     | 4,503   | 32,724    |
| Farm interest expense                 | 57,983     | 32,058  | 83,909    |
| Value of operator lbr & mgmt.         | 64,106     | 37,315  | 90,896    |
| Return on farm assets                 | 124,411    | -2,119  | 250,941   |
| Average farm assets                   | 1,309,316  | 463,618 | 2,155,014 |
| Return on farm equity                 | 66,428     | -34,177 | 167,033   |
| Average farm equity                   | 279,037    | 12,669  | 545,406   |
| Value of farm production              | 658,951    | 197,565 | 1,120,337 |

|   | Average Of |         |           |
|---|------------|---------|-----------|
|   | All Farms  | Low 50% | High 50%  |
| Number of Farms                         | 12         | 6       | 6         |
| PROFITABILITY (assets valued at market) |            |         |           |
| Net farm income                         | 193,400    | 49,734  | 337,065   |
| Labor & management earnings             | 127,366    | 23,308  | 231,424   |
| Rate of return on assets                | 8.7 %      | 5.0 %   | 9.6 %     |
| Rate of return on equity                | 11.7 %     | 2.8 %   | 14.0 %    |
| Operating profit margin                 | 28.4 %     | 22.5 %  | 29.5 %    |
| Asset turnover rate                     | 30.5 %     | 22.2 %  | 32.7 %    |
| Interest on farm net worth              | 66,033     | 26,426  | 105,641   |
| Farm interest expense                   | 57,983     | 32,058  | 83,909    |
| Value of operator lbr & mgmt.           | 64,106     | 37,315  | 90,896    |
| Return on farm assets                   | 187,277    | 44,476  | 330,078   |
| Average farm assets                     | 2,158,410  | 891,380 | 3,425,440 |
| Return on farm equity                   | 129,294    | 12,419  | 246,169   |
| Average farm equity                     | 1,100,558  | 440,431 | 1,760,685 |
| Value of farm production                | 658,951    | 197,565 | 1,120,337 |

Table 7

**LIQUIDITY MEASURES**  
**Swine Farms in Michigan, 2001**  
**(Farms Sorted By Net Farm Income)**

|                                 | Average Of       |                |                 |
|---------------------------------|------------------|----------------|-----------------|
|                                 | <u>All Farms</u> | <u>Low 50%</u> | <u>High 50%</u> |
| Number of Farms                 | 12               | 6              | 6               |
| <b>LIQUIDITY (Cash)</b>         |                  |                |                 |
| Net cash farm income            | 162,222          | 21,068         | 303,377         |
| Net nonfarm income              | 4,530            | 6,861          | 2,199           |
| Family living and taxes         | 59,542           | 23,940         | 95,145          |
| Real estate principal payments  | 39,361           | 11,383         | 67,338          |
| Cash available for interm. debt | 67,849           | -7,394         | 143,092         |
| Average intermediate debt       | 214,206          | 158,605        | 269,807         |
| Years to turnover interm. debt  | 3.2              | **             | 1.9             |
| Expense as a % of income        | 85 %             | 95 %           | 83 %            |
| Interest as a % of income       | 5 %              | 7 %            | 5 %             |
| <b>LIQUIDITY (Accrual)</b>      |                  |                |                 |
| Total accrual farm income       | 1,110,489        | 432,295        | 1,788,683       |
| Total accrual operating expense | 891,138          | 399,428        | 1,382,849       |
| Net accrual operating income    | 219,350          | 32,867         | 405,834         |
| Net nonfarm income              | 4,530            | 6,861          | 2,199           |
| Family living and taxes         | 59,542           | 23,940         | 95,145          |
| Real estate principal payments  | 39,361           | 11,383         | 67,338          |
| Available for intermediate debt | 124,977          | 4,405          | 245,550         |
| Average intermediate debt       | 214,206          | 158,605        | 269,807         |
| Years to turnover interm. debt  | 1.7              | 36.0           | 1.1             |
| Expense as a % of income        | 80 %             | 92 %           | 77 %            |
| Interest as a % of income       | 5 %              | 7 %            | 5 %             |

