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# 2006

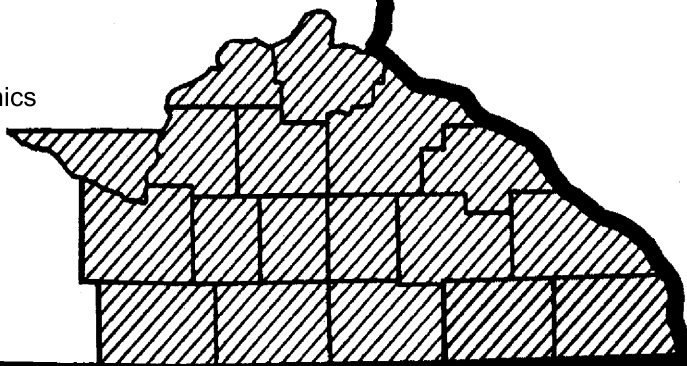
## Annual Report

### Southeastern Minnesota Farm Business Management Association

#### 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

Staff Paper P07-4  
Department of Applied Economics  
University of Minnesota  
St. Paul, MN 55108  
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The entire report is available at:  
[http://www.cffm.umn.edu/Publications/Pubs/FBMA/SE\\_MN\\_FBMA\\_2006.pdf](http://www.cffm.umn.edu/Publications/Pubs/FBMA/SE_MN_FBMA_2006.pdf)

## *Executive Summary*

# **2006 Annual Report of the Southeastern Minnesota Farm Business Management Association**

by Dale W. Nordquist and Lorin L. Westman

The average net farm income was \$171,925 for the 38 farms included in the 2006 annual report of the Southeastern Minnesota Farm Business Management Association, an increase of 43% from 2005. In constant dollars, 2006 was the most profitable year for association members in the last twenty years (Figure 1). Higher crop prices and strong crop yields were among factors that combined to make 2006 a very profitable year for the average association farm. Dairy farms, however, experienced sharply lower profitability.

**Figure 1. Average Net Farm Income**



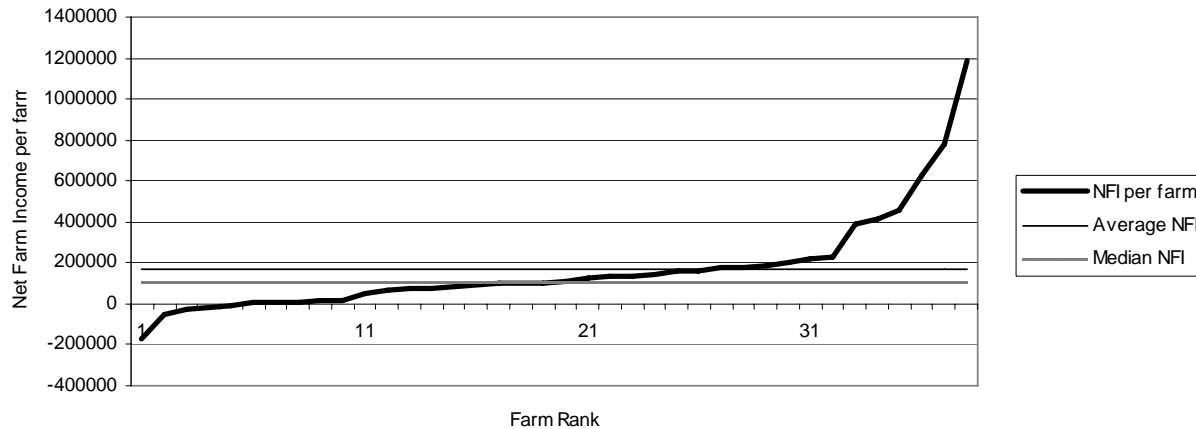
As in previous years, the income levels experienced by individual farms vary greatly from the overall average. When the net farm incomes for the 38 farms in the report are ranked from lowest to highest, the resulting graph (Figure 2) shows how much the incomes vary. Only 32% earned net farm incomes over the association average; 14% of the farms experienced negative net farm incomes. The median or middle income was \$106,750, considerably lower than the association average. The high 20% of these farms had an average net farm income of \$537,591; farms in the low 20% averaged \$-37,343.

Average gross cash farm income in 2006 was \$555,309 for these 38 farms, an 8% increase from 2005. Milk sales were 37% of gross income, down from 41% in 2005. Corn and soybean sales accounted for another 38% of income. Total crop sales accounted for 40% while livestock sales accounted for 47% of total cash receipts (Figure 4).

Government payments (of all types) averaged \$37,310 in 2006, down 33% from the previous year. LDP payments dropped dramatically from \$25,778 in 2005 down to zero in 2006 as crop prices recovered

Entire report is available at: [http://www.cffm.umn.edu/Publications/Pubs/FBMA/SE\\_MN\\_FBMA\\_2006.pdf](http://www.cffm.umn.edu/Publications/Pubs/FBMA/SE_MN_FBMA_2006.pdf)

Figure 2. Distribution of Net Farm Income



from 2005 harvest lows and rallied into 2006 harvest. Government payments were \$55,750 in 2005, \$33,294 in 2004, \$31,195 in 2003, and \$19,375 in 2002. As a percent of gross cash income, they were 5% in 2006 as compared to 11% in 2005, 7% in 2004, 7% in 2003, and 5% in 2002.

Average total cash expenses were \$444,771 in 2006. This was an increase of 12% from the 2005 average. As a percentage of total expenses, seed, fertilizer, and crop chemicals and feed were the largest expense items (Figures 5 and 6). Fuel and oil expense accounted for 5% of total expenses, up from 4% in 2005.

Average rate of return on assets (ROA) was 10% in 2006 with assets valued at adjusted cost basis, up from 8% in 2005 (Figure 7). Rate of return on equity (ROE) averaged 12%, up from 9% for the previous year. The fact that ROE exceeded ROA indicates that debt capital earned more than its interest cost.

Average total equity (of the 25 sole proprietors) was \$1,146,788 at the end of 2006, an increase of \$136,106 during the year for these farms (assets valued at adjusted cost basis). Except for a slight decline in 1993, average equity has improved steadily since 1986 (Figure 8). The average debt to asset ratio decreased slightly, from 33% to 32%.

The average corn yield was 176 bushels per acre, down slightly from last year's association record yield of 179 bushels per acre. Soybeans averaged 53 bushels per acre, unchanged from 2005 (Figure 9).

## Results by Type of Farm

The 38 farms in the report were classified as a certain type (e.g., dairy) on the basis of having 70 percent or more of their gross sales from that category. Using this criteria, there were 13 crop farms and 10 dairy farms. There were 6 farms which did not have a single source (or pair of sources) of income over 70%. The results for other types of farm are not reported because the required minimum of 5 farms in a reported group was not met.

Crop farms earned strong profits in 2006 with average net farm income of \$213,714, up from \$105,432 in 2005 (Figure 10). Dairy farms profits fell dramatically, from \$176,112 in 2005 down to \$129,703 in 2006.

Crop farms average rate of return on assets (ROA) was 15%, up from 8% the previous year (Figure 11). Dairy farms averaged 6%, down from 11%. (Assets are valued at adjusted cost basis for ROA calculations.)

Dairy farms had an average debt-to-asset ratio of 24% at the end of 2006 (assets valued at estimated market value); crop farms averaged 31% in debt (Figure 12).

The full report provides additional information on profitability, liquidity, and solvency as well as other whole-farm information and detailed information on crop and livestock enterprises. Also reported are whole-farm financial condition and performance by year, county, type of farm, farm size, and age of operator.

Fig. 3 SE 2005 Income Sources

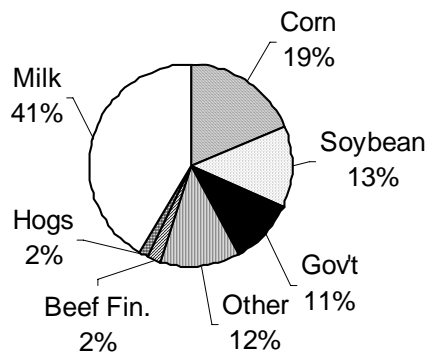


Fig. 4 SE 2006 Income Sources

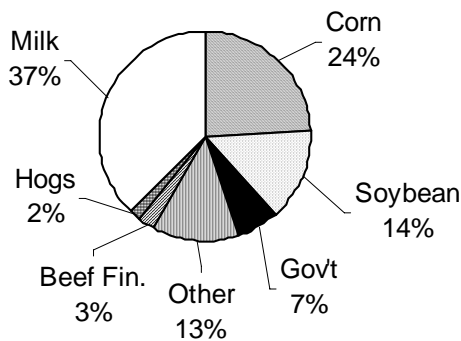


Fig 5. SE 2005 Expense Sources

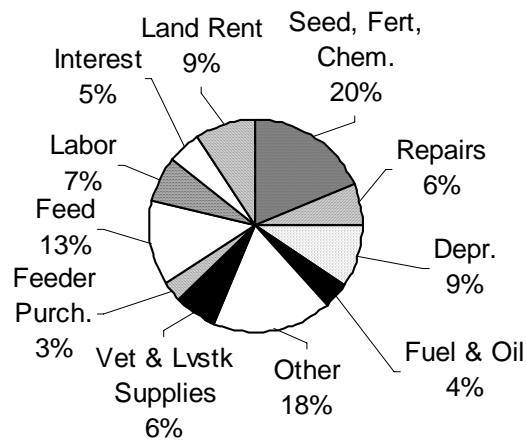


Fig. 6. SE 2006 Expense Sources

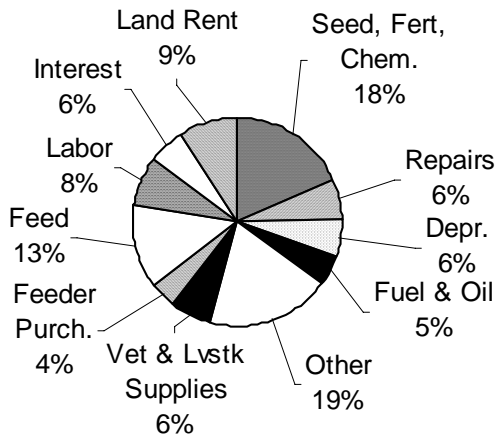


Figure 7. SE Rates of Return on Assets (ROA) and Equity (ROE)

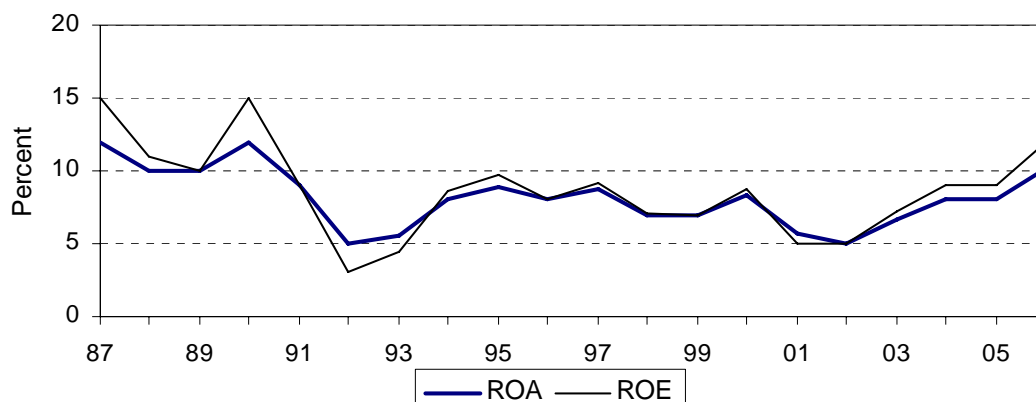


Figure 8. Ending Equity and Ending Debt-Asset Ratio

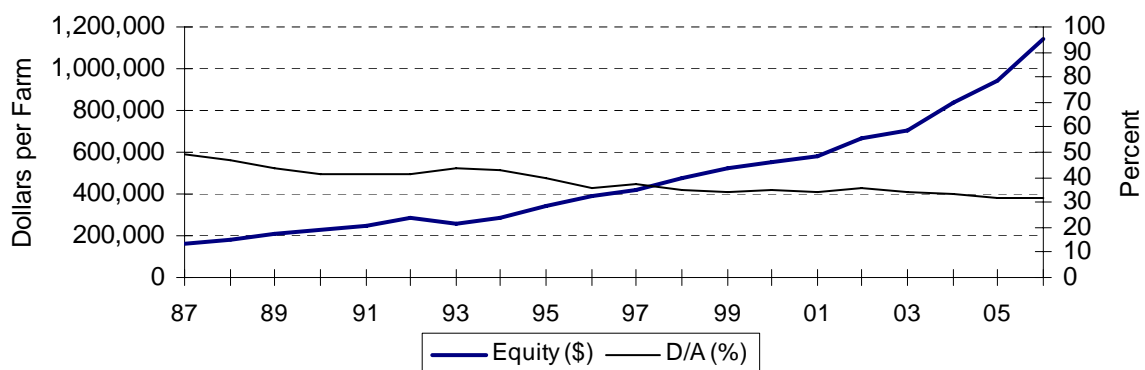


Figure 9. Average Corn & Soybean Yield

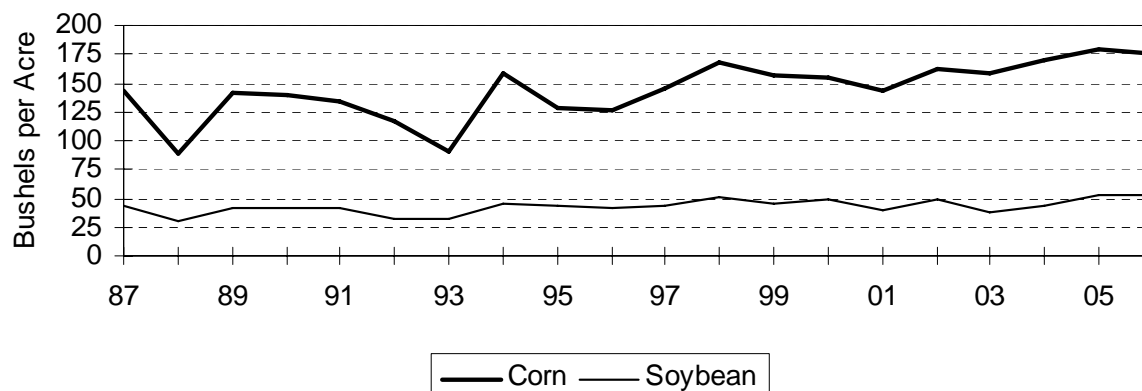


Figure 10. Net Farm Income by Type

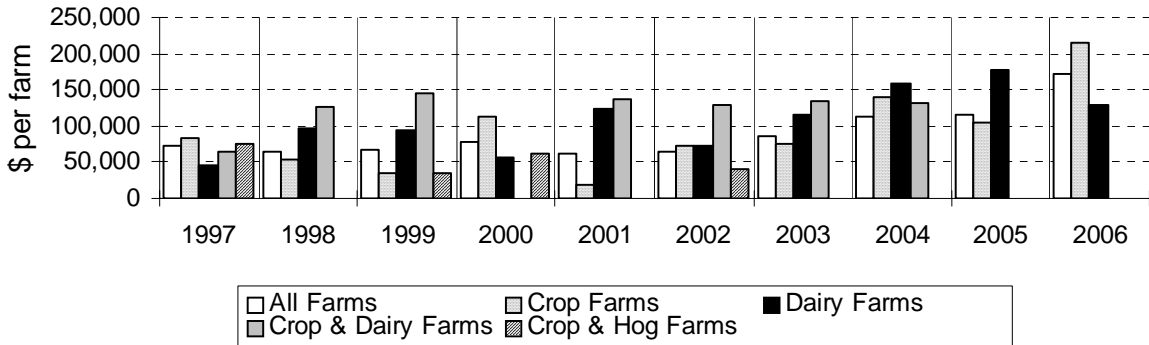


Figure 11. ROA by Type

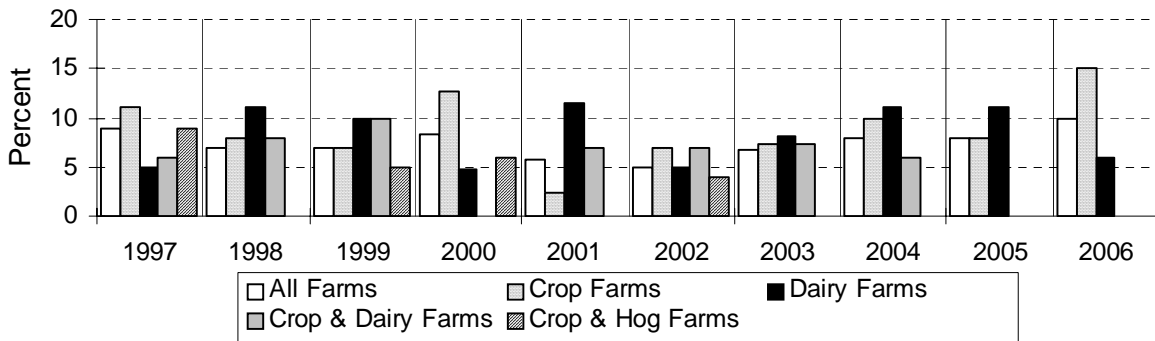
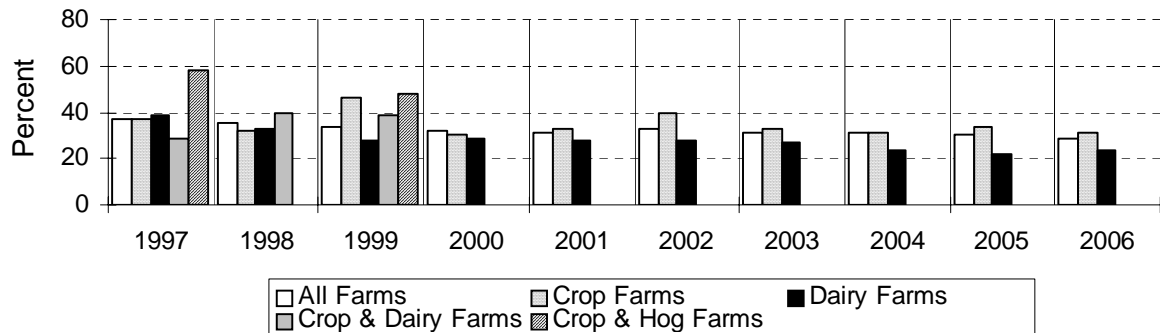


Figure 12. Debt-Asset Ratio by Type







# **2006 Annual Report of the Southeastern Minnesota Farm Business Management Association**

by  
Dale W. Nordquist and Lorin L. Westman<sup>1</sup>

This report summarizes the individual farm records of the members of the Southeastern Minnesota Farm Business Management Association for 2006.