\*\* Income insufficient to meet debt servicing requirements

Table 8

## BALANCE SHEET AT COST VALUES

Swine Farms in Michigan, 2001  
(Farms Sorted By Net Farm Income)

| Number of Farms                   | Average Of<br>All Farms |           | Low 50%   |         | High 50%  |           |
|-----------------------------------|-------------------------|-----------|-----------|---------|-----------|-----------|
|                                   | 12                      |           | 6         |         | 6         |           |
|                                   | Beginning               | Ending    | Beginning | Ending  | Beginning | Ending    |
| <b>ASSETS</b>                     |                         |           |           |         |           |           |
| <b>Current Farm Assets</b>        |                         |           |           |         |           |           |
| Cash and checking balance         | 20,859                  | 14,531    | 21,470    | 13,016  | 20,247    | 16,046    |
| Prepaid expenses & supplies       | 86,222                  | 104,114   | 7,933     | 9,456   | 164,512   | 198,771   |
| Growing crops                     | 3,302                   | 2,062     | 1,210     | 1,240   | 5,393     | 2,884     |
| Accounts receivable               | 77,125                  | 89,369    | 3,579     | 15,059  | 150,672   | 163,679   |
| Hedging accounts                  | 2,635                   | 2,381     | 0         | 0       | 5,271     | 4,763     |
| Crops held for sale or feed       | 179,658                 | 176,372   | 49,942    | 38,602  | 309,374   | 314,142   |
| Crops under government loan       | 0                       | 0         | 0         | 0       | 0         | 0         |
| Market livestock held for sale    | 265,836                 | 284,345   | 100,392   | 100,886 | 431,280   | 467,805   |
| Other current assets              | 286                     | 197       | 0         | 0       | 572       | 394       |
| Total current farm assets         | 635,924                 | 673,371   | 184,527   | 178,260 | 1,087,320 | 1,168,483 |
| <b>Intermediate Farm Assets</b>   |                         |           |           |         |           |           |
| Breeding livestock                | 73,679                  | 72,960    | 19,753    | 19,648  | 127,605   | 126,272   |
| Machinery and equipment           | 146,141                 | 164,658   | 57,444    | 49,136  | 234,839   | 280,181   |
| Other intermediate assets         | 29,329                  | 25,688    | 3,922     | 3,588   | 54,737    | 47,788    |
| Total intermediate farm assets    | 249,150                 | 263,306   | 81,119    | 72,372  | 417,181   | 454,241   |
| <b>Long-Term Farm Assets</b>      |                         |           |           |         |           |           |
| Farm land                         | 204,919                 | 209,645   | 124,950   | 124,950 | 284,889   | 294,341   |
| Buildings and improvements        | 201,219                 | 175,031   | 80,485    | 69,878  | 321,953   | 280,184   |
| Other long-term assets            | 1,713                   | 4,353     | 2,670     | 8,026   | 757       | 681       |
| Total long-term farm assets       | 407,851                 | 389,030   | 208,105   | 202,854 | 607,598   | 575,205   |
| Total Farm Assets                 | 1,292,925               | 1,325,707 | 473,750   | 453,486 | 2,112,099 | 2,197,929 |
| Total Nonfarm Assets              | 62,298                  | 71,671    | 18,713    | 29,477  | 105,883   | 113,866   |
| Total Assets                      | 1,355,223               | 1,397,378 | 492,464   | 482,962 | 2,217,982 | 2,311,795 |
| <b>LIABILITIES</b>                |                         |           |           |         |           |           |
| <b>Current Farm Liabilities</b>   |                         |           |           |         |           |           |
| Accrued interest                  | 5,341                   | 3,867     | 4,729     | 4,706   | 5,953     | 3,028     |
| Accounts payable                  | 98,342                  | 86,463    | 27,208    | 17,618  | 169,476   | 155,307   |
| Current notes                     | 276,281                 | 285,435   | 99,190    | 109,823 | 453,372   | 461,047   |
| Government crop loans             | 0                       | 0         | 0         | 0       | 0         | 0         |
| Principal due on term debt        | 79,314                  | 86,484    | 26,246    | 29,411  | 132,382   | 143,556   |
| Total current farm liabilities    | 459,278                 | 462,248   | 157,372   | 161,558 | 761,183   | 762,938   |
| Total Interm. Farm Liabilities    | 178,668                 | 167,349   | 139,843   | 147,219 | 217,493   | 187,478   |
| Total Long-term Farm Liabilities  | 416,510                 | 376,505   | 159,144   | 136,762 | 673,875   | 616,248   |
| Total Farm Liabilities            | 1,054,455               | 1,006,102 | 456,359   | 445,539 | 1,652,551 | 1,566,664 |
| Total Nonfarm Liabilities         | 2,488                   | 12,042    | 0         | 6,596   | 4,975     | 17,487    |
| Total Liabilities                 | 1,056,943               | 1,018,144 | 456,359   | 452,136 | 1,657,527 | 1,584,151 |
| Net Worth (farm and nonfarm)      | 298,280                 | 379,235   | 36,105    | 30,826  | 560,455   | 727,644   |
| Net Worth Change                  |                         | 80,955    |           | -5,278  |           | 167,189   |
| <b>RATIO ANALYSIS</b>             |                         |           |           |         |           |           |
| Current Farm Liabilities / Assets | 72 %                    | 69 %      | 85 %      | 91 %    | 70 %      | 65 %      |
| Curr. & Interm Farm Liab / Assets | 72 %                    | 67 %      | 112 %     | 123 %   | 65 %      | 59 %      |
| Long Term Farm Liab. / Assets     | 102 %                   | 97 %      | 76 %      | 67 %    | 111 %     | 107 %     |
| Total Debt to Asset Ratio         | 78 %                    | 73 %      | 93 %      | 94 %    | 75 %      | 69 %      |