Whole-farm information and enterprise costs and returns are reported. The year-end analysis of the individual farms was performed by the Association fieldman 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 77 farms in the Southeastern Association, the data for 38 farms are included in this report. The rest were omitted because the records were incomplete at the time that this report was prepared.

Consistent with statewide trends, fewer and fewer Association farms have livestock. In order to provide more complete information, the livestock enterprise reports include farms from both the Southeastern and Southwestern Associations.

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 association and summary analysis expenses.

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<sup>1</sup> Nordquist is Extension Economist—Center For Farm Financial Management, University of Minnesota, Twin Cities; Westman is fieldman 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).

## **Southeastern Minnesota Farm Business Management Association**

### **Distribution Of Membership -- 2006**

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County	Number of Members	Number of Records Submitted	Association Directors
<hr/>			
Dakota	7	5	Randy Sorg
Dodge	3	3	Gary Henslin
Mower	1	1	
Steele	2	1	
Faribault	1	0	Mike Krenik
Freeborn	1	0	
LeSueur	1	1	
Nicollet	1	0	
Waseca	1	0	
Goodhue	16	8	Dave Betcher
Houston	6	2	Eugene Marxhausen
Winona	11	3	
Olmsted	11	7	Don Swenson
Fillmore	1	0	
Rice	3	1	George Duban
Scott	4	3	
Wabasha	<u>7</u>	<u>3</u>	Jack Welti
TOTAL	77	38	

Gary Henslin, President  
Robert Lamprecht, Secretary-Treasurer

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# Southeastern Minnesota Farm Business Management Association

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# Whole-Farm Reports

The whole-farm reports summarize the financial performance of member farms in 2006. Each table (except for the balance sheets) includes the average of the 38 farms included in the report and the average 20 percent of the farms with the lowest and highest profits (base on Net Farm Income). The Balance Sheets include only sole proprietors; partnerships and corporations are excluded because some debt is held outside of the business, causing potential misinterpretations of the average financial condition. Appendix I provides detail on how the whole-farm measures are calculated. Below is a short summary of the whole farm reports.

## Farm Income Statement

The Income Statement calculates the accrual Net Farm Income generated by the average farm for year 2006. 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. The *Inventory Changes* and *Depreciation and Other Capital Adjustments* tables provide further detail on the non-cash adjustments made to calculate the accrual Net Farm Income.

## 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 Measures

Liquidity reflects the ability of the farm family to meet cash obligations including family living withdrawals, income taxes, and debt repayment. Liquidity measures are calculated on both a cash and accrual basis. The cash measures reflect how cash actually flowed through the operations during the year. The accrual measures, which adjust for changes in crop, livestock, and other inventories, more accurately reflect the income generation capacity of the businesses.

*Years to Turnover Intermediate Debt* reflects the ability of the business to repay short and intermediate term liabilities. Because intermediate term debt is usually scheduled for repayment over a three to seven year term, this measure is a simple way to reflect debt repayment capacity. *Expense as a Percent of Income* reflects the portion of gross income that was used to pay operating expenses. It includes interest expense but not depreciation. *Interest as a Percent of Income* shows how much of gross income went solely to pay interest expenses.

## **Balance Sheets**

Balance sheet reports are included for both the cost and market value of assets. In both tables, current assets are identical, with crop and livestock inventories generally valued at market value. This conforms to the methodology recommended by the Farm Financial Standard 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. In the case of sole proprietors and partnerships, it also usually includes nonfarm income and expenses activities. *Cash From Investing Activities* reflect cash used to buy and sell capital assets. *Cash From Financing Activities* includes sources and uses of borrowed funds.

## **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 [www.ffsc.org/html/guidelin.htm](http://www.ffsc.org/html/guidelin.htm).

## **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.



**Farm Income Statement**  
**Southeast 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	38	7	8
<b>Cash Farm Income</b>			
Corn	134,918	20,905	373,134
Hay, Alfalfa	3,347	170	3,392
Oats	562	397	151
Peas	1,963	-	4,221
Soybeans	78,315	3,530	212,282
Sweet Corn	264	-	-
Wheat, Spring	707	-	3,360
Miscellaneous crop income	3,077	79	76
Beef, Finish Beef Calves	13,938	3,830	450
Dairy, Milk	207,490	284,712	478,368
Dairy, Dairy Calves	3,942	6,396	5,717
Dairy Replacement Heifers	5,631	-	11,711
Dairy Steer Finishing	7,116	3,304	16,137
Hogs, Farrow-Fin, Raised Hogs	8,990	10,279	-
Hogs, Finish Feeder Pigs	2,085	-	8,145
Hogs, Weaning to Feeder	259	-	-
Cull breeding livestock	9,637	12,328	16,462
Misc. livestock income	3,574	-	88
Direct & CC govt payments	33,947	11,696	79,090
Livestock govt payments	2,381	3,615	4,900
Other government payments	982	2,325	-
Custom work income	7,626	294	27,431
Patronage dividends, cash	10,400	510	28,736
Insurance income	2,708	11,706	209
Cash from hedging accts	1,534	-	-
Other farm income	9,916	4,611	22,649
Gross Cash Farm Income	555,309	380,685	1,296,710

**Farm Income Statement (Continued)**  
**Southeast 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	38	7	8
<b>Cash Farm Expense</b>			
Seed	34,365	9,609	81,905
Fertilizer	38,195	6,927	96,506
Crop chemicals	13,625	6,703	26,307
Crop insurance	5,206	412	11,645
Drying fuel	6,708	1,334	15,873
Irrigation energy	220	-	1,046
Crop marketing	2,274	67	8,040
Crop miscellaneous	1,424	1,600	1,962
Feeder livestock purchase	20,196	656	45,287
Purchased feed	59,412	104,972	110,359
Breeding fees	4,069	5,035	8,755
Veterinary	9,216	11,605	17,338
Supplies	20,268	33,616	42,441
DHIA	803	1,573	1,200
Contract production exp.	6,522	35,404	-
Livestock leases	740	1,711	1,066
Livestock marketing	1,126	1,872	1,047
Interest	26,375	23,803	59,420
Fuel & oil	22,232	15,518	53,832
Repairs	30,119	22,415	59,643
Custom hire	25,951	9,678	73,237
Hired labor	36,751	49,891	76,333
Land rent	43,515	5,727	120,348
Machinery leases	3,402	4,405	8,727
Real estate taxes	8,996	3,344	23,053
Farm insurance	6,356	5,891	12,694
Utilities	6,950	8,834	9,439
Hedging account deposits	5,550	-	21,885
Miscellaneous	4,205	3,700	7,105
Total cash expense	444,771	376,302	996,492
Net cash farm income	110,538	4,383	300,217
<b>Inventory Changes</b>			
Crops and feed	77,686	-350	229,435
Market livestock	8,768	4,001	28,960
Accounts receivable	-636	-2,520	5,901
Prepaid expenses and supplies	6,826	365	28,199
Accounts payable	-4,148	-15,785	-3,440
Total inventory change	88,496	-14,288	289,055
Net operating profit	199,034	-9,905	589,273
<b>Depreciation and Other Capital Adjustments</b>			
Breeding livestock	-2,300	-5,086	2,963
Machinery and equipment	-21,249	-18,687	-45,257
Buildings and improvements	-3,429	-3,665	-8,763
Other farm capital	-132	-	-625
Total depr. and other capital adj	-27,110	-27,438	-51,682
Net farm income	171,925	-37,343	537,591

**Inventory Changes**  
**Southeast 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	38	7	8
Net cash farm income	110,538	4,383	300,217
<b>Crops and Feed</b>			
Ending inventory	292,738	54,189	849,556
Beginning inventory	215,052	54,539	620,121
Inventory change	77,686	-350	229,435
<b>Market Livestock</b>			
Ending inventory	73,939	92,699	117,071
Beginning inventory	65,170	88,697	88,111
Inventory change	8,768	4,001	28,960
<b>Accts Receivable &amp; Other Current Assets</b>			
Ending inventory	3,722	-	9,410
Beginning inventory	4,358	2,520	3,509
Inventory change	-636	-2,520	5,901
<b>Prepaid Expenses and Supplies</b>			
Ending inventory	59,495	3,913	190,458
Beginning inventory	52,668	3,547	162,259
Inventory change	6,826	365	28,199
<b>Accounts Payable &amp; Accrued Expenses</b>			
Beginning inventory	7,281	1,471	28,669
Ending inventory	11,429	17,256	32,109
Inventory change	-4,148	-15,785	-3,440
Total inventory change	88,496	-14,288	289,055
Net operating profit	199,034	-9,905	589,273

**Depreciation and Other Capital Adjustments**  
**Southeast 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	38	7	8
Net operating profit	199,034	-9,905	589,273
<b>Breeding Livestock</b>			
Ending inventory	82,724	105,276	168,166
Capital sales	58	-	-
Beginning inventory	80,031	100,418	164,929
Capital purchases	5,051	9,943	275
Depreciation, capital adjust.	-2,300	-5,086	2,963
<b>Machinery and Equipment</b>			
Ending inventory	301,140	276,048	647,001
Capital sales	2,415	-	1,000
Beginning inventory	278,424	248,931	604,470
Capital purchases	46,380	45,804	88,788
Depreciation, capital adjust.	-21,249	-18,687	-45,257
<b>Buildings and Improvements</b>			
Ending inventory	140,819	176,284	301,443
Capital sales	-	-	-
Beginning inventory	134,318	153,888	297,829
Capital purchases	9,930	26,061	12,377
Depreciation, capital adjust.	-3,429	-3,665	-8,763
<b>Other Capital Assets</b>			
Ending inventory	29,375	143	117,940
Capital sales	-	-	-
Beginning inventory	22,901	143	91,690
Capital purchases	6,605	-	26,875
Depreciation, capital adjust.	-132	-	-625
Total depreciation, capital adj.	-27,110	-27,438	-51,682
Net farm income	171,925	-37,343	537,591

**Profitability Measures**  
**Southeast 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	38	7	8
<b>Profitability (assets valued at cost)</b>			
Net farm income	171,925	-37,343	537,591
Labor and management earnings	108,622	-68,814	370,278
Rate of return on assets	10.1 %	-5.6 %	13.0 %
Rate of return on equity	12.1 %	-15.1 %	16.3 %
Operating profit margin	27.5 %	-18.1 %	36.8 %
Asset turnover rate	36.6 %	31.0 %	35.4 %
Interest on farm net worth	63,302	31,471	167,313
Farm interest expense	27,328	24,797	63,138
Value of operator lbr and mgmt.	45,604	36,657	82,625
Return on farm assets	153,649	-49,203	518,104
Average farm assets	1,528,498	874,999	3,977,629
Return on farm equity	126,320	-74,000	454,966
Average farm equity	1,046,571	490,951	2,788,548
Value of farm production	559,218	271,103	1,408,322

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of farms	38	7	8
<b>Profitability (assets valued at market)</b>			
Net farm income	200,581	-22,651	582,498
Labor and management earnings	108,674	-89,455	372,732
Rate of return on assets	8.3 %	-2.0 %	11.1 %
Rate of return on equity	10.1 %	-5.3 %	14.3 %
Operating profit margin	32.6 %	-12.7 %	40.0 %
Asset turnover rate	25.4 %	16.0 %	27.8 %
Interest on farm net worth	91,907	66,804	209,766
Farm interest expense	27,328	24,797	63,138
Value of operator lbr and mgmt.	45,604	36,657	82,625
Return on farm assets	182,305	-34,511	563,011
Average farm assets	2,201,034	1,696,594	5,069,695
Return on farm equity	154,976	-59,308	499,873
Average farm equity	1,531,784	1,113,396	3,496,101
Value of farm production	559,218	271,103	1,408,322

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**Liquidity Measures**  
**Southeast 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	38	7	8
<b>Liquidity (cash)</b>			
Net cash farm income	110,538	4,383	300,217
Net nonfarm income	27,222	31,441	23,325
Family living and taxes	80,465	42,661	141,770
Principal due on long term debt	15,869	5,167	43,065
Cash available for interm. debt	41,426	-12,004	138,708
Average intermediate debt	155,670	169,833	395,331
Years to turnover interm. debt	3.8	**	2.9
Expense as a % of income	80 %	99 %	77 %
Interest as a % of income	5 %	6 %	5 %
Working capital to gross income	71 %	43 %	83 %
<b>Liquidity (accrual)</b>			
Total accrual farm income	641,127	381,817	1,561,006
Total accrual operating expense	442,092	391,722	971,734
Net accrual operating income	199,034	-9,905	589,273
Net nonfarm income	27,222	31,441	23,325
Family living and taxes	80,465	42,661	141,770
Principal due on long term debt	15,869	5,167	43,065
Available for intermediate debt	129,922	-26,292	427,763
Average intermediate debt	155,670	169,833	395,331
Years to turnover interm. debt	1.2	**	0.9
Expense as a % of income	69 %	103 %	62 %
Interest as a % of income	4 %	6 %	4 %
Working capital to gross income	61 %	43 %	69 %

\*\* Income insufficient to meet debt servicing requirements

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

	<u>Avg. Of All Farms</u>	
Number of farms	25	
	<u>Beginning</u>	<u>Ending</u>
<b>Assets</b>		
Current Farm Assets		
Cash and checking balance	28,125	37,118
Prepaid expenses & supplies	55,064	65,391
Growing crops	0	0
Accounts receivable	3,055	2,880
Hedging accounts	3,200	2,232
Crops held for sale or feed	203,069	276,293
Crops under government loan	4,659	7,539
Market livestock held for sale	62,674	65,197
Other current assets	0	0
Total current farm assets	359,845	456,650
Intermediate Farm Assets		
Breeding livestock	57,486	60,082
Machinery and equipment	263,990	277,765
Titled vehicles	0	0
Other intermediate assets	20,770	21,970
Total intermediate farm assets	342,247	359,817
Long Term Farm Assets		
Farm land	395,108	414,986
Buildings and improvements	102,875	108,241
Other long-term assets	5,410	5,410
Total long-term farm assets	503,393	528,637
Total Farm Assets	1,205,484	1,345,104
Total Nonfarm Assets	306,729	336,531
Total Assets	1,512,213	1,681,635
<b>Liabilities</b>		
Current Farm Liabilities		
Accrued interest	3,041	4,452
Accounts payable	4,822	8,792
Current notes	51,891	64,568
Government crop loans	3,779	5,557
Principal due on term debt	34,995	13,168
Total current farm liabilities	98,528	96,536
Total intermediate farm liabs	130,618	170,355
Total long term farm liabilities	226,366	230,786
Total farm liabilities	455,511	497,677
Total nonfarm liabilities	46,019	37,170
Total liabilities	501,531	534,847
Net worth (farm and nonfarm)	1,010,683	1,146,788
Net worth change		136,106
<b>Ratio Analysis</b>		
Current farm liabilities / assets	27 %	21 %
Curr. & interm farm liab. / assets	33 %	33 %
Long term farm liab. / assets	45 %	44 %
Total debt to asset ratio	33 %	32 %