Table 9

## BALANCE SHEET AT MARKET VALUES

Swine Farms in Michigan, 2001  
(Farms Sorted By Net Farm Income)

| Number of Farms                    | Average Of<br>All Farms |           | Low 50%   |           | High 50%  |           |
|------------------------------------|-------------------------|-----------|-----------|-----------|-----------|-----------|
|                                    | 12                      |           | 6         |           | 6         |           |
|                                    | Beginning               | Ending    | Beginning | Ending    | Beginning | Ending    |
| <b>ASSETS</b>                      |                         |           |           |           |           |           |
| <b>Current Farm Assets</b>         |                         |           |           |           |           |           |
| Cash and checking balance          | 20,859                  | 14,531    | 21,470    | 13,016    | 20,247    | 16,046    |
| Prepaid expenses & supplies        | 86,222                  | 104,114   | 7,933     | 9,456     | 164,512   | 198,771   |
| Growing crops                      | 3,302                   | 2,062     | 1,210     | 1,240     | 5,393     | 2,884     |
| Accounts receivable                | 77,125                  | 89,369    | 3,579     | 15,059    | 150,672   | 163,679   |
| Hedging accounts                   | 2,635                   | 2,381     | 0         | 0         | 5,271     | 4,763     |
| Crops held for sale or feed        | 179,658                 | 176,372   | 49,942    | 38,602    | 309,374   | 314,142   |
| Crops under government loan        | 0                       | 0         | 0         | 0         | 0         | 0         |
| Market livestock held for sale     | 265,836                 | 284,345   | 100,392   | 100,886   | 431,280   | 467,805   |
| Other current assets               | 286                     | 197       | 0         | 0         | 572       | 394       |
| Total current farm assets          | 635,924                 | 673,371   | 184,527   | 178,260   | 1,087,320 | 1,168,483 |
| <b>Intermediate Farm Assets</b>    |                         |           |           |           |           |           |
| Breeding livestock                 | 75,413                  | 72,960    | 19,253    | 19,648    | 131,573   | 126,272   |
| Machinery and equipment            | 337,574                 | 370,629   | 142,696   | 144,585   | 532,452   | 596,672   |
| Other intermediate assets          | 29,329                  | 25,688    | 3,922     | 3,588     | 54,737    | 47,788    |
| Total intermediate farm assets     | 442,316                 | 469,277   | 165,871   | 167,822   | 718,762   | 770,731   |
| <b>Long-Term Farm Assets</b>       |                         |           |           |           |           |           |
| Farm land                          | 729,669                 | 764,144   | 382,550   | 417,917   | 1,076,789 | 1,110,372 |
| Buildings and improvements         | 300,041                 | 296,012   | 142,597   | 132,522   | 457,486   | 459,502   |
| Other long-term assets             | 1,713                   | 4,353     | 2,670     | 8,026     | 757       | 681       |
| Total long-term farm assets        | 1,031,423               | 1,064,509 | 527,816   | 558,464   | 1,535,031 | 1,570,554 |
| Total Farm Assets                  | 2,109,663               | 2,207,157 | 878,215   | 904,545   | 3,341,112 | 3,509,768 |