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

	<u>Avg. Of All Farms</u>	
Number of farms	25	
	<u>Beginning</u>	<u>Ending</u>
<b>Assets</b>		
Current Farm Assets		
Cash and checking balance	28,125	37,118
Prepaid expenses & supplies	55,064	65,391
Growing crops	0	0
Accounts receivable	3,055	2,880
Hedging accounts	3,200	2,232
Crops held for sale or feed	203,069	276,293
Crops under government loan	4,659	7,539
Market livestock held for sale	62,674	65,197
Other current assets	0	0
Total current farm assets	359,845	456,650
Intermediate Farm Assets		
Breeding livestock	57,486	60,082
Machinery and equipment	329,744	344,801
Titled vehicles	0	0
Other intermediate assets	23,990	25,190
Total intermediate farm assets	411,220	430,073
Long Term Farm Assets		
Farm land	833,458	879,349
Buildings and improvements	143,572	148,252
Other long-term assets	7,054	7,054
Total long-term farm assets	984,084	1,034,654
Total Farm Assets	1,755,149	1,921,378
Total Nonfarm Assets	329,388	359,110
Total Assets	2,084,537	2,280,487
<b>Liabilities</b>		
Current Farm Liabilities		
Accrued interest	3,041	4,452
Accounts payable	4,822	8,792
Current notes	51,891	64,568
Government crop loans	3,779	5,557
Principal due on term debt	34,995	13,168
Total current farm liabilities	98,528	96,536
Total intermediate farm liabs	130,618	170,355
Total long term farm liabilities	226,366	230,786
Total farm liabilities	455,511	497,677
Total nonfarm liabilities	46,019	37,170
Total liabs excluding deferreds	501,531	534,847
Total deferred liabilities	132,624	132,680
Total liabilities	634,155	667,527
Retained earnings	1,010,683	1,146,788
Market valuation equity	439,700	466,172
Net worth (farm and nonfarm)	1,450,382	1,612,960
Net worth excluding deferreds	1,583,006	1,745,640
Net worth change		162,578
<b>Ratio Analysis</b>		
Current farm liabilities / assets	27 %	21 %
Curr. & interm farm liab. / assets	30 %	30 %
Long term farm liab. / assets	23 %	22 %
Total debt to asset ratio	30 %	29 %
Debt to assets excl deferreds	24 %	23 %



**Statement Of Cash Flows**  
**Southeast 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	38	7	8
Beginning cash (farm & nonfarm)	51,245	75,308	72,074
<b>Cash From Operating Activities</b>			
Gross cash farm income	555,309	380,685	1,296,710
Net nonfarm income	27,222	31,441	23,325
Total cash farm expense	-444,771	-376,302	-996,492
Apparent family living expense	-75,364	-40,208	-140,539
Income and social security tax	-5,101	-2,453	-1,230
Cash from operations	57,295	-6,837	181,773
<b>Cash From Investing Activities</b>			
Sale of breeding livestock	58	-	-
Sale of machinery & equipment	2,415	-	1,000
Sale of titled vehicles	-	-	-
Sale of farm land	9,901	-	-
Sale of farm buildings	-	-	-
Sale of other farm assets	-	-	-
Sale of nonfarm assets	20,169	14,278	70,762
Purchase of breeding livestock	-5,051	-9,943	-275
Purchase of machinery & equip.	-46,380	-45,804	-88,788
Purchase of titled vehicles	-	-	-
Purchase of farm land	-13,252	-	-28,495
Purchase of farm buildings	-9,930	-26,061	-12,377
Purchase of other farm assets	-6,605	-	-26,875
Purchase of nonfarm assets	-26,830	-621	-101,254
Cash from investing activities	-75,505	-68,151	-186,302
<b>Cash From Financing Activities</b>			
Money borrowed	125,228	127,844	254,165
Cash gifts and inheritances	696	-	2,500
Principal payments	-100,648	-50,329	-209,271
Dividends paid	-	-	-
Gifts given	-	-	-
Cash from financing activities	25,276	77,516	47,394
Net change in cash balance	7,066	2,528	42,865
Ending cash (farm & nonfarm)	58,311	77,837	114,939

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**Financial Standards Measures**  
**Southeast 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	38	7	8
<b>Liquidity</b>			
Current ratio	5.07	3.62	6.36
Working capital	392,034	164,334	1,080,032
<b>Solvency (market)</b>			
Farm debt to asset ratio	30 %	36 %	30 %
Farm equity to asset ratio	70 %	64 %	70 %
Farm debt to equity ratio	43 %	57 %	43 %
<b>Profitability (cost)</b>			
Rate of return on farm assets	10.1 %	-5.6 %	13.0 %
Rate of return on farm equity	12.1 %	-15.1 %	16.3 %
Operating profit margin	27.5 %	-18.1 %	36.8 %
Net farm income	171,925	-37,343	537,591
<b>Repayment Capacity</b>			
Term debt coverage ratio	285 %	-7 %	376 %
Capital replacement margin	104,519	-53,917	368,883
<b>Efficiency</b>			
Asset turnover rate (cost)	36.6 %	31.0 %	35.4 %
Operating expense ratio	64.7 %	96.1 %	58.2 %
Depreciation expense ratio	4.2 %	7.2 %	3.3 %
Interest expense ratio	4.3 %	6.5 %	4.0 %
Net farm income ratio	26.8 %	-9.8 %	34.4 %

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**Crop Production and Marketing Summary**  
**Southeast 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	38	7	8
<b>Acreage Summary</b>			
Total acres owned	440	313	918
Total crop acres	800	253	1,984
Crop acres owned	429	181	1,098
Crop acres cash rented	365	68	886
Crop acres share rented	6	4	-
Total pasture acres	8	19	-
<b>Average Price Received (Cash Sales Only)</b>			
Corn per bushel	2.10	-	2.04
Soybeans per bushel	5.58	-	5.69
Hay, Alfalfa per ton	80.37	-	-
Oats per bushel	2.04	-	-
<b>Average Yield Per Acre</b>			
Corn (bushel)	176.24	139.96	182.97
Soybeans (bushel)	52.58	-	54.76
Hay, Alfalfa (ton)	4.14	3.53	4.50
Corn Silage (ton)	22.83	19.51	26.50
Oats (bushel)	78.42	-	-
Peas (lb)	3,037.03	-	-

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

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	<u>Avg. Of All Farms</u>
Number of farms	7
Average family size	2.4
Family Living Expenses	
Food and meals expense	5,957
Medical care	3,751
Health insurance	6,890
Cash donations	3,567
Household supplies	4,769
Clothing	751
Personal care	840
Child / Dependent care	-
Alimony and Child support	-
Gifts	4,561
Education	1,243
Recreation	7,442
Utilities (household share)	2,469
Nonfarm vehicle operating expense	2,270
Household real estate taxes	643
Dwelling rent	-
Household repairs	444
Nonfarm interest	-
Disability / Long term care insuran	-
Life insurance payments	846
Nonfarm property insurance	-
Miscellaneous	3,476
Total cash family living expense	49,919
Family living from the farm	11
Total family living	49,931
Other Nonfarm Expenditures	
Income taxes	7,006
Furnishing & appliance purchases	-
Nonfarm vehicle purchases	-
Nonfarm real estate purchases	621
Other nonfarm capital purchases	1,214
Nonfarm savings & investments	-10,706
Total other nonfarm expenditures	-1,865
Total cash family living investment & nonfarm capital purch	48,054

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**Operator and Labor Information**  
**Southeast 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	38	7	8
<b>Operator Information</b>			
Average number of operators	1.3	1.1	1.6
Average age of operators	55.2	58.0	53.1
Average number of years farming	32.2	36.4	34.1
<b>Results Per Operator</b>			
Working capital	297,946	143,792	664,635
Total assets (market)	1,960,792	1,696,805	3,451,033
Total liabilities	545,084	551,828	998,863
Net worth (market)	1,415,708	1,144,978	2,452,170
Net worth excl deferred liabs	1,558,088	1,319,235	2,688,793
Gross farm income	487,256	334,090	960,619
Total farm expense	356,594	366,765	629,794
Net farm income	130,663	-32,675	330,825
Net nonfarm income	20,688	27,511	14,354
Family living & tax withdrawals	61,153	37,328	87,243
Total acres owned	334.3	274.0	565.2
Total crop acres	608.1	221.5	1,221.0
Crop acres owned	325.9	158.3	675.9
Crop acres cash rented	277.5	59.6	545.1
Crop acres share rented	4.7	3.6	-
Total pasture acres	6.2	16.6	-
<b>Labor Analysis</b>			
Number of farms	38	7	8
Total unpaid labor hours	3,546	3,603	5,563
Total hired labor hours	2,526	2,929	5,489
Total labor hours per farm	6,072	6,531	11,051
Unpaid hours per operator	2,695	3,153	3,423
Value of farm production / hour	92.10	41.51	127.44
Net farm income / unpaid hour	48.49	-10.36	96.65
Average hourly hired labor wage	14.27	17.04	13.03
<b>Partnerships &amp; LLCs</b>			
Number of farms	11	2	4
Number of operators	2.0	-	-
Owner withdrawals per farm	-	-	-
Withdrawals per operator	-	-	-

**Nonfarm Summary**  
**Southeast 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	38	7	8
<b>Nonfarm Income</b>			
Nonfarm wages & salary	19,526	26,210	7,424
Net nonfarm business income	405	100	588
Nonfarm rental income	2,721	-426	2,307
Nonfarm interest income	2,570	5,216	5,352
Nonfarm cash dividends	70	30	-
Tax refunds	133	310	109
Other nonfarm income	1,795	-	7,545
Total nonfarm income	27,222	31,441	23,325
Gifts and inheritances	696	-	2,500
<b>Nonfarm Assets (market)</b>			
Checking & savings	3,429	1,520	7
Stocks & bonds	23,950	33,970	9,574
Other current assets	30,361	7,707	111,426
Furniture & appliances	7,645	21,714	475
Nonfarm vehicles	6,246	5,607	2,313
Cash value of life ins.	16,287	14,197	9,248
Retirement accounts	52,620	15,231	38,337
Other intermediate assets	20,749	286	28,180
Nonfarm real estate	88,287	103,143	24,738
Other long term assets	37,469	2,075	71,683
Total nonfarm assets	287,043	205,450	295,980
<b>Nonfarm Liabilities</b>			
Accrued interest	80	-	380
Accounts payable	-	-	-
Current notes	329	-	-
Princ due on term debt	255	-	633
Total current liabilities	664	-	1,013
Intermediate liabilities	999	811	-
Long term liabilities	25,272	-	23,717
Total nonfarm liabilities	26,935	811	24,730
Nonfarm net worth	260,109	204,639	271,250
Nonfarm debt to asset ratio	9 %	0 %	8 %



## 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 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**  
**Southeast Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return)**

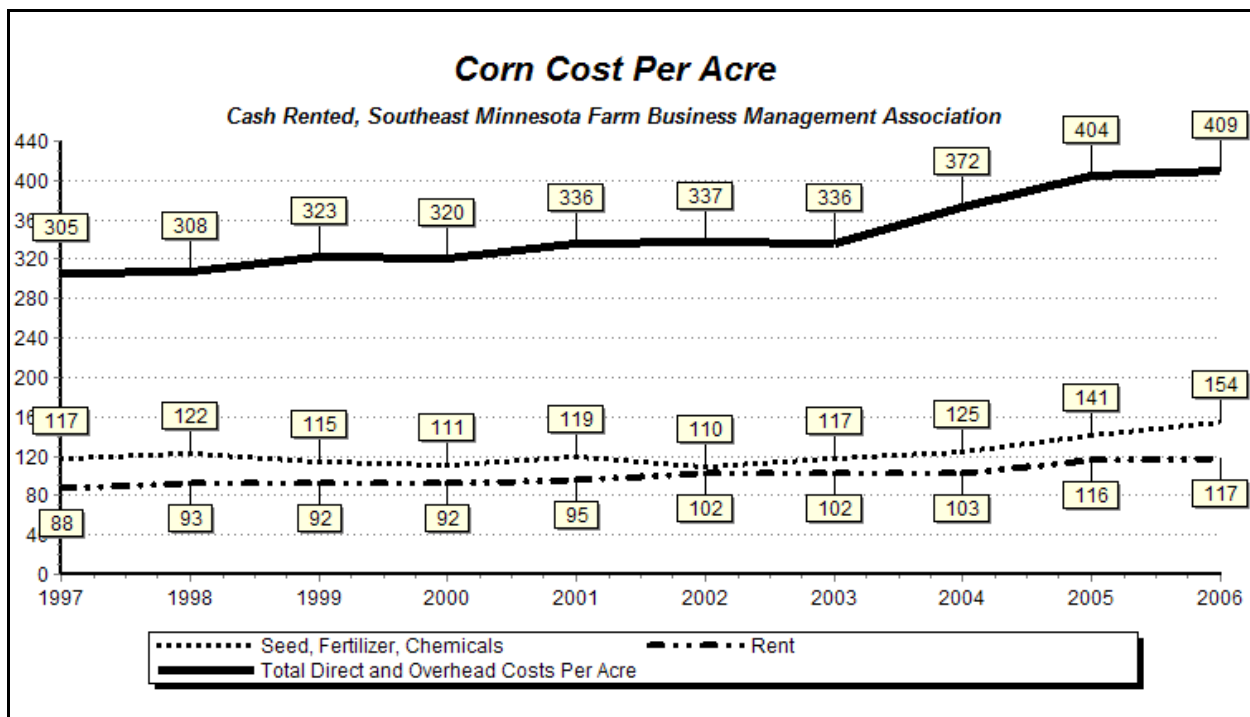
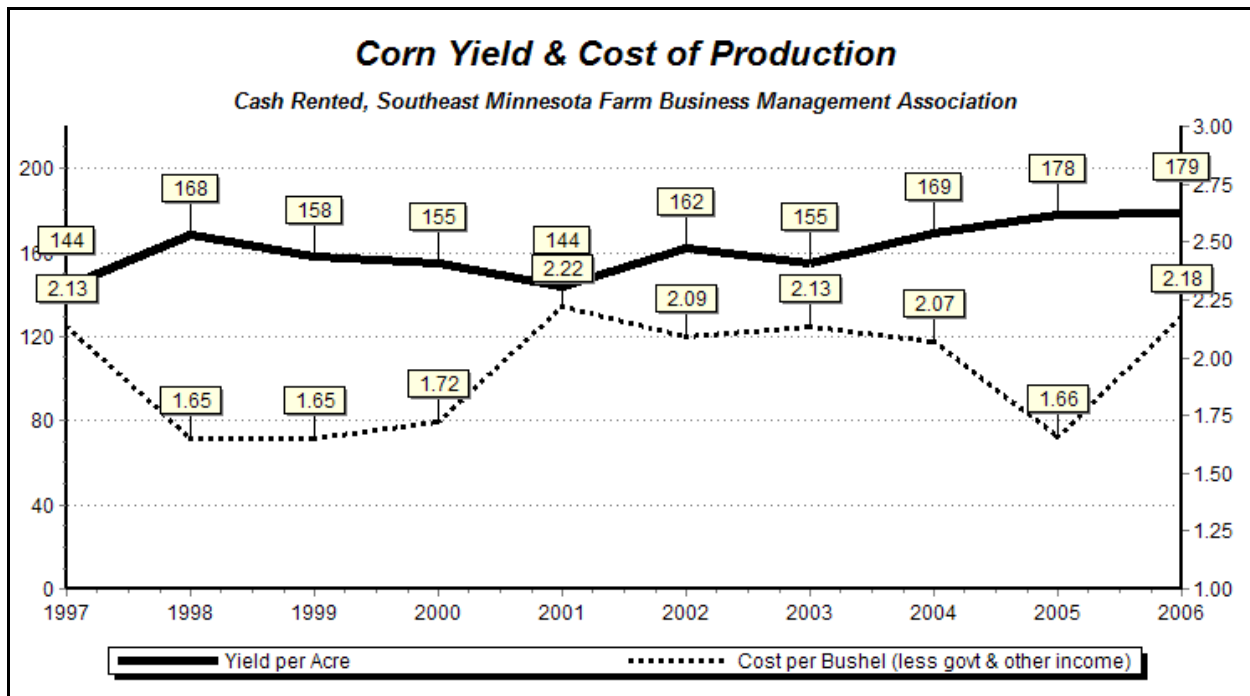
**Corn on Owned Land**