| Total Nonfarm Assets               | 106,116                 | 110,781   | 101,213   | 102,560   | 111,019   | 119,002   |
| Total Assets                       | 2,215,779               | 2,317,938 | 979,428   | 1,007,105 | 3,452,131 | 3,628,770 |
| <b>LIABILITIES</b>                 |                         |           |           |           |           |           |
| <b>Current Farm Liabilities</b>    |                         |           |           |           |           |           |
| Accrued interest                   | 5,341                   | 3,867     | 4,729     | 4,706     | 5,953     | 3,028     |
| Accounts payable                   | 98,342                  | 86,463    | 27,208    | 17,618    | 169,476   | 155,307   |
| Current notes                      | 276,281                 | 285,435   | 99,190    | 109,823   | 453,372   | 461,047   |
| Government crop loans              | 0                       | 0         | 0         | 0         | 0         | 0         |
| Principal due on term debt         | 79,314                  | 86,484    | 26,246    | 29,411    | 132,382   | 143,556   |
| Total current farm liabilities     | 459,278                 | 462,248   | 157,372   | 161,558   | 761,183   | 762,938   |
| Total Interm. Farm Liabilities     | 178,668                 | 167,349   | 139,843   | 147,219   | 217,493   | 187,478   |
| Total Long-term Farm Liabilities   | 416,510                 | 376,505   | 159,144   | 136,762   | 673,875   | 616,248   |
| Total Farm Liabilities             | 1,054,455               | 1,006,102 | 456,359   | 445,539   | 1,652,551 | 1,566,664 |
| Total Nonfarm Liabilities          | 2,488                   | 12,042    | 0         | 6,596     | 4,975     | 17,487    |
| Total Liab Excl Deferreds          | 1,056,943               | 1,018,144 | 456,359   | 452,136   | 1,657,527 | 1,584,151 |
| Total Deferred Liabilities         | 29,232                  | 31,898    | 0         | 0         | 58,464    | 63,797    |
| Total Liabilities                  | 1,086,175               | 1,050,042 | 456,359   | 452,136   | 1,715,990 | 1,647,948 |
| Retained Earnings                  | 298,280                 | 379,235   | 36,105    | 30,826    | 560,455   | 727,644   |
| Market Valuation Equity            | 831,325                 | 888,661   | 486,964   | 524,143   | 1,175,686 | 1,253,179 |
| Net Worth (farm and nonfarm)       | 1,129,605               | 1,267,896 | 523,069   | 554,969   | 1,736,141 | 1,980,822 |
| Net Worth Excluding Deferreds      | 1,158,837               | 1,299,794 | 523,069   | 554,969   | 1,794,604 | 2,044,619 |
| Net Worth Change                   |                         | 138,291   |           | 31,901    |           | 244,681   |
| <b>RATIO ANALYSIS</b>              |                         |           |           |           |           |           |
| Current Farm Liabilities / Assets  | 72 %                    | 69 %      | 85 %      | 91 %      | 70 %      | 65 %      |
| Curr. & Interm Farm Liab / Assets  | 59 %                    | 55 %      | 85 %      | 89 %      | 54 %      | 49 %      |
| Long Term Farm Liab. / Assets      | 40 %                    | 35 %      | 30 %      | 24 %      | 44 %      | 39 %      |
| Total Debt to Asset Ratio          | 49 %                    | 45 %      | 47 %      | 45 %      | 50 %      | 45 %      |
| Debt to Assets Excluding Deferreds | 48 %                    | 44 %      | 47 %      | 45 %      | 48 %      | 44 %      |