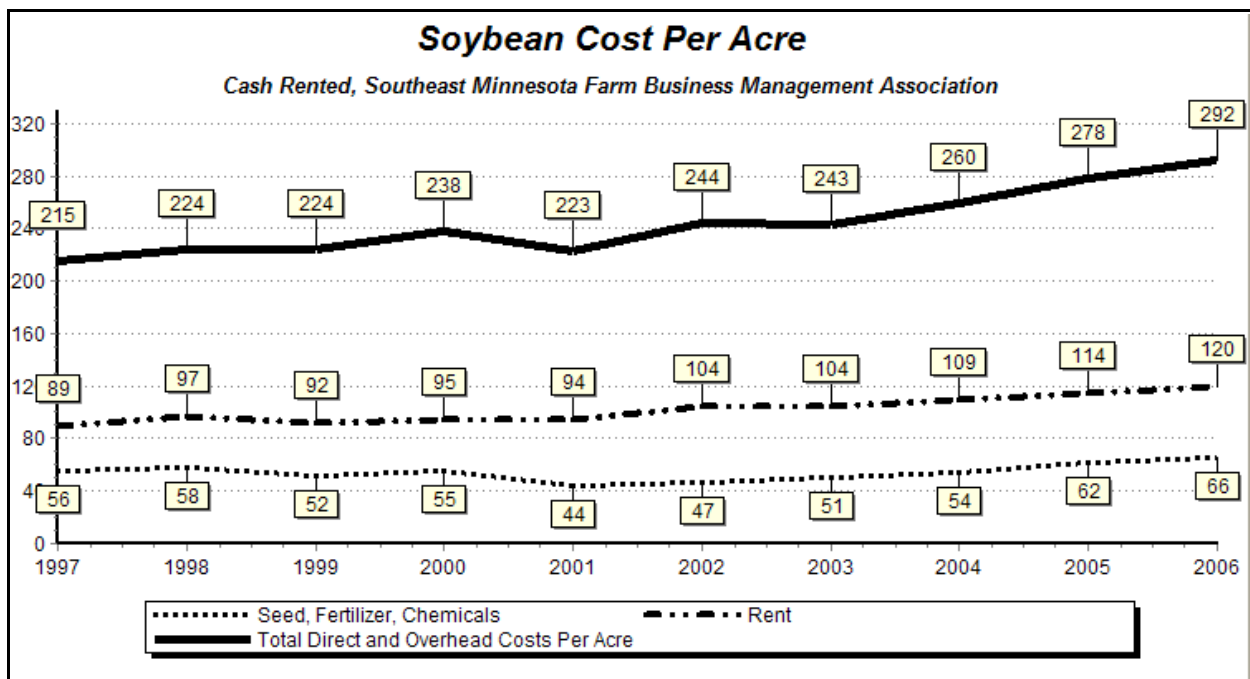
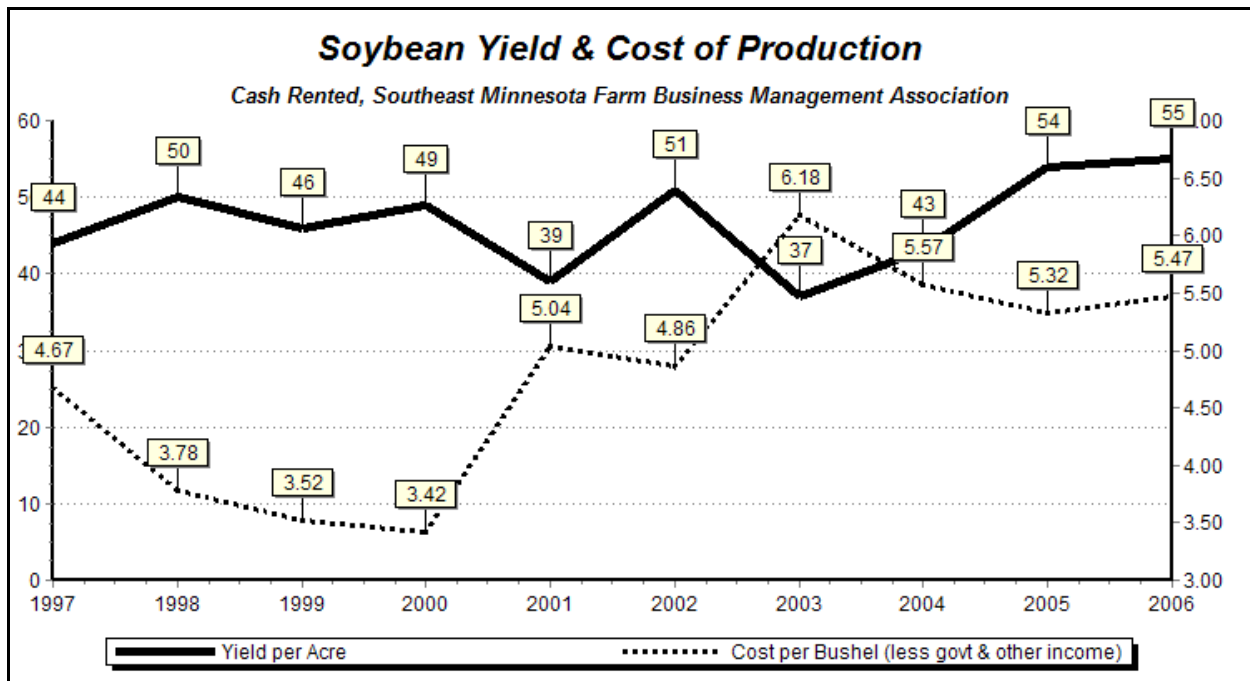
	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of fields	34	6	7
Number of farms	32	6	7
Acres	204.35	112.20	271.89
Yield per acre (bu.)	174.27	137.17	184.26
Operators share of yield %	100.00	100.00	100.00
Value per bu.	2.94	2.83	2.94
Total product return per acre	512.83	388.32	542.21
Miscellaneous income per acre	0.61	-	-
Gross return per acre	513.44	388.32	542.21
<b>Direct Expenses</b>			
Seed	50.28	49.59	51.23
Fertilizer	77.89	62.94	72.55
Crop chemicals	25.58	37.27	20.21
Crop insurance	6.97	4.56	1.64
Drying fuel	14.41	19.38	8.22
Fuel & oil	22.76	24.90	18.84
Repairs	26.73	28.62	21.14
Custom hire	11.68	0.91	8.06
Utilities	0.43	-	1.43
Operating interest	3.21	2.21	1.50
Miscellaneous	0.46	1.51	0.43
Total direct expenses per acre	240.40	231.91	205.25
Return over direct exp per acre	273.04	156.42	336.96
<b>Overhead Expenses</b>			
Custom hire	4.38	0.75	6.94
Hired labor	6.99	3.02	8.48
Machinery leases	1.79	-	0.06
RE & pers. property taxes	17.01	8.54	23.21
Farm insurance	4.54	6.92	4.44
Utilities	2.35	3.06	2.79
Interest	37.31	69.62	20.13
Mach & bldg depreciation	22.94	27.13	21.93
Miscellaneous	3.23	7.77	2.03
Total overhead expenses per acre	100.54	126.81	90.01
Total dir & ovhd expenses per acre	340.94	358.71	295.26
Net return per acre	172.50	29.61	246.95
Government payments	56.99	33.16	73.14
Net return with govt pmts	229.49	62.77	320.10
Labor & management charge	37.11	42.62	35.45
Net return over lbr & mgt	192.38	20.15	284.64
<b>Cost of Production</b>			
Total direct expense per bu.	1.38	1.69	1.11
Total dir & ovhd exp per bu.	1.96	2.62	1.60
Less govt & other income	1.63	2.37	1.21
With labor & management	1.84	2.68	1.40
Machinery cost per acre	93.78	81.68	76.93
Est. labor hours per acre	3.07	4.19	3.18

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

**Corn on Cash Rent**

	<u>Avg. Of All Farms</u>	<u>Low 20%</u>	<u>High 20%</u>
Number of fields	36	5	8
Number of farms	27	5	6
Acres	174.54	39.02	197.36
Yield per acre (bu.)	179.17	141.68	188.31
Operators share of yield %	100.00	100.00	100.00
Value per bu.	2.99	2.94	3.04
Total product return per acre	535.01	416.55	571.61
Miscellaneous income per acre	1.47	-	0.63
Gross return per acre	536.49	416.55	572.24
<b>Direct Expenses</b>			
Seed	51.02	41.93	53.43
Fertilizer	78.78	79.46	85.43
Crop chemicals	23.79	28.53	23.90
Crop insurance	12.28	4.81	3.25
Drying fuel	16.48	18.41	17.05
Fuel & oil	21.67	24.22	19.59
Repairs	21.54	50.10	14.13
Custom hire	11.31	0.97	5.81
Land rent	116.93	102.42	130.58
Operating interest	5.78	1.09	0.85
Miscellaneous	0.46	-	1.20
Total direct expenses per acre	360.05	351.94	355.22
Return over direct exp per acre	176.44	64.61	217.02
<b>Overhead Expenses</b>			
Custom hire	4.17	2.19	0.38
Hired labor	5.89	4.34	1.27
Machinery leases	2.74	-	-
Farm insurance	4.51	12.84	5.02
Utilities	2.91	6.06	5.50
Interest	8.50	15.20	3.44
Mach & bldg depreciation	17.98	37.53	15.50
Miscellaneous	2.62	6.80	2.87
Total overhead expenses per acre	49.33	84.97	33.99
Total dir & ovhd expenses per acre	409.38	436.91	389.20
Net return per acre	127.11	-20.36	183.03
Government payments	46.12	50.70	51.79
Net return with govt pmts	173.23	30.34	234.83
Labor & management charge	28.20	54.20	29.26
Net return over lbr & mgt	145.03	-23.87	205.57
<b>Cost of Production</b>			
Total direct expense per bu.	2.01	2.48	1.89
Total dir & ovhd exp per bu.	2.28	3.08	2.07
Less govt & other income	2.02	2.73	1.79
With labor & management	2.18	3.11	1.94
Machinery cost per acre	87.00	124.61	58.79
Est. labor hours per acre	2.70	4.61	2.46





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

**Soybeans on Owned Land**

	<u>Avg. Of All Farms</u>	<u>High 20%</u>
Number of fields	23	5
Number of farms	22	5
Acres	213.56	137.50
Yield per acre (bu.)	50.14	57.30
Operators share of yield %	100.00	100.00
Value per bu.	6.10	6.37
Total product return per acre	305.86	365.03
Miscellaneous income per acre	0.32	-
Gross return per acre	306.18	365.03
<b>Direct Expenses</b>		
Seed	28.10	30.54
Fertilizer	7.94	7.28
Crop chemicals	17.15	10.62
Crop insurance	5.84	1.11
Fuel & oil	13.61	12.87
Repairs	16.99	26.02
Custom hire	15.14	1.81
Utilities	0.57	-
Operating interest	2.17	1.69
Miscellaneous	0.23	1.06
Total direct expenses per acre	107.74	92.99
Return over direct exp per acre	198.44	272.04
<b>Overhead Expenses</b>		
Custom hire	4.58	0.83
Hired labor	3.84	0.79
Machinery leases	0.41	0.14
RE & pers. property taxes	19.45	20.71
Farm insurance	4.28	6.13
Utilities	1.30	1.87
Interest	35.18	15.42
Mach & bldg depreciation	15.83	30.30
Miscellaneous	3.00	5.30
Total overhead expenses per acre	87.87	81.51
Total dir & ovhd expenses per acre	195.61	174.49
Net return per acre	110.57	190.54
Government payments	10.68	12.79
Net return with govt pmts	121.25	203.33
Labor & management charge	27.67	43.33
Net return over lbr & mgt	93.58	160.00
<b>Cost of Production</b>		
Total direct expense per bu.	2.15	1.62
Total dir & ovhd exp per bu.	3.90	3.05
Less govt & other income	3.68	2.82
With labor & management	4.23	3.58
Machinery cost per acre	69.52	71.99
Est. labor hours per acre	1.74	2.46

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

**Soybeans on Cash Rent**

	<u>Avg. Of All Farms</u>	<u>High 20%</u>
Number of fields	29	5
Number of farms	22	5
Acres	195.69	150.12
Yield per acre (bu.)	54.73	62.76
Operators share of yield %	100.00	100.00
Value per bu.	6.01	6.09
Total product return per acre	328.89	382.46
Miscellaneous income per acre	1.52	-
Gross return per acre	330.41	382.46
<b>Direct Expenses</b>		
Seed	29.74	26.57
Fertilizer	19.04	18.49
Crop chemicals	17.09	23.99
Crop insurance	10.82	3.25
Fuel & oil	17.85	15.84
Repairs	15.63	12.59
Custom hire	5.26	0.61
Land rent	120.22	141.98
Operating interest	6.36	0.64
Miscellaneous	0.22	-
Total direct expenses per acre	242.23	243.96
Return over direct exp per acre	88.19	138.50
<b>Overhead Expenses</b>		
Custom hire	5.80	0.31
Hired labor	7.96	0.67
Machinery leases	4.93	0.01
Farm insurance	4.63	4.40
Utilities	1.81	4.04
Interest	9.60	3.25
Mach & bldg depreciation	13.30	13.10
Miscellaneous	2.23	2.32
Total overhead expenses per acre	50.25	28.10
Total dir & ovhd expenses per acre	292.48	272.06
Net return per acre	37.93	110.41
Government payments	11.56	13.38
Net return with govt pmts	49.49	123.78
Labor & management charge	20.18	25.28
Net return over lbr & mgt	29.31	98.50
<b>Cost of Production</b>		
Total direct expense per bu.	4.43	3.89
Total dir & ovhd exp per bu.	5.34	4.33
Less govt & other income	5.11	4.12
With labor & management	5.47	4.52
Machinery cost per acre	71.82	45.64
Est. labor hours per acre	1.77	2.02

**Crop Enterprise Analysis**  
**Southeast 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	12
Number of farms	12
Acres	48.43
Yield per acre (ton)	22.26
Operators share of yield %	100.00
Value per ton	23.31
Total product return per acre	518.88
Miscellaneous income per acre	-
Gross return per acre	518.88
<b>Direct Expenses</b>	
Seed	51.40
Fertilizer	28.82
Crop chemicals	30.61
Crop insurance	1.10
Fuel & oil	39.99
Repairs	53.14
Custom hire	106.25
Machinery leases	13.23
Operating interest	4.32
Miscellaneous	0.05
Total direct expenses per acre	328.91
Return over direct exp per acre	189.97
<b>Overhead Expenses</b>	
Custom hire	5.64
Hired labor	9.13
RE & pers. property taxes	6.66
Farm insurance	3.05
Utilities	4.63
Interest	35.67
Mach & bldg depreciation	19.66
Miscellaneous	-4.84
Total overhead expenses per acre	79.59
Total dir & ovhd expenses per acre	408.50
Net return per acre	110.38
Government payments	79.99
Net return with govt pmts	190.37
Labor & management charge	42.48
Net return over lbr & mgt	147.89
<b>Cost of Production</b>	
Total direct expense per ton	14.77
Total dir & ovhd exp per ton	18.35
Less govt & other income	14.76
With labor & management	16.66
Machinery cost per acre	246.89
Est. labor hours per acre	10.03

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

**Corn Silage on Cash Rent**

	<u>Avg. Of All Farms</u>
Number of fields	10
Number of farms	10
Acres	33.11
Yield per acre (ton)	23.83
Operators share of yield %	100.00
Value per ton	22.10
Total product return per acre	526.73
Miscellaneous income per acre	-
Gross return per acre	526.73
<b>Direct Expenses</b>	
Seed	53.85
Fertilizer	46.68
Crop chemicals	32.50
Crop insurance	1.59
Drying fuel	1.41
Fuel & oil	39.12
Repairs	44.89
Custom hire	67.31
Land rent	97.37
Machinery leases	1.11
Operating interest	2.73
Miscellaneous	0.54
Total direct expenses per acre	389.10
Return over direct exp per acre	137.62
<b>Overhead Expenses</b>	
Custom hire	5.07
Hired labor	3.29
Farm insurance	2.42
Utilities	4.11
Interest	10.80
Mach & bldg depreciation	31.57
Miscellaneous	0.39
Total overhead expenses per acre	57.65
Total dir & ovhd expenses per acre	446.75
Net return per acre	79.98
Government payments	58.00
Net return with govt pmts	137.97
Labor & management charge	43.61
Net return over lbr & mgt	94.36
<b>Cost of Production</b>	
Total direct expense per ton	16.33
Total dir & ovhd exp per ton	18.75
Less govt & other income	16.31
With labor & management	18.14
Machinery cost per acre	198.00
Est. labor hours per acre	7.94



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

**Hay, Alfalfa on Owned Land**

	<u>Avg. Of All Farms</u>
Number of fields	21
Number of farms	20
Acres	86.12
Yield per acre (ton)	4.07
Operators share of yield %	100.00
Value per ton	93.15
Total product return per acre	378.79
Miscellaneous income per acre	0.04
Gross return per acre	378.83
<b>Direct Expenses</b>	
Seed	18.63
Fertilizer	20.62
Crop chemicals	5.25
Fuel & oil	18.08
Repairs	30.49
Custom hire	47.85
Machinery leases	2.50
Operating interest	1.42
Miscellaneous	0.90
Total direct expenses per acre	145.73
Return over direct exp per acre	233.10
<b>Overhead Expenses</b>	
Custom hire	3.99
Hired labor	19.56
Machinery leases	-0.51
RE & pers. property taxes	17.05
Farm insurance	7.67
Utilities	1.31
Interest	15.15
Mach & bldg depreciation	19.07
Miscellaneous	5.14
Total overhead expenses per acre	88.43
Total dir & ovhd expenses per acre	234.16
Net return per acre	144.67
Government payments	0.30
Net return with govt pmts	144.97
Labor & management charge	27.49
Net return over lbr & mgt	117.49
<b>Cost of Production</b>	
Total direct expense per ton	35.84
Total dir & ovhd exp per ton	57.58
Less govt & other income	57.50
With labor & management	64.26
Machinery cost per acre	123.75
Est. labor hours per acre	3.62

**Crop Enterprise Analysis**  
**Southeast 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	14
Acres	47.79
Yield per acre (ton)	4.38
Operators share of yield %	100.00
Value per ton	90.54
Total product return per acre	397.01
Miscellaneous income per acre	20.67
Gross return per acre	417.68
<b>Direct Expenses</b>	
Seed	12.60
Fertilizer	31.65
Crop chemicals	4.94
Fuel & oil	15.91
Repairs	25.13
Custom hire	12.63
Land rent	102.92
Machinery leases	0.80
Marketing	3.16
Operating interest	3.48
Miscellaneous	1.64
Total direct expenses per acre	214.85
Return over direct exp per acre	202.82
<b>Overhead Expenses</b>	
Custom hire	5.48
Hired labor	14.46
Farm insurance	7.17
Utilities	1.55
Interest	5.40
Mach & bldg depreciation	20.54
Miscellaneous	3.88
Total overhead expenses per acre	58.47
Total dir & ovhd expenses per acre	273.32
Net return per acre	144.35
Government payments	-
Net return with govt pmts	144.35
Labor & management charge	27.01
Net return over lbr & mgt	117.35
<b>Cost of Production</b>	
Total direct expense per ton	49.00
Total dir & ovhd exp per ton	62.33
Less govt & other income	57.62
With labor & management	63.78
Machinery cost per acre	84.63
Est. labor hours per acre	3.01

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

**Pasture on Owned Land**

	<u>Avg. Of All Farms</u>
Number of fields	5
Number of farms	5
Acres	38.50
Yield per acre (aum)	5.48
Operators share of yield %	100.00
Value per aum	10.00
Total product return per acre	54.81
Miscellaneous income per acre	-
Gross return per acre	54.81
<b>Direct Expenses</b>	
Crop chemicals	0.49
Fuel & oil	1.73
Repairs	2.22
Custom hire	1.87
Miscellaneous	0.00
Total direct expenses per acre	6.31
Return over direct exp per acre	48.50
<b>Overhead Expenses</b>	
Hired labor	0.84
RE & pers. property taxes	12.43
Farm insurance	2.58
Utilities	0.24
Interest	15.32
Mach & bldg depreciation	2.02
Miscellaneous	1.57
Total overhead expenses per acre	34.99
Total dir & ovhd expenses per acre	41.30
Net return per acre	13.50
Government payments	-
Net return with govt pmts	13.50
Labor & management charge	4.43
Net return over lbr & mgt	9.07
<b>Cost of Production</b>	
Total direct expense per aum	1.15
Total dir & ovhd exp per aum	7.54
Less govt & other income	7.54
With labor & management	8.34
Machinery cost per acre	7.89
Est. labor hours per acre	0.66

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

**CRP on Owned Land**

	<u>Avg. Of All Farms</u>
Number of fields	7
Number of farms	7
Acres	31.93
Yield per acre (\$)	86.46
Operators share of yield %	100.00
Value per \$	1.00
Total product return per acre	86.46
Miscellaneous income per acre	-
Gross return per acre	86.46
<b>Direct Expenses</b>	
Seed	4.27
Crop chemicals	0.26
Fuel & oil	0.25
Custom hire	0.89
Operating interest	5.68
Total direct expenses per acre	11.34
Return over direct exp per acre	75.11
<b>Overhead Expenses</b>	
Custom hire	2.95
RE & pers. property taxes	15.76
Farm insurance	3.49
Utilities	0.20
Interest	19.84
Miscellaneous	3.04
Total overhead expenses per acre	45.27
Total dir & ovhd expenses per acre	56.62
Net return per acre	29.84
Government payments	-
Net return with govt pmts	29.84
Labor & management charge	1.65
Net return over lbr & mgt	28.19
<b>Cost of Production</b>	
Total direct expense per \$	0.13
Total dir & ovhd exp per \$	0.65
Less govt & other income	0.65
With labor & management	0.67
Machinery cost per acre	4.16
Est. labor hours per acre	0.12



# Livestock Reports

The Livestock Enterprise Analysis tables show the average physical production, gross returns, direct costs, overhead costs, and net returns per budget unit. Consistent with statewide trends, fewer and fewer Association farms have livestock. In order to provide more complete information, the livestock enterprise reports include farms from both the Southwestern and Southeastern Associations.

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. “Dairy Steers” includes only steers for feeding. 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 Return* is the accrual gross value produced 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).

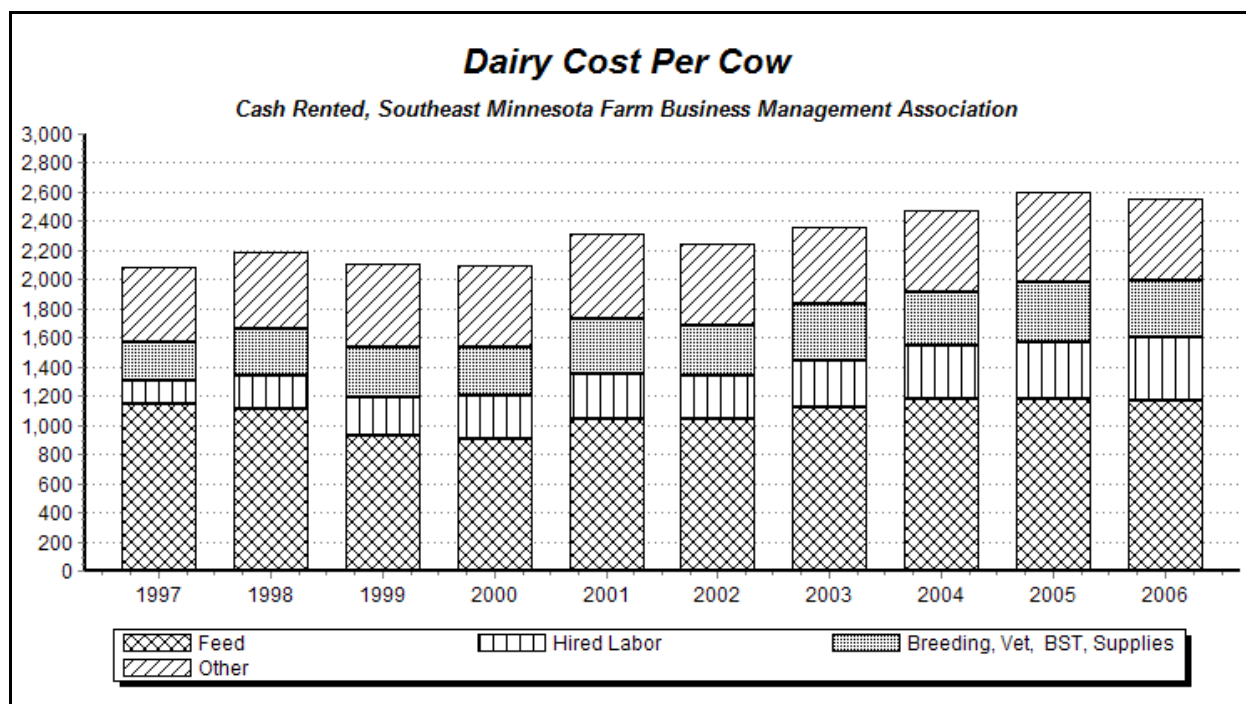
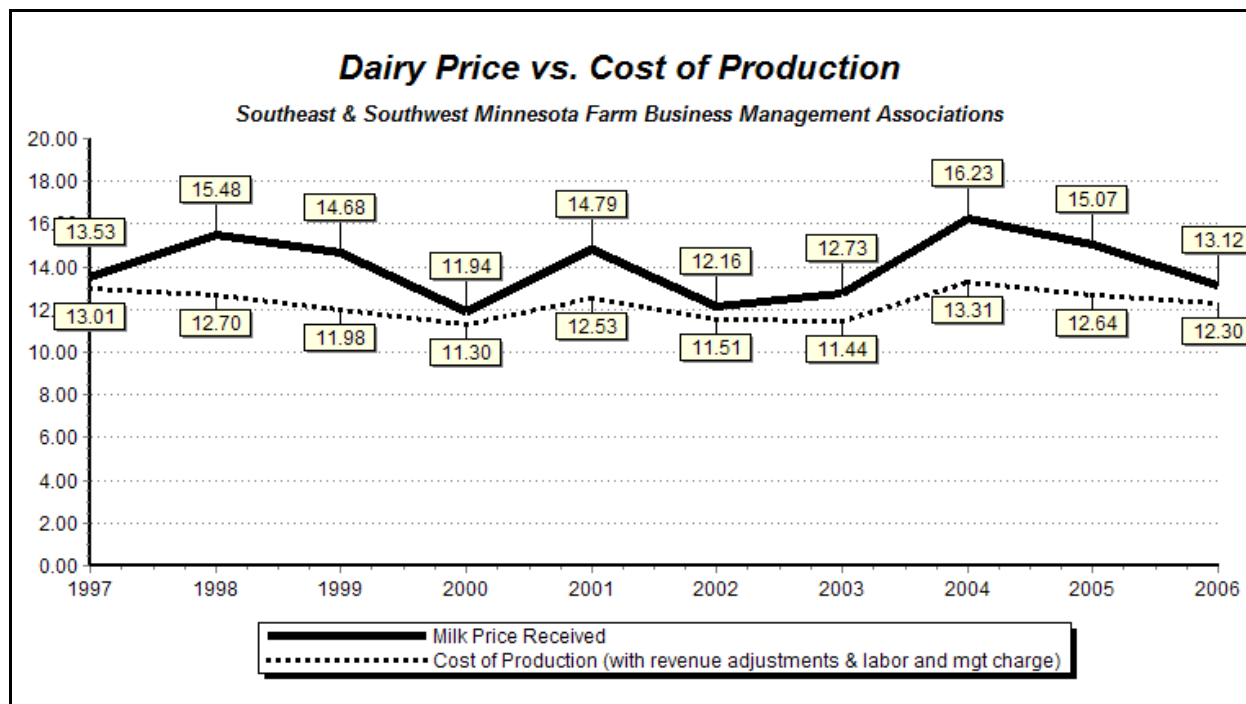
*Other Information* contains both economic and technical efficiency measures for each enterprise.

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**  
**Southeast & Southwest Minnesota Farm Business Management Association**  
**(Farms Sorted By Net Return Per Unit)**

**Dairy -- Average Per Cow**

	<u>Avg. Of All Farms</u>	
Number of farms	19	
	Quantity	Value
Milk sold (lb)	23,249.64	3,051.34
Milk used in home (lb)	5.06	0.78
Milk fed to animals (lb)	30.39	1.33
Dairy Calves sold (hd)	0.45	101.23
Transferred out (hd)	0.43	119.86
Cull sales (hd)	0.25	130.14
Butchered (hd)	0.00	0.30
Less purchased (hd)	-0.03	-50.44
Less transferred in (hd)	-0.33	-515.67
Inventory change (hd)	0.03	36.46
Total production		2,875.32
Other income		70.68
Gross return		2,946.00
<b>Direct Expenses</b>		
Corn (bu.)	79.56	175.49
Corn Silage (lb.)	15,169.87	161.95
Hay, Alfalfa (lb.)	2,720.61	125.49
Haylage, Alfalfa (lb.)	6,807.31	162.81
Protein Vit Minerals (lb.)	3,165.44	493.72
Other feed stuffs	1,124.37	52.96
Breeding fees		41.86
Veterinary		108.72
BST		23.79
Supplies		213.21
DHIA		8.89
Fuel & oil		51.87
Repairs		107.42
Custom hire		39.33
Hired labor		100.33
Livestock leases		4.99
Marketing		23.92
Operating interest		12.11
Total direct expenses		1,908.88
Return over direct expense		1,037.11
<b>Overhead Expenses</b>		
Custom hire		37.59
Hired labor		329.43
Machinery leases		13.04
Farm insurance		27.54
Utilities		46.01
Interest		57.50
Mach & bldg depreciation		105.10
Miscellaneous		27.51
Total overhead expenses		643.72
Total dir & ovhd expenses		2,552.61
Net return		393.39
Labor & management charge		204.93
Net return over lbr & mgt		188.47
<b>Cost of Production</b>		
Total direct expense per cwt.		8.20
Total dir & ovhd expense per cwt.		10.96
With other revenue adjustments		11.42
With labor and management		12.30
Est. labor hours per unit		43.66
<b>Other Information</b>		
Avg. number of Cows		200.2
Milk produced per Cow		23,285
Culling percentage		25.0
Turnover rate		32.8
Percent of barn capacity		119.5
Lbs. milk/lb grain & conc.		2.8
Feed cost per cwt of milk		5.04
Feed cost per Cow		1,172.44
Avg. milk price per cwt.		13.12





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

**Dairy Replacement Heifers -- Average Per Head Sold/Trans**

	<u>Avg. Of All Farms</u>	
Number of farms	16	
	Quantity	Value
Replacements sold (hd)	0.01	27.72
Transferred out (hd)	0.99	1,492.72
Butchered (hd)	0.00	1.07
Less purchased (hd)	-0.14	-185.26
Less transferred in (hd)	-1.15	-322.26
Inventory change (hd)	0.20	218.12
Total production (hd)	0.00	1,232.11
Other income		-
Gross return		1,232.11
<b>Direct Expenses</b>		
Corn (bu.)	19.80	47.64
Corn Silage (lb.)	7,924.75	81.75
Hay, Alfalfa (lb.)	3,943.26	159.62
Hay, Grass & Other (lb.)	569.00	17.04
Haylage, Alfalfa (lb.)	4,213.82	93.73
Oats (bu.)	1.83	3.42
Pasture (aum)	0.93	10.29
Sorghum Silage (lb.)	1,288.98	10.91
Complete Ration (lb.)	24,596.52	7.70
Milk (lb.)	27.31	2.73
Milk Replacer (lb.)	6.54	5.83
Protein Vit Minerals (lb.)	516.21	166.02
Other feed stuffs	231.66	3.46
Breeding fees		24.11
Veterinary		44.26
Supplies		41.99
Contract production exp.		203.81
Fuel & oil		18.49
Repairs		36.12
Custom hire		70.12
Hired labor		14.50
Livestock leases		7.51
Total direct expenses		1,071.06
Return over direct expense		161.05
<b>Overhead Expenses</b>		
Custom hire		38.42
Hired labor		102.87
Machinery leases		5.69
Building leases		19.08
Farm insurance		10.39
Utilities		13.68
Interest		17.59
Mach & bldg depreciation		47.17
Miscellaneous		10.01
Total overhead expenses		264.89
Total dir & ovhd expenses		1,335.95
Net return		-103.84
Labor & management charge		74.66
Net return over lbr & mgt		-178.50
<b>Cost of Production</b>		
Total direct expense per head		1,359.39
Total dir & ovhd expense per head		1,624.29
With other revenue adjustments		1,624.29
With labor and management		1,698.94
Est. labor hours per unit		17.00
<b>Other Information</b>		
No. purchased or trans in		98
Number sold or trans out		76
Average number of head		183
Percentage death loss		2.7
Feed cost per average head		253.83
Feed cost/head sold+trans		610.15
Avg. purchase weight		46
Avg. sales weight		-
Avg. purch price / head		1,325.16
Avg. sales price / head		1,872.83

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

**Dairy and Repl Heifers -- Average Per Cow**

	<u>Avg. Of All Farms</u>	
Number of farms	14	
	Quantity	Value
Milk sold (lb)	23,569.42	3,101.23
Milk used in home (lb)	5.61	0.86
Milk fed to animals (lb)	33.68	1.47
Dairy Calves sold (hd)	0.45	100.04
Transferred out (hd)	0.77	645.42
Cull sales (hd)	0.24	124.13
Butchered (hd)	0.00	0.71
Less purchased (hd)	-0.06	-85.62
Less transferred in (hd)	-0.74	-632.83
Inventory change (hd)	0.10	107.37
Total production		3,362.78
Other income		71.54
Gross return		3,434.31
<b>Direct Expenses</b>		
Corn (bu.)	86.85	192.58
Corn Silage (lb.)	17,541.71	187.42
Hay, Alfalfa (lb.)	4,219.75	187.39
Hay, Grass & Other (lb.)	254.33	7.97
Haylage, Alfalfa (lb.)	8,374.89	198.74
Complete Ration (lb.)	8,753.00	8.58
Protein Vit Minerals (lb.)	3,370.42	554.99
Cottonseed (lb.)	125.84	11.56
Other feed stuffs	1,353.86	49.92
Breeding fees		50.88
Veterinary		122.01
BST		25.05
Supplies		225.24
DHIA		8.23
Contract production exp.		72.19
Fuel & oil		57.60
Repairs		114.47
Custom hire		66.89
Hired labor		116.31
Livestock leases		8.19
Marketing		21.84
Operating interest		11.86
Total direct expenses		2,299.90
Return over direct expense		1,134.41
<b>Overhead Expenses</b>		
Custom hire		53.46
Hired labor		391.41
Machinery leases		16.45
Building leases		6.76
Farm insurance		32.63
Utilities		48.89
Interest		66.06
Mach & bldg depreciation		119.75
Miscellaneous		29.61
Total overhead expenses		765.01
Total dir & ovhd expenses		3,064.91
Net return		369.41
Labor & management charge		215.73
Net return over lbr & mgt		153.67
<b>Cost of Production</b>		
Total direct expense per cwt.		9.74
Total dir & ovhd expense per cwt.		12.98
With other revenue adjustments		11.58
With labor and management		12.49
Est. labor hours per unit		49.80
<b>Other Information</b>		
Avg. number of Cows		245.2
Milk produced per Cow		23,609
Culling percentage		24.1
Turnover rate		32.2
Percent of barn capacity		122.0
Lbs. milk/lb grain & conc.		1.3
Feed cost per cwt of milk		5.93
Feed cost per Cow		1,399.14
Avg. milk price per cwt.		13.16