Table 10

**STATEMENT OF CASH FLOWS**  
**Swine Farms in Michigan, 2001**  
**(Farms Sorted By Net Farm Income)**

|                                       | Average Of |          |            |
|---------------------------------------|------------|----------|------------|
|                                       | All Farms  | Low 50%  | High 50%   |
| Number of Farms                       | 12         | 6        | 6          |
| Beginning cash (farm & nonfarm)       | 22,942     | 25,637   | 20,247     |
| <b>CASH FROM OPERATING ACTIVITIES</b> |            |          |            |
| Gross cash farm income                | 1,084,604  | 431,631  | 1,737,578  |
| Net nonfarm income                    | 4,530      | 6,861    | 2,199      |
| Total cash farm expense               | -922,382   | -410,563 | -1,434,202 |
| Apparent family living expense        | -59,159    | -23,174  | -95,145    |
| Income and social security tax        | -383       | -766     | -          |
| Cash from operations                  | 107,210    | 3,989    | 210,430    |
| <b>CASH FROM INVESTING ACTIVITIES</b> |            |          |            |
| Sale of breeding livestock            | 1,223      | -        | 2,446      |
| Sale of machinery & equipment         | 2,914      | 417      | 5,411      |
| Sale of farm land                     | -          | -        | -          |
| Sale of farm buildings                | -          | -        | -          |
| Sale of other farm assets             | 6,682      | 333      | 13,030     |
| Sale of nonfarm assets                | 2,917      | 5,833    | -          |
| Purchase of breeding livestock        | -5,133     | -958     | -9,308     |
| Purchase of machinery & equip.        | -74,149    | -10,971  | -137,327   |
| Purchase of farm land                 | -2,067     | -        | -4,133     |
| Purchase of farm buildings            | -8,184     | -4,552   | -11,817    |
| Purchase of other farm assets         | -2,778     | -        | -5,556     |
| Purchase of nonfarm assets            | -4,050     | -8,100   | -          |
| Cash from investing activities        | -82,626    | -17,998  | -147,254   |
| <b>CASH FROM FINANCING ACTIVITIES</b> |            |          |            |
| Money borrowed                        | 331,503    | 227,384  | 435,623    |
| Cash gifts and inheritances           | 3,971      | 679      | 7,264      |
| Principal payments                    | -363,995   | -225,008 | -502,983   |
| Dividends paid                        | -          | -        | -          |
| Gifts given                           | -3,641     | -        | -7,282     |
| Cash from financing activities        | -32,162    | 3,054    | -67,378    |
| Net change in cash balance            | -7,578     | -10,954  | -4,201     |
| Ending cash balance (farm & nonfarm)  | 15,364     | 14,683   | 16,046     |