**Livestock Enterprise Analysis**  
**Southeast & 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	14	
	Quantity	Value
Beef Calves sold (lb)	141.95	164.52
Transferred out (lb)	341.87	383.38
Cull sales (lb)	92.44	70.75
Butchered (lb)	2.27	1.14
Less purchased (lb)	-39.55	-73.91
Less transferred in (lb)	-38.59	-41.88
Inventory change (lb)	26.66	36.97
Total production (lb)	527.05	540.95
Other income		-
Gross return		540.95
<b>Direct Expenses</b>		
Corn (bu.)	2.37	5.33
Corn Silage (lb.)	4,328.04	36.94
Hay, Alfalfa (lb.)	2,329.85	77.79
Hay, Grass & Other (lb.)	2,388.99	71.07
Oatlage (lb.)	1,464.25	10.98
Pasture (aum)	3.13	40.36
Complete Ration (lb.)	29.48	4.46
Protein Vit Minerals (lb.)	51.91	13.02
Corn Gluten (lb.)	435.19	8.70
Other feed stuffs	233.88	3.82
Breeding fees		13.48
Veterinary		34.91
Supplies		11.67
Fuel & oil		19.33
Repairs		21.04
Custom hire		0.54
Bedding		3.87
Operating interest		9.06
Total direct expenses		386.41
Return over direct expense		154.54
<b>Overhead Expenses</b>		
Custom hire		8.27
Hired labor		14.37
Machinery leases		3.50
RE & pers. property taxes		2.14
Farm insurance		6.58
Utilities		9.47
Dues & professional fees		3.21
Interest		10.29
Mach & bldg depreciation		13.85
Miscellaneous		5.63
Total overhead expenses		77.30
Total dir & ovhd expenses		463.72
Net return		77.24
Labor & management charge		84.17
Net return over lbr & mgt		-6.94
<b>Cost of Production</b>		
Total direct expense per cwt.		73.32
Total dir & ovhd expense per cwt.		87.98
With other revenue adjustments		81.75
With labor and management		97.72
Est. labor hours per unit		8.34
<b>Other Information</b>		
Number of cows		62.9
Pregnancy percentage		98.0
Pregnancy loss percentage		1.2
Culling percentage		7.8
Calving percentage		96.8
Weaning percentage		92.1
Calves sold per cow		0.91
Calf death loss percent		6.1
Average weaning weight		519
Lbs weaned/exposed female		478
Feed cost per cow		272.50
Avg wgt/Beef Calf sold		549
Avg price / cwt		115.90

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

**Beef Cow-Calf -- Average Per Cwt. Produced**

	<u>Avg. Of All Farms</u>	
Number of farms	14	
	Quantity	Value
Beef Calves sold (lb)	26.93	31.21
Transferred out (lb)	64.86	72.74
Cull sales (lb)	17.54	13.42
Butchered (lb)	0.43	0.22
Less purchased (lb)	-7.50	-14.02
Less transferred in (lb)	-7.32	-7.95
Inventory change (lb)	5.06	7.01
Total production (lb)	100.00	102.64
Other income		-
Gross return		102.64
<b>Direct Expenses</b>		
Corn (bu.)	0.45	1.01
Corn Silage (lb.)	821.18	7.01
Hay, Alfalfa (lb.)	442.05	14.76
Hay, Grass & Other (lb.)	453.27	13.49
Oatlage (lb.)	277.82	2.08
Pasture (aum)	0.59	7.66
Complete Ration (lb.)	5.59	0.85
Protein Vit Minerals (lb.)	9.85	2.47
Corn Gluten (lb.)	82.57	1.65
Other feed stuffs	44.38	0.73
Breeding fees		2.56
Veterinary		6.62
Supplies		2.21
Fuel & oil		3.67
Repairs		3.99
Custom hire		0.10
Bedding		0.73
Operating interest		1.72
Total direct expenses		73.32
Return over direct expense		29.32
<b>Overhead Expenses</b>		
Custom hire		1.57
Hired labor		2.73
Machinery leases		0.66
RE & pers. property taxes		0.41
Farm insurance		1.25
Utilities		1.80
Dues & professional fees		0.61
Interest		1.95
Mach & bldg depreciation		2.63
Miscellaneous		1.07
Total overhead expenses		14.67
Total dir & ovhd expenses		87.98
Net return		14.65
Labor & management charge		15.97
Net return over lbr & mgt		-1.32
<b>Cost of Production</b>		
Total direct expense per cwt.		73.32
Total dir & ovhd expense per cwt.		87.98
With other revenue adjustments		81.75
With labor and management		97.72
Est. labor hours per unit		1.58
<b>Other Information</b>		
Number of cows		62.9
Pregnancy percentage		98.0
Pregnancy loss percentage		1.2
Culling percentage		7.8
Calving percentage		96.8
Weaning percentage		92.1
Calves sold per cow		0.91
Calf death loss percent		6.1
Average weaning weight		519
Lbs weaned/exposed female		478
Feed cost per cow		272.50
Avg wgt/Beef Calf sold		549
Avg price / cwt		115.90

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

**Beef, Finish Beef Calves -- Average Per Head**

	<u>Avg. Of All Farms</u>	
Number of farms	16	
	Quantity	Value
Finish Beef sold (lb)	1,331.91	1,111.83
Transferred out (lb)	9.94	10.30
Butchered (lb)	4.40	3.67
Less purchased (lb)	-525.79	-644.36
Less transferred in (lb)	-48.21	-55.48
Inventory change (lb)	-118.89	-191.79
Total production (lb)	653.36	234.16
Other income		0.43
Gross return		234.60
<b>Direct Expenses</b>		
Corn (bu.)	64.29	127.07
Corn Silage (lb.)	2,296.26	20.52
Hay, Alfalfa (lb.)	323.28	11.66
Hay, Grass & Other (lb.)	240.33	6.71
Haylage, Alfalfa (lb.)	212.14	5.47
Sorghum Silage (lb.)	130.52	0.98
Stover (lb.)	32.58	0.41
Complete Ration (lb.)	13.63	2.58
Creep / Starter (lb.)	7.06	0.89
Protein Vit Minerals (lb.)	477.68	39.60
Corn Distillers Grn (dry) (lb.)	190.29	6.87
Corn Gluten (lb.)	496.84	5.89
Other feed stuffs	17.39	0.19
Veterinary		8.20
Supplies		5.82
Fuel & oil		9.86
Repairs		11.29
Hauling and trucking		7.22
Marketing		1.65
Operating interest		27.23
Total direct expenses		300.12
Return over direct expense		-65.52
<b>Overhead Expenses</b>		
Custom hire		1.68
Hired labor		6.51
Machinery leases		3.73
RE & pers. property taxes		2.06
Farm insurance		2.87
Utilities		3.78
Interest		11.28
Mach & bldg depreciation		11.61
Miscellaneous		3.61
Total overhead expenses		47.13
Total dir & ovhd expenses		347.25
Net return		-112.65
Labor & management charge		32.91
Net return over lbr & mgt		-145.57
<b>Cost of Production</b>		
Total direct expense per cwt.		88.54
Total dir & ovhd expense per cwt.		92.05
With other revenue adjustments		92.02
With labor and management		94.47
Est. labor hours per unit		3.20
<b>Other Information</b>		
No. purchased or trans in		267
Number sold or trans out		300
Percentage death loss		0.6
Avg. daily gain (lbs)		2.45
Lbs of conc / lb of gain		7.30
Lbs of feed / lb of gain		9.61
Feed cost per cwt of gain		35.03
Feed cost per head		228.84
Average purchase weight		626
Average sales weight		1,294
Avg purch price / cwt		122.55
Avg sales price / cwt		83.48

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

**Beef, Finish Beef Calves -- Average Per Cwt. Produced**

	<u>Avg. Of All Farms</u>	
Number of farms	16	
	Quantity	Value
Finish Beef sold (lb)	203.86	170.17
Transferred out (lb)	1.52	1.58
Butchered (lb)	0.67	0.56
Less purchased (lb)	-80.48	-98.62
Less transferred in (lb)	-7.38	-8.49
Inventory change (lb)	-18.20	-29.35
Total production (lb)	100.00	35.84
Other income		0.07
Gross return		35.91
<b>Direct Expenses</b>		
Corn (bu.)	9.84	19.45
Corn Silage (lb.)	351.46	3.14
Hay, Alfalfa (lb.)	49.48	1.78
Hay, Grass & Other (lb.)	36.78	1.03
Haylage, Alfalfa (lb.)	32.47	0.84
Sorghum Silage (lb.)	19.98	0.15
Stover (lb.)	4.99	0.06
Complete Ration (lb.)	2.09	0.39
Creep / Starter (lb.)	1.08	0.14
Protein Vit Minerals (lb.)	73.11	6.06
Corn Distillers Grn (dry) (lb.)	29.12	1.05
Corn Gluten (lb.)	76.04	0.90
Other feed stuffs	2.66	0.03
Veterinary		1.26
Supplies		0.89
Fuel & oil		1.51
Repairs		1.73
Hauling and trucking		1.11
Marketing		0.25
Operating interest		4.17
Total direct expenses		45.94
Return over direct expense		-10.03
<b>Overhead Expenses</b>		
Custom hire		0.26
Hired labor		1.00
Machinery leases		0.57
RE & pers. property taxes		0.32
Farm insurance		0.44
Utilities		0.58
Interest		1.73
Mach & bldg depreciation		1.78
Miscellaneous		0.55
Total overhead expenses		7.21
Total dir & ovhd expenses		53.15
Net return		-17.24
Labor & management charge		5.04
Net return over lbr & mgt		-22.28
<b>Cost of Production</b>		
Total direct expense per cwt.		88.54
Total dir & ovhd expense per cwt.		92.05
With other revenue adjustments		92.02
With labor and management		94.47
Est. labor hours per unit		0.49
<b>Other Information</b>		
No. purchased or trans in		267
Number sold or trans out		300
Percentage death loss		0.6
Avg. daily gain (lbs)		2.45
Lbs of conc / lb of gain		7.30
Lbs of feed / lb of gain		9.61
Feed cost per cwt of gain		35.03
Feed cost per head		228.84
Average purchase weight		626
Average sales weight		1,294
Avg purch price / cwt		122.55
Avg sales price / cwt		83.48

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

**Dairy Steer Finishing -- Average Per Head**

	<u>Avg. Of All Farms</u>	
Number of farms	6	
	Quantity	Value
D Steer Fin sold (lb)	1,108.53	844.22
Transferred out (lb)	10.03	7.02
Butchered (lb)	27.42	20.07
Less purchased (lb)	-238.65	-299.28
Less transferred in (lb)	-222.55	-192.76
Inventory change (lb)	296.34	143.03
Total production (lb)	981.12	522.30
Other income		-
Gross return		522.30
<b>Direct Expenses</b>		
Corn (bu.)	110.01	236.75
Corn Silage (lb.)	555.12	5.32
Hay, Alfalfa (lb.)	591.91	22.00
Hay, Grass & Other (lb.)	297.63	8.54
Haylage, Alfalfa (lb.)	2,193.74	52.45
Protein Vit Minerals (lb.)	363.04	82.31
Veterinary		19.23
Supplies		12.66
Contract production exp.		24.20
Fuel & oil		13.00
Repairs		24.47
Custom hire		4.34
Marketing		4.85
Operating interest		10.12
Total direct expenses		520.26
Return over direct expense		2.04
<b>Overhead Expenses</b>		
Custom hire		9.84
Hired labor		19.11
RE & pers. property taxes		5.66
Farm insurance		10.21
Utilities		10.81
Mach & bldg depreciation		26.04
Miscellaneous		7.55
Total overhead expenses		89.22
Total dir & ovhd expenses		609.48
Net return		-87.17
Labor & management charge		81.22
Net return over lbr & mgt		-168.40
<b>Cost of Production</b>		
Total direct expense per cwt.		75.92
Total dir & ovhd expense per cwt.		83.89
With other revenue adjustments		83.89
With labor and management		91.16
Est. labor hours per unit		8.26
<b>Other Information</b>		
No. purchased or trans in		55
Number sold or trans out		40
Percentage death loss		2.8
Avg. daily gain (lbs)		1.99
Lbs of conc / lb of gain		6.57
Lbs of feed / lb of gain		8.78
Feed cost per cwt of gain		41.52
Feed cost per head		407.38
Average purchase weight		355
Average sales weight		1,417
Avg purch price / head		445.25
Avg sales price / cwt		76.16

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

**Dairy Steer Finishing -- Average Per Cwt. Produced**

	<u>Avg. Of All Farms</u>	
Number of farms	6	
	Quantity	Value
D Steer Fin sold (lb)	112.99	86.05
Transferred out (lb)	1.02	0.72
Butchered (lb)	2.79	2.05
Less purchased (lb)	-24.32	-30.50
Less transferred in (lb)	-22.68	-19.65
Inventory change (lb)	30.20	14.58
Total production (lb)	100.00	53.24
Other income		-
Gross return		53.24
<b>Direct Expenses</b>		
Corn (bu.)	11.21	24.13
Corn Silage (lb.)	56.58	0.54
Hay, Alfalfa (lb.)	60.33	2.24
Hay, Grass & Other (lb.)	30.34	0.87
Haylage, Alfalfa (lb.)	223.59	5.35
Protein Vit Minerals (lb.)	37.00	8.39
Veterinary		1.96
Supplies		1.29
Contract production exp.		2.47
Fuel & oil		1.33
Repairs		2.49
Custom hire		0.44
Marketing		0.49
Operating interest		1.03
Total direct expenses		53.03
Return over direct expense		0.21
<b>Overhead Expenses</b>		
Custom hire		1.00
Hired labor		1.95
RE & pers. property taxes		0.58
Farm insurance		1.04
Utilities		1.10
Mach & bldg depreciation		2.65
Miscellaneous		0.77
Total overhead expenses		9.09
Total dir & ovhd expenses		62.12
Net return		-8.89
Labor & management charge		8.28
Net return over lbr & mgt		-17.16
<b>Cost of Production</b>		
Total direct expense per cwt.		75.92
Total dir & ovhd expense per cwt.		83.89
With other revenue adjustments		83.89
With labor and management		91.16
Est. labor hours per unit		0.84
<b>Other Information</b>		
No. purchased or trans in		55
Number sold or trans out		40
Percentage death loss		2.8
Avg. daily gain (lbs)		1.99
Lbs of conc / lb of gain		6.57
Lbs of feed / lb of gain		8.78
Feed cost per cwt of gain		41.52
Feed cost per head		407.38
Average purchase weight		355
Average sales weight		1,417
Avg purch price / head		445.25
Avg sales price / cwt		76.16



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

**Hogs, Farrow To Finish -- Average Per Litter**

	<u>Avg. Of All Farms</u>	
Number of farms	9	
	Quantity	Value
Raised Hogs sold (lb)	2,301.65	1,077.49
Cull sales (lb)	110.09	33.11
Butchered (lb)	1.95	3.83
Less purchased (lb)	-65.06	-66.90
Inventory change (lb)	-119.76	-83.97
Total production (lb)	2,228.87	963.56
Other income		-
Gross return		963.56
<b>Direct Expenses</b>		
Barley (bu.)	3.14	6.58
Corn (bu.)	109.47	233.96
Protein Vit Minerals (lb.)	1,929.57	292.85
Other feed stuffs	67.77	7.73
Breeding fees		14.36
Veterinary		45.53
Supplies		35.38
Fuel & oil		22.54
Repairs		27.17
Custom hire		56.03
Operating interest		17.96
Total direct expenses		760.10
Return over direct expense		203.45
<b>Overhead Expenses</b>		
Custom hire		4.18
Hired labor		73.93
Building leases		9.91
RE & pers. property taxes		4.85
Farm insurance		23.28
Utilities		31.90
Dues & professional fees		15.30
Interest		36.11
Mach & bldg depreciation		39.41
Miscellaneous		14.09
Total overhead expenses		252.95
Total dir & ovhd expenses		1,013.06
Net return		-49.50
Labor & management charge		92.23
Net return over lbr & mgt		-141.72
<b>Cost of Production</b>		
Total direct expense per cwt.		34.10
Total dir & ovhd expense per cwt.		45.45
With other revenue adjustments		47.42
With labor and management		51.56
Est. labor hours per unit		9.91
<b>Other Information</b>		
Average number of sows		118.4
Litters farrowed		202
Litters per sow		1.70
Litters per crate		6.99
Pigs born per litter		10.27
Pigs weaned per litter		8.90
Pigs weaned per sow		14.75
Number sold per litter		8.65
Lbs of feed / lb of gain		3.73
Feed cost / cwt. of gain		24.28
Feed cost per litter		541.13
Avg wgt/Raised Hog sold		266
Avg price / cwt		46.81