Table 11

**FINANCIAL STANDARDS MEASURES**  
 Swine Farms in Michigan, 2001  
 (Farms Sorted By Net Farm Income)

|                               | Average Of<br>All Farms | Low 50% | High 50% |
|-------------------------------|-------------------------|---------|----------|
| Number of Farms               | 12                      | 6       | 6        |
| <b>LIQUIDITY</b>              |                         |         |          |
| Current ratio                 | 1.46                    | 1.10    | 1.53     |
| Working capital               | 211,123                 | 16,702  | 405,545  |
| <b>SOLVENCY (Market)</b>      |                         |         |          |
| Farm debt to asset ratio      | 47 %                    | 49 %    | 46 %     |
| Farm equity to asset ratio    | 53 %                    | 51 %    | 54 %     |
| Farm debt to equity ratio     | 88 %                    | 97 %    | 86 %     |
| <b>PROFITABILITY (cost)</b>   |                         |         |          |
| Rate of return on farm assets | 9.5 %                   | -0.5 %  | 11.6 %   |
| Rate of return on farm equity | 23.8 %                  | N/A     | 30.6 %   |
| Operating profit margin       | 18.9 %                  | -1.1 %  | 22.4 %   |
| Net farm income               | 130,533                 | 3,138   | 257,929  |
| <b>REPAYMENT CAPACITY</b>     |                         |         |          |
| Term debt coverage ratio      | 175 %                   | 104 %   | 190 %    |
| Capital replacement margin    | 90,979                  | 1,452   | 180,505  |
| <b>EFFICIENCY</b>             |                         |         |          |
| Asset turnover rate(cost)     | 50.3 %                  | 42.6 %  | 52.0 %   |
| Operating expense ratio       | 75.0 %                  | 85.0 %  | 72.6 %   |
| Depreciation expense ratio    | 8.0 %                   | 6.9 %   | 8.3 %    |
| Interest expense ratio        | 5.2 %                   | 7.4 %   | 4.7 %    |
| Net farm income ratio         | 11.8 %                  | 0.7 %   | 14.4 %   |

Table 12

**OPERATOR AND LABOR INFORMATION**  
 Swine Farms in Michigan, 2001  
 (Farms Sorted By Net Farm Income)

|                                 | Average Of<br>All Farms | Low 50% | High 50%  |
|---------------------------------|-------------------------|---------|-----------|
| Number of Farms                 | 12                      | 6       | 6         |
| <b>OPERATOR INFORMATION</b>     |                         |         |           |
| Average number of operators     | 1.7                     | 1.5     | 1.8       |
| <b>Results Per Operator</b>     |                         |         |           |
| Working capital                 | 126,674                 | 11,134  | 221,206   |
| Total assets (market)           | 1,390,763               | 671,403 | 1,979,329 |
| Total liabilities               | 649,164                 | 301,424 | 933,679   |
| Net worth (market)              | 741,598                 | 369,980 | 1,045,650 |
| Net worth excl deferred liabs   | 760,737                 | 369,980 | 1,080,448 |
| <br>                            |                         |         |           |
| Gross farm income               | 666,293                 | 288,197 | 975,645   |
| Total farm expense              | 587,973                 | 286,104 | 834,957   |
| Net farm income                 | 78,320                  | 2,092   | 140,688   |
| <br>                            |                         |         |           |
| Net nonfarm income              | 2,718                   | 4,574   | 1,199     |
| Family living withdrawals       | 35,725                  | 15,960  | 51,897    |
| <br>                            |                         |         |           |
| Total acres owned               | 438.5                   | 129.2   | 691.6     |
| Total crop acres                | 536.6                   | 230.0   | 787.5     |
| Crop acres owned                | 322.9                   | 56.1    | 541.1     |
| Crop acres cash rented          | 195.0                   | 173.9   | 212.2     |
| Crop acres share rented         | 18.8                    | -       | 34.2      |
| <br>                            |                         |         |           |
| <b>Labor Analysis</b>           |                         |         |           |
| Number of farms                 | 12                      | 6       | 6         |
| Total unpaid labor hours        | 3,771                   | 3,115   | 4,427     |
| Total hired labor hours         | 4,349                   | 549     | 8,150     |
| Total labor hours per farm      | 8,120                   | 3,664   | 12,577    |
| Unpaid hours per operator       | 2,263                   | 2,077   | 2,415     |
| Value of farm production / hour | 81.15                   | 53.92   | 89.08     |
| Net farm income / unpaid hour   | 34.61                   | 1.01    | 58.26     |