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

**Hogs, Farrow To Finish -- Average Per Cwt. Produced**

	<u>Avg. Of All Farms</u>	
Number of farms	9	
	Quantity	Value
Raised Hogs sold (lb)	103.27	48.34
Cull sales (lb)	4.94	1.49
Butchered (lb)	0.09	0.17
Less purchased (lb)	-2.92	-3.00
Inventory change (lb)	-5.37	-3.77
Total production (lb)	100.00	43.23
Other income		-
Gross return		43.23
<b>Direct Expenses</b>		
Barley (bu.)	0.14	0.30
Corn (bu.)	4.91	10.50
Protein Vit Minerals (lb.)	86.57	13.14
Other feed stuffs	3.04	0.35
Breeding fees		0.64
Veterinary		2.04
Supplies		1.59
Fuel & oil		1.01
Repairs		1.22
Custom hire		2.51
Operating interest		0.81
Total direct expenses		34.10
Return over direct expense		9.13
<b>Overhead Expenses</b>		
Custom hire		0.19
Hired labor		3.32
Building leases		0.44
RE & pers. property taxes		0.22
Farm insurance		1.04
Utilities		1.43
Dues & professional fees		0.69
Interest		1.62
Mach & bldg depreciation		1.77
Miscellaneous		0.63
Total overhead expenses		11.35
Total dir & ovhd expenses		45.45
Net return		-2.22
Labor & management charge		4.14
Net return over lbr & mgt		-6.36
<b>Cost of Production</b>		
Total direct expense per cwt.		34.10
Total dir & ovhd expense per cwt.		45.45
With other revenue adjustments		47.42
With labor and management		51.56
Est. labor hours per unit		0.44
<b>Other Information</b>		
Average number of sows		118.4
Litters farrowed		202
Litters per sow		1.70
Litters per crate		6.99
Pigs born per litter		10.27
Pigs weaned per litter		8.90
Pigs weaned per sow		14.75
Number sold per litter		8.65
Lbs of feed / lb of gain		3.73
Feed cost / cwt. of gain		24.28
Feed cost per litter		541.13
Avg wgt/Raised Hog sold		266
Avg price / cwt		46.81

**Livestock Enterprise Analysis**  
**Southeast & 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	8	
	Quantity	Value
Wean-Fin Pig sold (lb)	241.37	112.68
Transferred out (lb)	0.11	0.09
Butchered (lb)	0.02	0.01
Less purchased (lb)	-14.97	-40.60
Inventory change (lb)	21.74	10.86
Total production (lb)	248.27	83.04
Other income		0.01
Gross return		83.05
<b>Direct Expenses</b>		
Barley (bu.)	0.00	0.00
Corn (bu.)	8.26	17.36
Complete Ration (lb.)	23.33	5.45
Protein Vit Minerals (lb.)	62.90	12.22
Other feed stuffs	4.60	7.55
Veterinary		1.88
Supplies		0.62
Contract production exp.		3.64
Fuel & oil		1.30
Repairs		1.44
Hired labor		0.16
Utilities		0.16
Marketing		0.01
Operating interest		0.57
Total direct expenses		52.37
Return over direct expense		30.68
<b>Overhead Expenses</b>		
Custom hire		1.09
Hired labor		4.30
Machinery leases		0.24
Building leases		6.27
Farm insurance		0.95
Utilities		0.87
Interest		1.52
Mach & bldg depreciation		2.28
Miscellaneous		0.71
Total overhead expenses		18.22
Total dir & ovhd expenses		70.59
Net return		12.45
Labor & management charge		2.26
Net return over lbr & mgt		10.19
<b>Cost of Production</b>		
Total direct expense per cwt.		34.00
Total dir & ovhd expense per cwt.		41.54
With other revenue adjustments		41.54
With labor and management		42.48
Est. labor hours per unit		0.37
<b>Other Information</b>		
No. purchased or trans in		19,744
Number sold or trans out		15,449
Percentage death loss		8.3
Avg. daily gain (lbs)		1.38
Lbs of conc / lb of gain		2.23
Lbs of feed / lb of gain		2.58
Feed cost per cwt of gain		17.15
Feed cost per head		42.58
Average purchase weight		13
Average sales weight		262
Avg purch price / head		34.42
Avg sales price / cwt		46.68

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

**Hogs, Weaning to Finish -- Average Per Cwt. Produced**

	<u>Avg. Of All Farms</u>	
Number of farms	8	
	Quantity	Value
Wean-Fin Pig sold (lb)	97.22	45.39
Transferred out (lb)	0.05	0.04
Butchered (lb)	0.01	0.00
Less purchased (lb)	-6.03	-16.35
Inventory change (lb)	8.76	4.37
Total production (lb)	100.00	33.45
Other income		0.00
Gross return		33.45
<b>Direct Expenses</b>		
Barley (bu.)	0.00	0.00
Corn (bu.)	3.33	6.99
Complete Ration (lb.)	9.40	2.19
Protein Vit Minerals (lb.)	25.33	4.92
Other feed stuffs	1.85	3.04
Veterinary		0.76
Supplies		0.25
Contract production exp.		1.47
Fuel & oil		0.52
Repairs		0.58
Hired labor		0.07
Utilities		0.06
Marketing		0.01
Operating interest		0.23
Total direct expenses		21.09
Return over direct expense		12.36
<b>Overhead Expenses</b>		
Custom hire		0.44
Hired labor		1.73
Machinery leases		0.10
Building leases		2.52
Farm insurance		0.38
Utilities		0.35
Interest		0.61
Mach & bldg depreciation		0.92
Miscellaneous		0.29
Total overhead expenses		7.34
Total dir & ovhd expenses		28.43
Net return		5.02
Labor & management charge		0.91
Net return over lbr & mgt		4.11
<b>Cost of Production</b>		
Total direct expense per cwt.		34.00
Total dir & ovhd expense per cwt.		41.54
With other revenue adjustments		41.54
With labor and management		42.48
Est. labor hours per unit		0.15
<b>Other Information</b>		
No. purchased or trans in		19,744
Number sold or trans out		15,449
Percentage death loss		8.3
Avg. daily gain (lbs)		1.38
Lbs of conc / lb of gain		2.23
Lbs of feed / lb of gain		2.58
Feed cost per cwt of gain		17.15
Feed cost per head		42.58
Average purchase weight		13
Average sales weight		262
Avg purch price / head		34.42
Avg sales price / cwt		46.68

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

**Hogs, Contractee -- Average Per Pig Space**

	<b>Avg. Of All Farms</b>	
Number of farms	14	
	Quantity	Value
Total production (hd)	0.00	0.00
Other income		36.79
Gross return		36.79
<b>Direct Expenses</b>		
Supplies		3.69
Fuel & oil		1.77
Repairs		2.15
Operating interest		0.32
Total direct expenses		7.93
Return over direct expense		28.86
<b>Overhead Expenses</b>		
Custom hire		1.41
Hired labor		1.66
Machinery leases		0.14
Building leases		1.24
RE & pers. property taxes		0.28
Farm insurance		1.15
Utilities		2.11
Dues & professional fees		0.34
Interest		5.06
Mach & bldg depreciation		7.55
Miscellaneous		0.26
Total overhead expenses		21.20
Total dir & ovhd expenses		29.13
Net return		7.66
Labor & management charge		4.72
Net return over lbr & mgt		2.94
<b>Cost of Production</b>		
Total direct expense per head		-
Total dir & ovhd expense per head		-
With other revenue adjustments		-
With labor and management		-
Est. labor hours per unit		0.45
<b>Other Information</b>		
Number of pigs		4,886
Pigs per pig space (per year)		2.33
Pigs per 100 sq. ft. (per yr)		28.48
Net return per 100 sq. ft.		93.70
Net return per labor hour		17.08
Square feet per pig space		8.17

## Summary Tables

### Financial Summary by Years

A better picture of the current profitability, liquidity and solvency conditions 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>
1987	113.6	1997	160.5
1988	118.3	1998	163.0
1989	124.0	1999	166.6
1990	130.7	2000	172.2
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

### Financial Summary by County

This table summarizes whole-farm financial performance by county. Counties are grouped by proximity and similar crop production potential.

### 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  
Southeastern Minnesota Farm Business Management Association  
(Overall averages for all farms reporting)

Row	Items	1987	1988	1989	1990	1991	1992	1993	1994	1995
		----	----	----	----	----	----	----	----	----
1	Number of Farms	62	63	58	65	65	63	65	64	62
	Farm Income Statement									
2	Gross Cash Farm Income	190,481	187,712	203,126	219,696	212,943	219,457	236,401	242,784	269,666
3	Total Cash Farm Expense	136,802	135,159	146,353	146,315	144,519	153,908	172,893	178,968	198,873
4	Inventory Change	9,817	2,922	3,482	8,706	1,827	-7,685	2,930	7,424	20,130
5	Depr. & Cap. Adj.	-18,298	-13,646	-15,010	-20,043	-19,416	-17,897	-23,192	-15,047	-19,541
6	Net Farm Income	45,197	41,829	45,244	62,044	50,835	39,967	43,246	56,192	71,382
7	Net Farm Income (Constant \$)	80,209	71,283	73,558	95,701	75,245	57,429	60,335	76,439	94,427
	Profitability and Liquidity Analysis									
8	Labor and Management Earnings	34,905	29,793	31,106	46,923	34,143	22,049	25,084	37,384	47,696
	Rate of return on:									
9	Average Assets (%)	12	10	10	12	9	5	6	8	9
10	Average Equity (%)	15	11	10	15	9	3	5	9	10
11	Operating Profit Margin (%)	22	20	19	23	19	11	14	20	22
12	Asset Turnover Rate (%)	54	52	50	53	46	42	38	40	40
13	Value of Farm Production	194,420	187,789	199,804	215,976	200,904	198,818	184,576	201,239	239,151
14	Farm Interest Paid	16,542	15,543	15,151	12,963	13,983	12,509	13,339	14,175	15,370
15	Cash Expense as a % of Income	72	72	72	67	68	70	73	74	74
	Interest Paid as a % of:									
16	Gross Cash Income	9	8	7	6	7	6	6	6	6
17	Total Cash Expenses	12	11	10	9	10	8	8	8	8
18	Yrs. to T/O Non R.E. Debt	4.1	3.4	4.5	1.5	1.5	2.0	1.5	1.3	1.2
	Comparative Financial Statement (Cost Basis)									
19	No. of Sole Proprietors	49	48	44	51	48	46	47	46	44
20	Total Ending Assets	326,849	331,420	376,054	384,259	417,616	474,752	455,144	507,456	571,147
21	Total Ending Liabilities	162,013	154,430	164,661	159,333	172,612	192,695	198,475	218,738	227,621
22	Ending Net Worth	164,836	176,990	211,393	224,926	245,004	282,057	256,670	288,718	343,526
23	Ending Farm C+I Debt to Asset %	38	33	33	31	31	33	40	38	36
24	Ending Total Debt to Asset %	50	47	44	41	41	41	44	43	40
	Acreage Information									
25	Total Acres Owned	268	274	294	280	272	285	325	335	362
26	Total Crop Acres Farmed	365	348	372	350	401	417	432	430	496
27	Crop Acres Owned	225	223	222	210	237	261	264	258	276
28	Crop Acres Cash Rented	123	105	128	124	159	152	162	163	214
29	Crop Acres Share Rented	18	20	22	16	5	4	5	8	6
	Crop Yields									
30	Corn per acre	143	88	142	140	134	117	91	158	129
31	Soybean per acre	44	31	42	41	42	32	33	46	44
	Crop Prices Received (cash sales)									
32	Corn per Bushel	1.77	2.17	2.36	2.39	2.28	2.34	1.97	2.22	2.37
33	Soybeans per Bushel	4.95	6.87	6.88	5.89	5.33	5.28	5.98	5.94	5.72
	Household Information									
34	No. Farms Reporting HseHld Info	14	12	11	16	16	16	19	30	21
35	Average Family Size	3.5	3.5	3.7	3.4	3.8	4.0	3.3	3.0	2.1
36	Total Family Use of Cash	35,772	41,392	44,050	49,370	46,635	44,940	32,132	37,652	41,005
37	Average Net Nonfarm Income	8,788	8,396	9,370	8,403	8,343	10,377	12,192	12,435	14,786

\* Not available.

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

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Row
----	----	----	----	----	----	----	----	----	----	----	----
61	64	60	62	58	59	54	50	46	45	38	1
291,050	294,687	320,356	411,665	352,354	365,819	402,565	470,459	509,817	516,282	555,309	2
211,486	225,501	239,611	314,644	267,986	274,867	328,740	366,322	383,908	395,564	444,771	3
3,690	21,010	1,575	-53	19,036	-6,480	14,376	12,101	16,409	36,679	88,496	4
-15,676	-16,885	-16,580	-30,556	-25,732	-23,494	-23,536	-30,568	-28,855	-40,709	-27,110	5
67,579	73,311	65,739	66,412	77,672	60,978	64,666	85,669	113,462	116,688	171,925	6
86,832	92,084	81,307	80,364	90,933	69,453	72,466	93,863	121,090	120,452	171,925	7
41,777	45,620	36,896	35,032	45,373	26,509	25,398	44,067	64,967	63,204	108,622	8
8	9	7	7	8	6	5	7	8	8	10	9
8	9	7	7	9	5	5	7	9	9	12	10
21	24	19	18	22	17	15	17	22	21	28	11
39	37	36	39	37	34	35	40	38	36	37	12
242,598	256,273	268,551	320,367	309,214	287,161	338,181	409,738	444,067	468,826	559,218	13
15,571	18,957	17,964	22,135	22,111	19,291	20,758	20,191	21,517	21,634	26,375	14
73	77	75	76	76	75	82	78	75	77	80	15
5	6	6	5	6	5	5	4	4	4	5	16
7	8	7	7	8	7	6	6	6	5	6	17
1.0	1.4	1.4	1.2	2.1	1.4	2.4	1.5	1.6	2.1	3.8	18
45	47	45	49	46	45	41	36	33	31	25	19
610,645	673,379	735,178	789,710	849,829	878,408	1,045,929	1,066,423	1,245,139	1,390,883	1,681,635	20
217,061	251,000	260,958	266,181	296,006	295,360	378,343	361,425	408,637	443,612	534,847	21
393,584	422,379	474,219	523,529	553,823	583,049	667,586	704,997	836,502	947,270	1,146,788	22
35	37	35	36	37	35	39	34	33	32	33	23
36	37	35	34	35	34	36	34	33	32	32	24
336	325	367	330	342	336	355	391	434	420	440	25
504	513	560	580	576	577	634	691	753	722	800	26
252	266	285	304	301	301	317	346	391	386	429	27
244	241	268	271	266	275	314	339	357	331	365	28
8	7	7	5	9	2	3	5	6	5	6	29
126	146	167	156	154	143	163	158	169	179	176	30
42	44	50	45	49	40	50	37	43	53	53	31
3.19	2.54	2.15	1.86	1.85	1.88	2.02	2.14	2.50	2.07	2.10	32
7.00	7.11	5.72	4.59	4.65	4.43	4.90	6.18	6.97	6.17	5.58	33
18	17	15	16	13	18	16	9	12	10	7	34
3.6	3.5	3.7	3.8	4.0	3.6	2.8	3.0	2.9	2.9	2.4	35
36,438	60,231	50,081	61,086	86,083	81,341	73,210	56,374	68,443	76,005	48,054	36
20,634	26,290	20,692	27,419	26,602	29,753	28,780	31,939	34,050	28,510	27,918	37



**Financial Summary**  
**Southeast Minnesota Farm Business Management Association**  
**(Farms Sorted By County)**

	<u>Avg. Of All Farms</u>	<u>Dakota Le Sueur Nicollet Rice Scott Washington</u>	<u>Dodge Faribault Freeborn Mower Steele Waseca</u>	<u>Fillmore Goodhue Houston Olmsted Wabasha Winona</u>
Number of farms	38	11	5	22
<b>Income Statement</b>				
Gross cash farm income	555,309	721,123	383,942	511,349
Total cash farm expense	444,771	614,196	248,567	404,650
Net cash farm income	110,538	106,927	135,375	106,699
Inventory change	88,496	153,233	71,838	59,914
Depreciation and capital adjust	-27,110	-32,427	-22,338	-25,536
Net farm income	171,925	227,733	184,875	141,077
<b>Profitability (cost)</b>				
Labor and management earnings	108,622	126,361	130,836	94,704
Rate of return on assets	10.1 %	9.1 %	12.6 %	10.5 %
Rate of return on equity	12.1 %	10.9 %	15.3 %	12.5 %
Operating profit margin	27.5 %	28.9 %	37.3 %	24.4 %
Asset turnover rate	36.6 %	31.5 %	33.9 %	42.8 %
<b>Liquidity</b>				
Ending current ratio	4.73	7.42	-	3.43
Ending working capital	236,917	409,966	68,037	188,774
End working capital to gross inc	42.7 %	56.9 %	17.7 %	36.9 %
Term debt coverage ratio	284.9 %	277.0 %	361.6 %	276.1 %
Expense as a percent of income	69.0 %	69.8 %	52.7 %	71.1 %
Interest as a percent of income	4.3 %	4.8 %	4.4 %	3.9 %
<b>Solvency (market)</b>				
Number of sole proprietors	25	5	2	18
Ending farm assets	1,921,378	3,617,709	-	1,530,373
Ending farm liabilities	630,357	1,345,002	-	472,212
Ending total assets	2,280,487	4,055,196	-	1,863,941
Ending total liabilities	667,527	1,366,504	-	515,054
Ending net worth	1,612,960	2,688,692	-	1,348,888
Net worth change	162,578	322,325	-	122,742
Ending farm debt to asset ratio	33 %	37 %	- %	31 %
Beg total debt to asset ratio	30 %	34 %	- %	29 %
End total debt to asset ratio	29 %	34 %	- %	28 %
<b>Nonfarm Information</b>				
Net nonfarm income	27,222	27,555	45,843	22,823
Farms reporting living expenses	9	1	-	8
Total family living expense	52,827	-	-	56,897
Total living, invest, & capital	55,344	-	-	71,021
<b>Crop Acres</b>				
Total acres owned	440	625	469	341
Total crop acres	800	1,208	762	605
Total crop acres owned	429	673	547	280
Total crop acres cash rented	365	533	214	316
Total crop acres share rented	6	3	-	9

**Financial Summary**  
**Southeast 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	38	8	12	7	5
<b>Income Statement</b>					
Gross cash farm income	555,309	193,973	400,869	764,834	1,798,343
Total cash farm expense	444,771	142,879	309,128	616,307	1,474,718
Net cash farm income	110,538	51,095	91,740	148,527	323,625
Inventory change	88,496	21,241	62,946	132,266	289,802
Depreciation and capital adjust	-27,110	-14,478	-24,038	-47,530	-51,017
Net farm income	171,925	57,857	130,648	233,263	562,410
<b>Profitability (cost)</b>					
Labor and management earnings	108,622	26,202	91,418	151,491	360,378
Rate of return on assets	10.1 %	5.8 %	11.3 %	10.8 %	10.9 %
Rate of return on equity	12.1 %	5.6 %	13.8 %	12.9 %	13.7 %
Operating profit margin	27.5 %	21.2 %	27.2 %	26.1 %	31.1 %
Asset turnover rate	36.6 %	27.3 %	41.5 %	41.2 %	35.0 %
<b>Liquidity</b>					
Ending current ratio	4.73	56.39	2.79	4.74	6.46
Ending working capital	236,917	136,049	140,730	375,791	685,924
End working capital to gross inc	42.7 %	70.1 %	35.1 %	49.1 %	38.1 %
Term debt coverage ratio	284.9 %	316.5 %	312.8 %	293.3 %	268.3 %
Expense as a percent of income	69.0 %	66.8 %	66.7 %	68.5 %	70.3 %
Interest as a percent of income	4.3 %	5.8 %	3.7 %	4.3 %	4.2 %
<b>Solvency (market)</b>					
Number of sole proprietors	25	6	7	5	2
Ending farm assets	1,921,378	1,084,808	1,546,569	2,930,425	-
Ending farm liabilities	630,357	299,890	485,774	789,172	-
Ending total assets	2,280,487	1,301,252	1,946,101	3,357,364	-
Ending total liabilities	667,527	299,890	555,819	820,605	-
Ending net worth	1,612,960	1,001,362	1,390,282	2,536,760	-
Net worth change	162,578	67,872	161,377	233,314	-
Ending farm debt to asset ratio	33 %	28 %	31 %	27 %	- %
Beg total debt to asset ratio	30 %	24 %	30 %	26 %	- %
End total debt to asset ratio	29 %	23 %	29 %	24 %	- %
<b>Nonfarm Information</b>					
Net nonfarm income	27,222	15,995	18,662	25,754	21,158
Farms reporting living expenses	9	3	2	3	1
Total family living expense	52,827	-	-	-	-
Total living, invest, & capital	55,344	-	-	-	-
<b>Crop Acres</b>					
Total acres owned	440	239	342	567	1,079
Total crop acres	800	339	603	1,285	2,072
Total crop acres owned	429	227	304	575	1,249
Total crop acres cash rented	365	112	292	691	823
Total crop acres share rented	6	-	6	19	-

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

	<u>Avg. Of All Farms</u>	<u>Crop</u>	<u>Dairy</u>	<u>Other</u>
Number of farms	38	13	10	5
<b>Income Statement</b>				
Gross cash farm income	555,309	487,152	836,157	181,585
Total cash farm expense	444,771	390,821	694,635	154,988
Net cash farm income	110,538	96,331	141,522	26,597
Inventory change	88,496	141,917	30,265	50,301
Depreciation and capital adjust	-27,110	-24,535	-42,085	-11,202
Net farm income	171,925	213,714	129,703	65,696
<b>Profitability (cost)</b>				
Labor and management earnings	108,622	159,864	67,073	30,242
Rate of return on assets	10.1 %	14.6 %	6.2 %	5.5 %
Rate of return on equity	12.1 %	20.5 %	6.1 %	4.9 %
Operating profit margin	27.5 %	35.5 %	13.7 %	19.3 %
Asset turnover rate	36.6 %	41.1 %	45.1 %	28.3 %
<b>Liquidity</b>				
Ending current ratio	4.73	6.44	2.99	5.84
Ending working capital	236,917	494,220	103,223	94,232
End working capital to gross inc	42.7 %	101.5 %	12.3 %	51.9 %
Term debt coverage ratio	284.9 %	354.4 %	153.9 %	418.1 %
Expense as a percent of income	69.0 %	61.0 %	80.6 %	65.9 %
Interest as a percent of income	4.3 %	5.1 %	3.1 %	5.1 %
<b>Solvency (market)</b>				
Number of sole proprietors	25	11	6	3
Ending farm assets	1,921,378	2,389,706	1,804,449	-
Ending farm liabilities	630,357	858,454	477,598	-
Ending total assets	2,280,487	2,826,361	2,041,806	-
Ending total liabilities	667,527	884,490	479,835	-
Ending net worth	1,612,960	1,941,871	1,561,971	-
Net worth change	162,578	250,992	26,544	-
Ending farm debt to asset ratio	33 %	36 %	26 %	- %
Beg total debt to asset ratio	30 %	33 %	23 %	- %
End total debt to asset ratio	29 %	31 %	24 %	- %
<b>Nonfarm Information</b>				
Net nonfarm income	27,222	37,056	7,576	38,472
Farms reporting living expenses	9	3	3	1
Total family living expense	52,827	-	-	-
Total living, invest, & capital	55,344	-	-	-
<b>Crop Acres</b>				
Total acres owned	440	413	295	347
Total crop acres	800	1,151	405	310
Total crop acres owned	429	441	256	203
Total crop acres cash rented	365	700	149	102
Total crop acres share rented	6	10	-	6

**Financial Summary**  
**Southeast 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>
Number of farms	38	16	13	9
<b>Income Statement</b>				
Gross cash farm income	555,309	386,659	610,518	775,384
Total cash farm expense	444,771	269,270	516,872	652,625
Net cash farm income	110,538	117,389	93,646	122,759
Inventory change	88,496	54,614	80,572	160,177
Depreciation and capital adjust	-27,110	-20,272	-22,070	-46,547
Net farm income	171,925	151,732	152,148	236,389
<b>Profitability (cost)</b>				
Labor and management earnings	108,622	91,265	70,674	194,294
Rate of return on assets	10.1 %	10.0 %	7.3 %	14.3 %
Rate of return on equity	12.1 %	10.4 %	7.9 %	28.4 %
Operating profit margin	27.5 %	27.3 %	23.1 %	32.4 %
Asset turnover rate	36.6 %	36.6 %	31.7 %	44.0 %
<b>Liquidity</b>				
Ending current ratio	4.73	16.88	2.60	5.47
Ending working capital	236,917	172,082	161,827	460,643
End working capital to gross inc	42.7 %	44.5 %	26.5 %	59.4 %
Term debt coverage ratio	284.9 %	763.1 %	240.0 %	220.7 %
Expense as a percent of income	69.0 %	61.4 %	74.9 %	69.0 %
Interest as a percent of income	4.3 %	1.2 %	4.3 %	6.9 %
<b>Solvency (market)</b>				
Number of sole proprietors	25	10	9	6
Ending farm assets	1,921,378	1,440,846	2,117,779	2,427,660
Ending farm liabilities	630,357	181,245	662,620	1,330,482
Ending total assets	2,280,487	1,819,893	2,513,785	2,698,199
Ending total liabilities	667,527	186,872	740,497	1,359,164
Ending net worth	1,612,960	1,633,021	1,773,288	1,339,035
Net worth change	162,578	113,487	162,610	244,348
Ending farm debt to asset ratio	33 %	13 %	31 %	55 %
Beg total debt to asset ratio	30 %	11 %	31 %	53 %
End total debt to asset ratio	29 %	10 %	29 %	50 %
<b>Nonfarm Information</b>				
Net nonfarm income	27,222	21,278	41,773	16,769
Farms reporting living expenses	9	3	5	1
Total family living expense	52,827	-	59,501	-
Total living, invest, & capital	55,344	-	47,144	-
<b>Crop Acres</b>				
Total acres owned	440	357	652	279
Total crop acres	800	586	879	1,068
Total crop acres owned	429	355	548	388
Total crop acres cash rented	365	229	315	680
Total crop acres share rented	6	2	16	-

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

	<u>Avg. Of All Farms</u>	<u>41 - 50</u>	<u>51 - 60</u>	<u>Over 60</u>
Number of farms	38	11	14	11
<b>Income Statement</b>				
Gross cash farm income	555,309	469,114	448,380	618,537
Total cash farm expense	444,771	367,629	349,243	500,844
Net cash farm income	110,538	101,485	99,137	117,693
Inventory change	88,496	51,576	61,553	74,026
Depreciation and capital adjust	-27,110	-25,180	-23,002	-28,955
Net farm income	171,925	127,880	137,688	162,763
<b>Profitability (cost)</b>				
Labor and management earnings	108,622	90,734	71,620	87,333
Rate of return on assets	10.1 %	11.2 %	7.8 %	8.3 %
Rate of return on equity	12.1 %	13.9 %	8.7 %	8.9 %
Operating profit margin	27.5 %	25.8 %	25.1 %	21.8 %
Asset turnover rate	36.6 %	43.4 %	31.1 %	38.1 %
<b>Liquidity</b>				
Ending current ratio	4.73	3.80	3.35	3.87
Ending working capital	236,917	104,367	152,299	158,572
End working capital to gross inc	42.7 %	22.2 %	34.0 %	25.6 %
Term debt coverage ratio	284.9 %	259.1 %	245.5 %	351.7 %
Expense as a percent of income	69.0 %	70.7 %	68.5 %	72.9 %
Interest as a percent of income	4.3 %	3.6 %	4.9 %	2.7 %
<b>Solvency (market)</b>				
Number of sole proprietors	25	7	10	6
Ending farm assets	1,921,378	1,044,938	1,450,276	2,522,090
Ending farm liabilities	630,357	299,804	415,190	600,990
Ending total assets	2,280,487	1,242,049	1,907,849	2,876,845
Ending total liabilities	667,527	301,276	487,302	624,948
Ending net worth	1,612,960	940,773	1,420,547	2,251,897
Net worth change	162,578	72,256	164,581	76,600
Ending farm debt to asset ratio	33 %	29 %	29 %	24 %
Beg total debt to asset ratio	30 %	22 %	29 %	22 %
End total debt to asset ratio	29 %	24 %	26 %	22 %
<b>Nonfarm Information</b>				
Net nonfarm income	27,222	11,460	41,662	28,645
Farms reporting living expenses	9	2	4	3
Total family living expense	52,827	-	-	-
Total living, invest, & capital	55,344	-	-	-
<b>Crop Acres</b>				
Total acres owned	440	217	597	459
Total crop acres	800	479	761	703
Total crop acres owned	429	247	495	417
Total crop acres cash rented	365	226	256	284
Total crop acres share rented	6	7	10	3

## **Appendix I**

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

The whole-farm reports (except for the balance sheets) include the same number of farms, which were all of the farms whose records were judged to be of sufficient quality. The Balance Sheets include only sole proprietors; partnerships and corporations are excluded because some debt is held outside of the business, causing potential misinterpretations of the average financial condition.

Rounding of individual items may have caused minor discrepancies between those items and the printed totals which are calculated before rounding.

#### **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 and Other Capital Adjustments* 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.

#### **Inventory Changes**

This is the detailed statement of inventory changes which is summarized in the Farm Income Statement. It includes beginning and ending inventories and the calculated changes.

#### **Depreciation and Other Capital Adjustments**

This is the detailed statement of depreciation and other capital adjustments which is summarized in the Farm Income Statement. It includes beginning and ending inventories (valued at cost), sales, purchases, and depreciation.

The accounting method used for calculating depreciation was changed in 2000. Previously tax depreciation was used. The new method is designed to estimate actual economic depreciation more closely. This method depreciates machinery and equipment at 10 to 12% of beginning cost basis plus boot purchases less basis of sales items. For buildings and other improvements, the percentage was 5 to 8%; for breeding livestock, the percentage varied between 20 to 25%.

## Profitability Measures

Profitability is measured using assets valued first at cost and then at market. The reports include six 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.

*Labor and Management Earnings* equals *Net Farm Income* minus an opportunity interest cost of 6% on average farm net worth.

*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*.

*Interest on Farm Net Worth* is the *Average Farm Net Worth* multiplied by a 6% opportunity interest cost charge.

*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 Measures***

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

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

*Family Living and Taxes* is the apparent total family expenses and income and social security taxes paid averaged for all farms, not just those included in the Household and Personal Expenses report.

*Real Estate Principal Payments* are taken from the farmer's data.

*Cash Available for Intermediate Debt Service* (cash basis) is *Total Net Income* minus *Family Living and Taxes* and *Real Estate Principal Payments*. *Available for Intermediate Debt Service* (accrual basis) is *Net Accrual Operating Income* plus *Net Nonfarm Income* and minus *Family Living and Taxes* and *Real Estate Principal Payments*.

*Average Intermediate Debt* is the average of beginning and ending intermediate farm liabilities.

*Years to Turn Over Intermediate Debt* is *Average Intermediate Debt* divided by *Cash Available for Intermediate Debt Service*. If either the cash-based or accrual-based *Cash Available for Intermediate Debt* is a negative number, debt repayment is not possible because of negative cash flow and *Years to Turn Over Intermediate Debt* cannot be calculated.

*Expense as a Percent of Income* (cash basis) is *Total Cash Expense* divided by *Gross Cash Farm Income*. *Expense as a Percent of Income* (accrual basis) is *Total Accrual Farm Expense* divided by *Total Accrual Farm Income*.

*Interest as a Percent of Income* (cash basis) is *Interest* divided by *Gross Cash Farm Income*. *Interest as a Percent of Income* (accrual basis) is *Interest* minus beginning accrued interest plus ending accrued interest divided by *Total Accrual Farm Income*.

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

These tables include only sole proprietors; partnerships and corporations are excluded because some assets and debts are held outside of the farm business, causing potential misinterpretations of the average financial condition.

## **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.



## Financial Standards Measures

This table contains the Farm Financial Standards Council's 16 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.

### *Solvency*

*Farm Debt to Asset Ratio* is calculated by dividing the total farm liabilities by the total farm assets. It is similar to the total percent in debt ratio listed earlier. The difference is that nonfarm assets and liabilities are included in the total percent in debt but not in the farm debt to asset ratio.

*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 - Value of Operator's Labor & Management, and Average Farm Net Worth = (Beginning Farm Net Worth + Ending Farm Net Worth) ÷ 2.

*Operating Profit Margin* is a measure of the operating efficiency of the business. It is calculated as follows: Operating Profit Margin = Return to Farm Assets ÷ 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.

### ***Repayment Capacity***

*Term Debt Coverage Ratio* measures whether the business generated enough cash 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 100 percent indicates that the business did not generate sufficient cash to meet scheduled payments in the past year. A ratio greater than 100 indicates the business generated enough cash to pay all term debt payments.

*Capital Replacement Margin* is the amount of money remaining after all operating expenses, taxes, family living costs, and scheduled debt payments have been made. It is the cash generated by the farm business that is available for financing capital replacement such as machinery and equipment. RankEm Central calculates the capital replacement margin by first adding interest due on intermediate and long term loans to the amount available for principal payments. It then subtracts scheduled principal and interest payments from this total.

### ***Efficiency***

*Asset Turnover Rate* is a measure of efficiency in using capital. It is calculated as follows:  
Asset Turnover Rate = Value of Farm Production ÷ 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.

## **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. *Total expense with labor and management* is total expense less government and other income plus the labor and management charge, 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 Return* 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 Price	Average Feed Price/Year	Crop Enterprise Production	Ending Inventory Price
Corn	\$1.50	\$2.20	Actual	\$3.00
Oats	1.50	1.50	Actual	1.80
Soybeans	5.00	6.00	Actual	6.00
Alfalfa Hay	90.00	90.00	90.00	100.00
Mixed Hay	60.00	50.00	60.00	70.00
Haylage	45.00	45.00	45.00	50.00
Corn Silage	19.00	20.00	22.00	22.00
Oat Silage	12.00	12.00	12.00	12.00
Straw/ton	60.00	--	60.00	60.00
Corn Stalks	10.00	10.00	10.00	10.00
Barley	1.50	1.50	1.50	1.50

Pasture Rates	Tillable Pasture or Green Crop		Nontillable or Permanent Pasture	
	Per Month	Per Day	Per Month	Per Day
Dairy cow, bull, beef cow, feeder cattle & horses	\$10.00	\$.333	\$7.00	\$.233
Young cattle	5.00	.167	3.50	.117

Value of operator's labor is calculated by using this formula: For sole proprietors and partnerships, labor and management should be valued at \$18,000 per operator plus 5% of the value of farm production. The minimum labor and management charge is \$30,000 for a full-time farm operator.

Homegrown seed - soybeans: \$8.00/bu.

Homegrown seed - oats: \$3.00/bu.