Table 13

**FINANCIAL SUMMARY**  
**Swine Farms in Michigan, 2001**  
**(Farms Sorted By Net Farm Income)**

|                                 | Average Of<br><u>All Farms</u> | Low 50%   | High 50%  |
|---------------------------------|--------------------------------|-----------|-----------|
| Number of Farms                 | 12                             | 6         | 6         |
| <b>Income Statement</b>         |                                |           |           |
| Gross cash farm income          | 1,084,604                      | 431,631   | 1,737,578 |
| Total cash farm expense         | 922,382                        | 410,563   | 1,434,202 |
| Net cash farm income            | 162,222                        | 21,068    | 303,377   |
| Inventory change                | 57,128                         | 11,799    | 102,457   |
| Depreciation and capital adjust | -88,817                        | -29,729   | -147,905  |
| Net farm income                 | 130,533                        | 3,138     | 257,929   |
| <b>Profitability (cost)</b>     |                                |           |           |
| Labor and management earnings   | 111,920                        | -1,365    | 225,204   |
| Rate of return on assets        | 9.5 %                          | -0.5 %    | 11.6 %    |
| Rate of return on equity        | 23.8 %                         | N/A       | 30.6 %    |
| Operating profit margin         | 18.9 %                         | -1.1 %    | 22.4 %    |
| Asset turnover rate             | 50.3 %                         | 42.6 %    | 52.0 %    |
| <b>Profitability (market)</b>   |                                |           |           |
| Labor and management earnings   | 127,366                        | 23,308    | 231,424   |
| Rate of return on assets        | 8.7 %                          | 5.0 %     | 9.6 %     |
| Rate of return on equity        | 11.7 %                         | 2.8 %     | 14.0 %    |
| Operating profit margin         | 28.4 %                         | 22.5 %    | 29.5 %    |
| Asset turnover rate             | 30.5 %                         | 22.2 %    | 32.7 %    |
| <b>Liquidity</b>                |                                |           |           |
| Term debt coverage ratio        | 175.3 %                        | 103.5 %   | 190.1 %   |
| Expense as a percent of income  | 80.2 %                         | 92.4 %    | 77.3 %    |
| Interest as a percent of income | 5.2 %                          | 7.4 %     | 4.7 %     |
| <b>Solvency (cost)</b>          |                                |           |           |
| Number of farms                 | 12                             | 6         | 6         |
| Ending farm assets              | 1,325,707                      | 453,486   | 2,197,929 |
| Ending farm liabilities         | 1,006,102                      | 445,539   | 1,566,664 |
| Ending total assets             | 1,397,378                      | 482,962   | 2,311,795 |
| Ending total liabilities        | 1,018,144                      | 452,136   | 1,584,151 |
| Ending net worth                | 379,235                        | 30,826    | 727,644   |
| Net worth change                | 80,955                         | -5,278    | 167,189   |
| Ending farm debt to asset ratio | 76 %                           | 98 %      | 71 %      |
| Beg total debt to asset ratio   | 78 %                           | 93 %      | 75 %      |
| End total debt to asset ratio   | 73 %                           | 94 %      | 69 %      |
| <b>Solvency (market)</b>        |                                |           |           |
| Number of farms                 | 12                             | 6         | 6         |
| Ending farm assets              | 2,207,157                      | 904,545   | 3,509,768 |
| Ending farm liabilities         | 1,034,598                      | 445,539   | 1,623,656 |
| Ending total assets             | 2,317,938                      | 1,007,105 | 3,628,770 |
| Ending total liabilities        | 1,050,042                      | 452,136   | 1,647,948 |
| Ending net worth                | 1,267,896                      | 554,969   | 1,980,822 |
| Net worth change                | 138,291                        | 31,901    | 244,681   |
| Ending farm debt to asset ratio | 47 %                           | 49 %      | 46 %      |
| Beg total debt to asset ratio   | 49 %                           | 47 %      | 50 %      |
| End total debt to asset ratio   | 45 %                           | 45 %      | 45 %      |
| <b>Nonfarm Information</b>      |                                |           |           |
| Net nonfarm income              | 4,530                          | 6,861     | 2,199     |